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# The Travelers Companies, Inc.

## First Quarter 2010 Results

*April 23, 2010*

# Explanatory Note

This presentation contains, and management may make, certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Specifically, earnings guidance, statements about our share repurchase plans (which repurchase plans depend on a variety of factors, including our financial position, earnings, capital requirements of our operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions), market conditions and other factors) and statements about the potential impact of recent or future disruption in the investment markets and other economic conditions on our investment portfolio and underwriting results, among others, are forward looking, and we may make forward-looking statements about, among other things, our results of operations (including, among others, premium volume, premium rates (either for new or renewal business), net and operating income, investment income and performance, return on equity, expected current returns and combined ratio) and financial condition; the sufficiency of our asbestos and other reserves (including, among others, asbestos claim payment patterns); the impact of emerging claims issues (including, among others, Chinese-made drywall); the cost and availability of reinsurance coverage; catastrophe losses; the impact of investment, economic and underwriting market conditions; and strategic initiatives. We caution investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Some of the factors that could cause actual results to differ include, but are not limited to, the following: catastrophe losses could materially and adversely affect our results of operations, our financial position and/or liquidity, and could adversely impact our ratings, our ability to raise capital and the availability and cost of reinsurance; during or following a period of financial market disruption or prolonged economic downturn, our business could be materially and adversely affected; our investment portfolio may suffer reduced returns or material losses; if actual claims exceed our loss reserves, or if changes in the estimated level of loss reserves are necessary, our financial results could be materially and adversely affected; our business could be harmed because of our potential exposure to asbestos and environmental claims and related litigation; we are exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances; the effects of emerging claim and coverage issues on our business are uncertain; the intense competition that we face could harm our ability to maintain or increase our business volumes and our profitability; we may not be able to collect all amounts due to us from reinsurers, and reinsurance coverage may not be available to us in the future at commercially reasonable rates or at all; we are exposed to credit risk in certain of our business operations; our businesses are heavily regulated and changes in regulation may reduce our profitability and limit our growth; a downgrade in our claims-paying and financial strength ratings could adversely impact our business volumes, adversely impact our ability to access the capital markets and increase our borrowing costs; the inability of our insurance subsidiaries to pay dividends to our holding company in sufficient amounts would harm our ability to meet our obligations and to pay future shareholder dividends; disruptions to our relationships with our independent agents and brokers could adversely affect us; our efforts to develop new products or expand in targeted markets may not be successful and may create enhanced risks; our business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology; if we experience difficulties with technology, data security and/or outsourcing relationships our ability to conduct our business could be negatively impacted; acquisitions and integration of acquired businesses may result in operating difficulties and other unintended consequences; we are subject to a number of risks associated with our business outside the United States; we could be adversely affected if our controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective; our businesses may be adversely affected if we are unable to hire and retain qualified employees; and loss of or significant restriction on the use of credit scoring in the pricing and underwriting of Personal Insurance products could reduce our future profitability.

Our forward-looking statements speak only as of the date of this presentation or as of the date they are made, and we undertake no obligation to update our forward-looking statements. For a more detailed discussion of these factors, see the information under the caption "Risk Factors" in our most recent annual report on Form 10-K filed with the Securities and Exchange Commission and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent annual report on Form 10-K and our quarterly report on Form 10-Q filed with the Securities and Exchange Commission.

In this presentation, we may refer to some non-GAAP financial measures, including, among others, operating income, operating income per diluted share, operating income excluding catastrophes, operating return on equity, underwriting gain (loss), GAAP combined ratio excluding catastrophes and prior year development and adjusted and tangible book value per common share. For a reconciliation of these measures to the most comparable GAAP measures and a glossary of financial measures, we refer you to the press release and financial supplement that we have made available in connection with this presentation which is available on the Travelers website under the investor section (www.travelers.com).

# Long-Term Financial Strategy

Meaningful and sustainable competitive advantages → Generation of top tier earnings and capital substantially in excess of growth needs → Balanced approach to rightsizing capital and growing book value per share over time

**Create Shareholder Value**

**Objective: Mid-Teens ROE Over Time**

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# First Quarter 2010 Highlights

- **Net and operating income of $647 million and $631 million, respectively**
  - Net income per diluted share up 13% from prior year quarter
  - Operating return on equity of 10.1%
  - Catastrophe losses of $312 million after-tax ($471 million pre-tax), compared to $54 million after-tax ($83 million pre-tax) in the prior year quarter
  - Net favorable prior year development of $192 million after-tax ($294 million pre-tax), compared to $168 million after-tax ($258 million pre-tax) in the prior year quarter
  - After-tax net investment income up 29% from the prior year quarter

- **Total revenues of $6.1 billion, up 7% from the prior year quarter**

- **Net written premiums of $5.251 billion, increased 1% from the prior year quarter**

- **Impact of renewal rate changes on premiums remained positive across all three business segments and retention rates remained high**

- **Book value per share of $53.50**
  - Increased 2% from December 31, 2009 after $1.4 billion of common share repurchases and $168 million of common stock dividends
  - Increased 19% from March 31, 2009 after $4.7 billion of common share repurchases and $681 million of common stock dividends

# Very Strong Financial Position

*($ and shares in millions, except per share amounts)*

| | March 31, 2010 | December 31, 2009 |
|---|---|---|
| Debt | $ 6,525 | $ 6,527 |
| Preferred equity | 77 | 79 |
| Common equity [1] | 24,656 | 25,475 |
| Total capital [1] | $ 31,258 | $ 32,081 |
| *Debt to capital [1]* | *20.9%* | *20.3%* |
| Common shares outstanding | 497.0 | 520.3 |
| Book value per common share | $ 53.50 | $ 52.54 |
| Adjusted book value per common share [1] | $ 49.60 | $ 48.96 |
| Tangible book value per common share [1] | $ 41.82 | $ 41.49 |
| Statutory surplus | $ 21,607 | $ 23,195 |
| Holding company liquidity | $ 3,034 | $ 2,144 |

[1] Excludes net unrealized investment gains

### Capital

- At or above target levels for all rating agencies
- $1 billion extraordinary dividend from operating companies in first quarter 2010
- Continued to generate excess capital and repurchase common shares
  - $1.4 billion of share repurchases in first quarter 2010

### Leverage

- Debt to capital ratio of 20.9% approximates target level
- Low level of maturing debt
  - 2010 $273 million
  - 2011 $ 11 million
  - 2012 $250 million

  Can self-fund all maturing debt

### Liquidity

- Holding company liquidity was almost three times the company's target level due to the timing of operating company dividends

### Very high quality investment portfolio

- Net unrealized investment gains of $1.9 billion after-tax ($2.9 billion pre-tax) at end of first quarter 2010
- Net realized investment gains of $16 million after-tax ($25 million pre-tax) in first quarter 2010
  - Other-than-temporary impairments of only $6 million after-tax ($10 million pre-tax) in first quarter 2010

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# Consolidated Performance

*($ in millions, except per share amounts, after-tax)*

| First Quarter | 2010 | 2009 | Change |
|---|---|---|---|
| **Operating income** | **$ 631** | **$ 799** | **(21) %** |
| *per diluted share* | *$ 1.22* | *$ 1.34* | *(9) %* |
| Included the following items: | | | |
| Net favorable prior year reserve development | $ 192 | $ 168 | |
| Catastrophes, net of reinsurance | (312) | (54) | |
| Resolution of prior year tax matters | - | 69 | |
| **Total Items** | **$ (120)** | **$ 183** | |
| Loss and loss adjustment ratio | 64.0 % | 59.7 % | |
| Underwriting expense ratio | 32.4 | 30.9 | |
| **GAAP combined ratio [1]** | **96.4 %** | **90.6 %** | **(5.8) pts** |
| *GAAP combined ratio excluding incremental impact of direct to consumer initiative* | *95.8 %* | *90.1 %* | |
| Net favorable prior year reserve development | 5.6 | 4.9 | |
| Catastrophes, net of reinsurance | (9.0) | (1.6) | |
| **Adjusted GAAP combined ratio** | **93.0 %** | **93.9 %** | **0.9 pts** |

[1] A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

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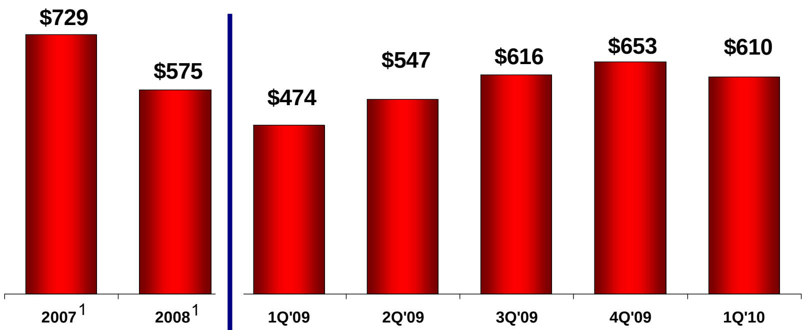
# Net Investment Income

*($ in millions, after-tax)*

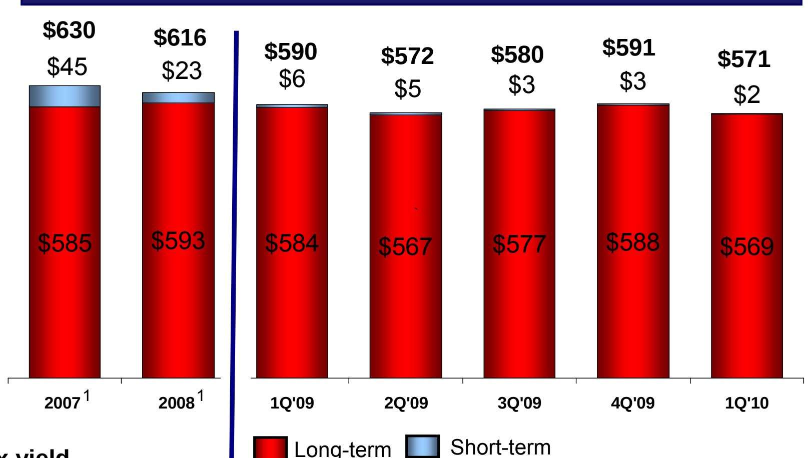
## Total




| After-tax yield | 2007[1] | 2008[1] | 1Q'09 | 2Q'09 | 3Q'09 | 4Q'09 | 1Q'10 |
|---|---|---|---|---|---|---|---|
| | 3.9% | 3.1% | 2.6% | 3.0% | 3.4% | 3.5% | 3.4% |

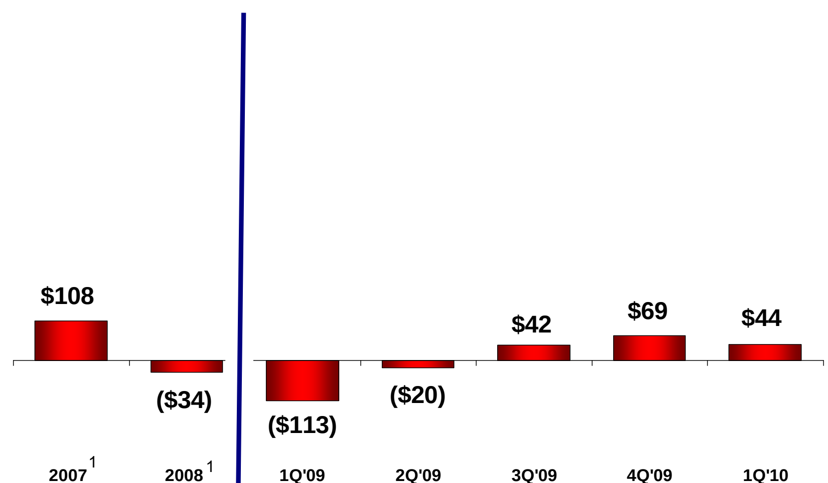
- Long-term fixed income portfolio continued to produce steady returns
- Net investment income from the short-term portion of fixed income portfolio impacted by very low interest rates
- Non-fixed income portfolio (primarily private equity funds, real estate partnerships and hedge funds) produced a positive return

## Fixed Income[2]




| After-tax yield | 2007[1] | 2008[1] | 1Q'09 | 2Q'09 | 3Q'09 | 4Q'09 | 1Q'10 |
|---|---|---|---|---|---|---|---|
| Total | 3.6% | 3.5% | 3.4% | 3.3% | 3.3% | 3.4% | 3.3% |
| Short-term | 3.8% | 1.7% | 0.4% | 0.3% | 0.2% | 0.2% | 0.2% |
| Long-term | 3.6% | 3.7% | 3.7% | 3.6% | 3.7% | 3.7% | 3.6% |

## Non-Fixed Income[2]




| After-tax yield | 2007[1] | 2008[1] | 1Q'09 | 2Q'09 | 3Q'09 | 4Q'09 | 1Q'10 |
|---|---|---|---|---|---|---|---|
| Total | 9.7% | (3.1%) | (11.1%) | (2.1%) | 4.3% | 7.0% | 4.4% |

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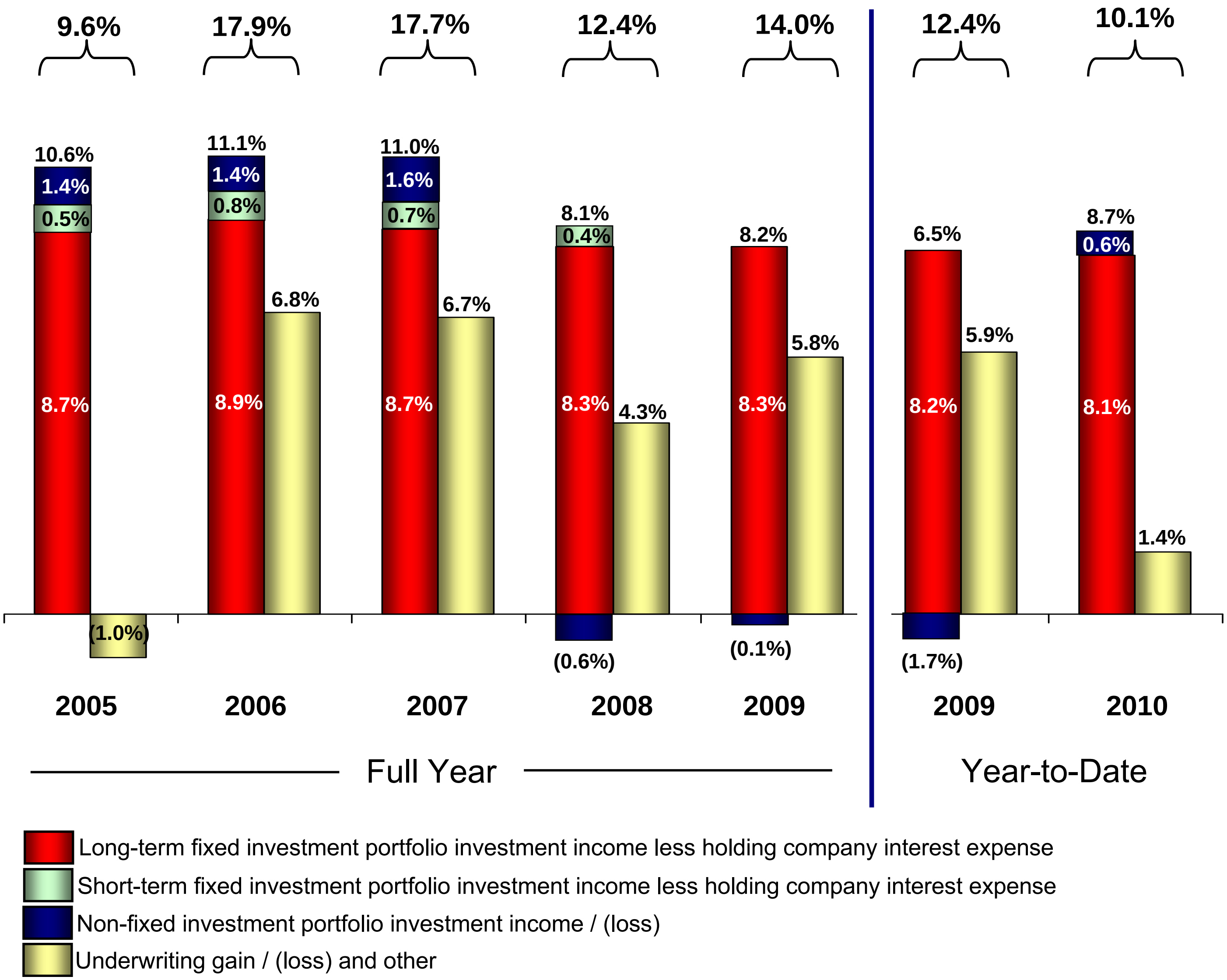
[1] 2007 and 2008 data equals quarterly average
[2] Excludes investment expenses

# Components of Operating Return on Equity




- For first quarter 2010, investment income from the fixed income portfolio, net of interest expense on holding company debt, contributed 8.1 points to the operating return on equity, a decrease from the prior year quarter mostly due to lower reinvestment rates
- For first quarter 2010, underwriting income contributed 1.4 points to the operating return on equity, a decrease from the prior year quarter primarily due to higher catastrophe losses
- From January 1, 2005 through March 31, 2010, average annual operating return on equity was approximately 14.2%

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# Business Insurance - Performance

*($ in millions)*

| First Quarter | 2010 | 2009 | Change |
|---|---|---|---|
| **Operating income** | **$ 567** | **$ 547** | **4 %** |
| Loss and loss adjustment ratio | 58.7 % | 57.8 % | |
| Underwriting expense ratio | 32.7 | 31.2 | |
| **GAAP combined ratio** [1] | **91.4 %** | **89.0 %** | **(2.4) pts** |
| Net favorable prior year reserve development | 9.2 | 6.6 | |
| Catastrophes, net of reinsurance | (5.1) | (0.4) | |
| **Adjusted GAAP combined ratio** | **95.5 %** | **95.2 %** | **(0.3) pts** |

| | 2010 | 2009 | Change |
|---|---|---|---|
| **Net Written Premiums** | | | |
| Select Accounts | $ 702 | $ 731 | |
| Commercial Accounts | 706 | 710 | |
| National Accounts | 226 | 259 | |
| Industry-Focused Underwriting | 569 | 617 | |
| Target Risk Underwriting | 412 | 422 | |
| Specialized Distribution | 215 | 222 | |
| **Business Insurance Core** | **2,830** | **2,961** | **(4) %** |
| Business Insurance Other | 4 | 2 | |
| **Total Business Insurance** | **$ 2,834** | **$ 2,963** | **(4) %** |

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[1] A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

# Business Insurance - Illustrative Business Statistics

## Retention

| | 2009 | | | | 2010 |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| Select Accounts | 82% | 81% | 79% | 77% | **78%** |
| Commercial Accounts | 88% | 85% | 85% | 83% | **84%** |
| Other Business Insurance [1] | 82% | 81% | 80% | 80% | **83%** |

**Retention remained strong and improved from the most recent quarter**

## Renewal Premium Change [2]

| | 2009 | | | | 2010 |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| Select Accounts | -% | 2% | 3% | 4% | **4%** |
| Commercial Accounts | (5%) | (2%) | (1%) | (1%) | **-%** |
| Other Business Insurance [1] | (4%) | (4%) | (3%) | (5%) | **(5%)** |

**Renewal premium change generally consistent with most recent quarter**

[1] Includes Industry-Focused Underwriting, Target Risk Underwriting and Specialized Distribution.

[2] Each percentage represents the estimated change in average premium on policies that renew, including rate and exposure changes, versus the average premium on those same policies for their prior term.

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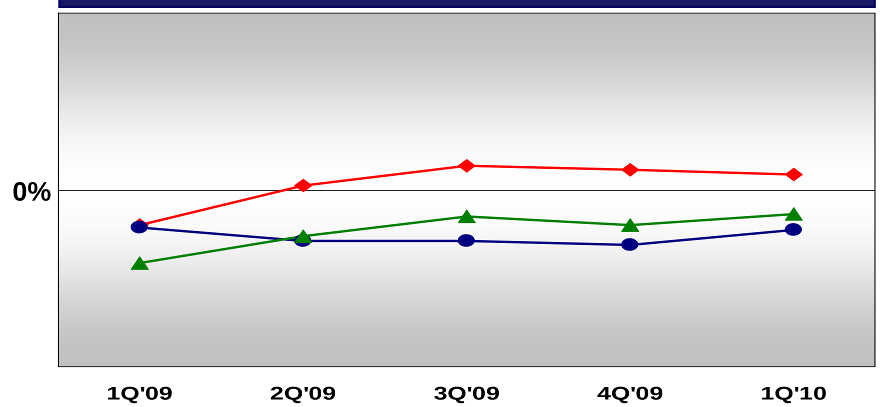
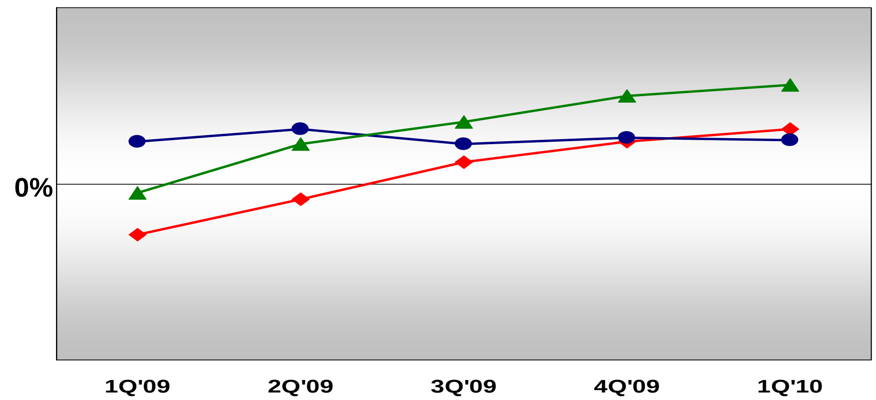
Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

# Business Insurance
# Renewal Premium Change: Rate Versus Exposure/Other

## Business Insurance
(Ex. National Accounts)

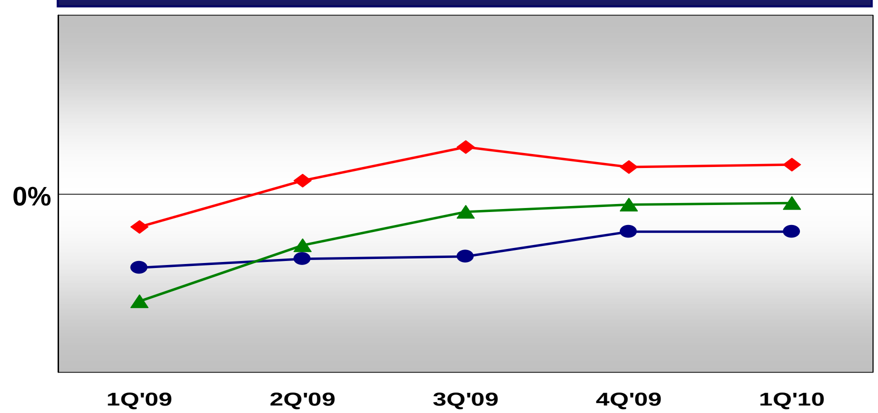



## Select Accounts

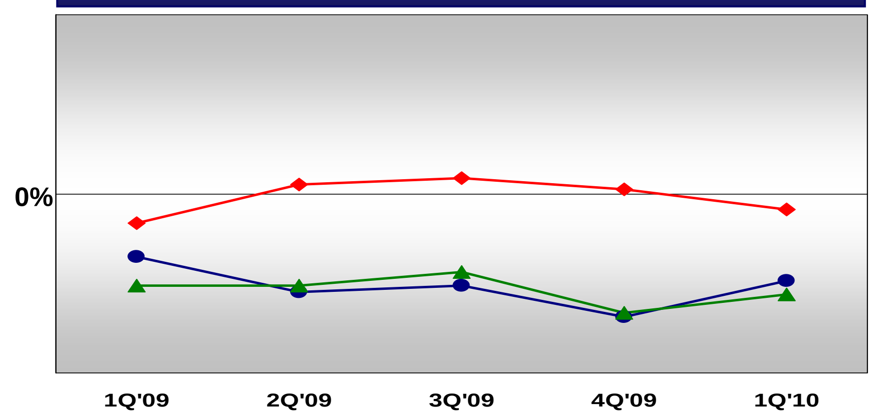



Renewal Rate[1] % — Exposure/Other % — Renewal Premium Change[2] %

## Commercial Accounts




## Other Business Insurance[3]




[1] Each percentage represents the estimated change in average premium on policies that renew, excluding exposure changes, versus the average premium on those same policies for their prior term.
[2] Each percentage represents the estimated change in average premium on policies that renew, including rate and exposure changes, versus the average premium on those same policies for their prior term.
[3] Includes Industry-Focused Underwriting, Target Risk Underwriting and Specialized Distribution.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

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# Business Insurance - Illustrative Business Statistics

*($ in millions)*

## New Business

| | 2009 | | | | 2010 |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| Select Accounts | $ 150 | $ 155 | $ 136 | $ 117 | **$ 118** |
| Commercial Accounts | 135 | 144 | 116 | 127 | **152** |
| Other Business Insurance [1] | 273 | 303 | 277 | 245 | **266** |
| **Total** | **$ 558** | **$ 602** | **$ 529** | **$ 489** | **$ 536** |
| *Change from prior year quarter* | *(3%)* | *11%* | *(1%)* | *-%* | ***(4%)*** |

[1] Includes Industry-Focused Underwriting, Target Risk Underwriting and Specialized Distribution.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

# Financial, Professional & International Insurance (FP&II) Performance

*($ in millions)*

| | First Quarter | | |
|---|---|---|---|
| | 2010 | 2009 | Change |
| **Operating income** | **$ 86** | **$ 148** | **(42) %** |
| Loss and loss adjustment ratio | 62.3 % | 54.7 % | |
| Underwriting expense ratio | 36.6 | 35.5 | |
| **GAAP combined ratio [1]** | **98.9 %** | **90.2 %** | **(8.7) pts** |
| Net favorable prior year reserve development | 4.2 | 1.4 | |
| Catastrophes, net of reinsurance | (10.4) | - | |
| **Adjusted GAAP combined ratio** | **92.7 %** | **91.6 %** | **(1.1) pts** |

| | | | |
|---|---|---|---|
| **Net Written Premiums [2]** | | | |
| Bond & Financial Products | $ 362 | $ 334 | |
| International | 319 | 229 | |
| **Total FP&II** | **$ 681** | **$ 563** | **21 %** |
| **Total FP&II - Adjusted for the impact of foreign exchange rates** | | | **17 %** |

[1] A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.
[2] In 2Q 2009, results from the surety bond operation in Canada were reclassified from the "Bond & Financial Products" market to the "International" market. All prior period amounts have been restated to reflect this reclassification.

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# Financial, Professional & International Insurance
# Illustrative Business Statistics

*($ in millions)*

| | 2009 | | | | 2010 |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| **Surety** | | | | | |
| Gross written premium | $234 | $255 | $287 | $255 | **$247** |
| **Management Liability** | | | | | |
| Retention | 84% | 83% | 81% | 81% | **82%** |
| Renewal premium change [1] | 2% | -% | 2% | (1%) | **-%** |
| New business | $45 | $53 | $45 | $40 | **$37** |
| **International** [2] | | | | | |
| Retention | 80% | 75% | 79% | 76% | **76%** |
| Renewal premium change [1] | 1% | 3% | 2% | -% | **4%** |
| New business | $66 | $89 | $86 | $76 | **$82** |

[1] Each percentage represents the estimated change in average premium on policies that renew, including rate and exposure changes, versus the average premium on those same policies for their prior term.

[2] Excludes the surety line of business as surety products are sold on a non-recurring, project specific basis.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

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# Personal Insurance - Performance

*($ in millions)*

| First Quarter | 2010 | 2009 | Change |
|---|---|---|---|
| **Operating income** | **$ 59** | **$ 154** | **(62) %** |
| Loss and loss adjustment ratio | 72.5 % | 64.9 % | |
| Underwriting expense ratio | 30.1 | 28.4 | |
| **GAAP combined ratio [1]** | **102.6 %** | **93.3 %** | **(9.3) pts** |
| *GAAP combined ratio excluding incremental impact of direct to consumer initiative* | *100.9 %* | *91.7 %* | |
| Net favorable prior year reserve development | 1.0 | 3.7 | |
| Catastrophes, net of reinsurance | (14.0) | (4.1) | |
| **Adjusted GAAP combined ratio** | **89.6 %** | **92.9 %** | **3.3 pts** |

| Net Written Premiums - Agency [2] | 2010 | 2009 | Change |
|---|---|---|---|
| Automobile | $ 913 | $ 917 | |
| Homeowners & Other | 803 | 749 | |
| **Total** | **$ 1,716** | **$ 1,666** | **3 %** |

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[1] A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

[2] Represents business sold through agents, brokers and other intermediaries, and excludes direct to consumer.

# Personal Insurance - Performance

*($ in millions)*

| | First Quarter | | |
|---|---|---|---|
| | 2010 | 2009 | Change |
| **Agency Automobile [1]** | | | |
| **Net Written Premium** | $ 913 | $ 917 | - % |
| Loss and loss adjustment ratio | 68.7 % | 73.2 % | |
| Underwriting expense ratio | 26.7 | 27.0 | |
| **GAAP combined ratio** | 95.4 % | 100.2 % | 4.8 pts |
| Impact of catastrophes on combined ratio | 0.8 % | 0.9 % | |
| **Agency Homeowners and Other [1]** | | | |
| **Net Written Premium** | $ 803 | $ 749 | 7 % |
| Loss and loss adjustment ratio | 76.1 % | 55.6 % | |
| Underwriting expense ratio | 30.6 | 26.8 | |
| **GAAP combined ratio** | 106.7 % | 82.4 % | (24.3) pts |
| Impact of catastrophes on combined ratio | 27.9 % | 7.6 % | |

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[1] Represents business sold through agents, brokers and other intermediaries, and excludes direct to consumer.

# Personal Insurance – Illustrative Business Statistics

*($ in millions)*

| | 2009 | | | | 2010 |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q |
| **Agency Automobile [1]** | | | | | |
| Retention [2,3] | 81% | 81% | 81% | 82% | **82%** |
| Renewal premium change [3,4] | 4% | 5% | 4% | 3% | **2%** |
| PIF growth over prior year quarter | -% | (2%) | (3%) | (3%) | **(2%)** |
| New business | $166 | $152 | $156 | $154 | **$171** |
| **Agency Homeowners and Other [1]** | | | | | |
| Retention [2] | 85% | 86% | 86% | 86% | **86%** |
| Renewal premium change [4] | 6% | 7% | 8% | 8% | **7%** |
| PIF growth over prior year quarter | 3% | 3% | 3% | 3% | **3%** |
| New business | $99 | $123 | $136 | $128 | **$114** |

[1] Represents business sold through agents, brokers and other intermediaries, and excludes direct to consumer.

[2] The ratio of expected number of renewal policies that will be retained throughout the annual policy period to the number of available renewal base policies.

[3] Statistics for standard voluntary automobile.

[4] Each percentage represents the estimated change in average premium on policies that renew, including rate and exposure changes, versus the average premium on those same policies for their prior term.

Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

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# Summary of Chinese Drywall Exposure

➢ **Company believes that its exposure to Chinese drywall is not problematic**

- Business profile:
  - No direct liability exposure to Chinese drywall manufacturers
  - No general liability exposure to 37 of the 38 major publicly traded U.S. residential contractors[1]
  - Minimal general liability exposure to small residential contractors
  - Disproportionately underrepresented property market share in highly impacted states
- Policy structure and limits profile:
  - While the company insures distributors and property managers, the company's policy limits are relatively low (generally $1 million per occurrence with a $2 million policy aggregate)
  - The homeowner's policy was not intended to cover this exposure
- Product profile limits the risk:
  - Limited period of time where reportedly defective product was more broadly used (2006 thru 2007)
  - Reportedly defective Chinese drywall is well marked and therefore traceable to responsible party
- Claim volume to date:
  - No significant claim volume (52 reported to date)

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[1] Major publicly traded U.S. residential contractors as identified by Bloomberg.

# 2010 Annual Guidance

- Travelers continues to expect that its full year 2010 operating income per diluted share will be in the range of $5.20 to $5.55, unchanged from the previously announced guidance range

- This guidance includes the reported results for the first quarter 2010 and estimates for the remainder of 2010 based on a number of assumptions, including:

**Assumptions**

- Catastrophe losses of $975 million pre-tax and $640 million after-tax, or $1.30 per diluted share, for the full year which incorporates actual experience for the first quarter 2010 and projects $504 million pre-tax and $328 million after-tax, or $0.67 per diluted share, for the remainder of the year;

- No additional prior year reserve development, favorable or unfavorable;

- Low single digit percentage decrease in average invested assets (excluding net unrealized investment gains and losses), after taking into account dividends and share repurchases;

- Common share repurchases of $3.5 billion to $4.0 billion for the full year; and

- Weighted average diluted shares of 490 million to 495 million.

# Disclosure

- For further information, please see Travelers reports filed with the SEC pursuant to the Securities Exchange Act of 1934 which are available at the SEC's website (www.sec.gov).

- Copies of this presentation and related financial supplement, and the accompanying webcast are publicly available on the Travelers website (www.travelers.com). This presentation should be read with the accompanying webcast and the related press release and financial supplement.

- From time to time, Travelers may use its website as a channel of distribution of material company information. Financial and other material information regarding the company is routinely posted on and accessible at http://investor.travelers.com. In addition, you may automatically receive email alerts and other information about Travelers by enrolling your email by visiting the "E-mail Alert Service" section at http://investor.travelers.com.

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