



First Quarter 2015 Results

Long-Term Financial Strategy



CREATE SHAREHOLDER VALUE
Objective: Mid-Teens Operating ROE *Over Time*

First Quarter 2015 Overview

Travelers Reports Quarterly Net and Operating Income of \$833 Million and \$827 Million, Respectively, and Net and Operating Income per Diluted Share of \$2.55 and \$2.53, Respectively

Strong Return on Equity and Operating Return on Equity of 13.4% and 14.5%, Respectively

Board of Directors Approves 11% Increase in the Company's Regular Quarterly Cash Dividend to \$0.61 per Share, and Authorizes an Additional \$5.0 Billion of Share Repurchases

- Combined ratio of 88.9% reflected very strong underwriting results.
- Decline in operating income from prior year quarter primarily attributable to lower net investment income (\$104 million after-tax), a benefit from a change in state assessment law in the prior year (\$49 million after-tax), and lower net favorable prior year development (\$32 million after-tax).
- Net written premiums of \$5.897 billion were consistent with the prior year quarter.
- Total capital returned to shareholders of \$850 million in the quarter, including \$672 million in share repurchases.
- Book value per share of \$77.96 increased 7% from the prior year quarter end and 1% from year-end 2014. Adjusted book value per share of \$71.45 increased 5% and 1%, respectively, from the same dates.

Consolidated Performance

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

	First Quarter		
	2015	2014	Change
Operating income	\$ 827	\$ 1,052	(21) %
<i>per diluted share</i>	\$ 2.53	\$ 2.95	(14) %
<u>Included the following items:</u>			
Net favorable prior year reserve development	\$ 158	\$ 190	
Catastrophes, net of reinsurance	(106)	(97)	
Total items	\$ 52	\$ 93	
Loss and loss adjustment ratio	57.4 %	56.0 %	
Underwriting expense ratio	31.5	29.7	
Combined ratio ¹	88.9 %	85.7 %	(3.2) pts
Net favorable prior year reserve development	4.1	5.1	
Catastrophes, net of reinsurance	(2.7)	(2.6)	
Underlying combined ratio	90.3 %	88.2 %	(2.1) pts
Net Written Premiums	\$ 5,897	\$ 5,873	- %
Total net written premiums adjusted for the 1% impact each for changes in reinsurance and foreign exchange rates			2 %

Very Strong Financial Position

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

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Debt	\$ 6,349	\$ 6,349
Common equity ¹	<u>22,771</u>	<u>22,870</u>
Total capital ¹	<u>\$ 29,120</u>	<u>\$ 29,219</u>
Debt-to-capital ¹	21.8%	21.7%
Common shares outstanding	318.7	322.2
Book value per common share	\$ 77.96	\$ 77.08
Adjusted book value per common share ¹	\$ 71.45	\$ 70.98
Tangible book value per common share ^{1, 2}	\$ 59.45	\$ 59.00
Statutory capital and surplus	\$ 20,944	\$ 21,049
Holding company liquidity	\$ 1,707	\$ 1,587

Capital

- At or above target levels for all rating agencies.
- Repurchased 6.3 million shares during the first quarter 2015 at a total cost of \$672 million.
- Dividends in the first quarter were \$178 million.

Leverage

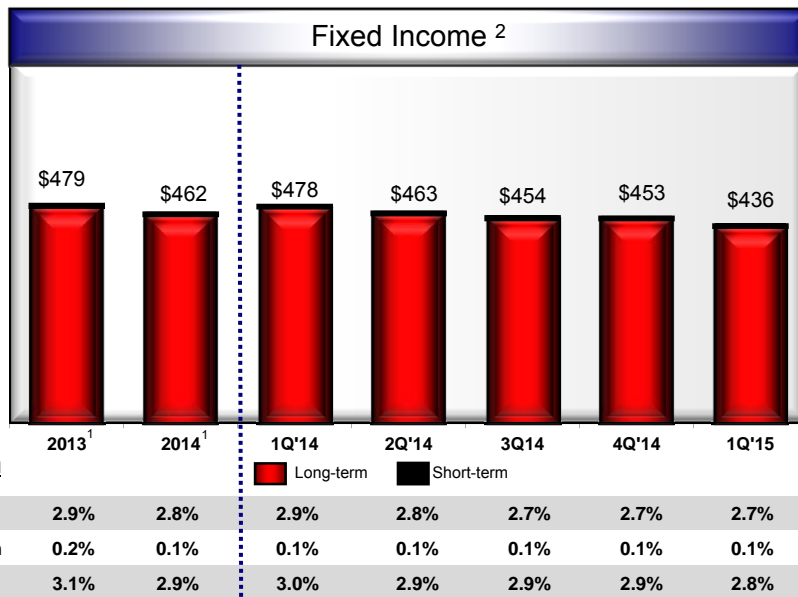
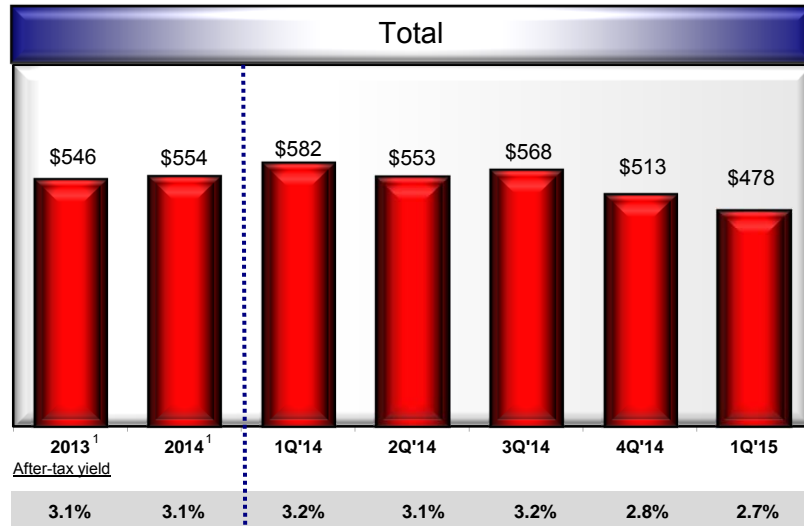
- Debt-to-capital ratio¹ of 21.8%, comfortably within target range.
- Low level of maturing debt.
 - 2015 \$400 million
 - 2016 \$400 million
 - 2017 \$450 million

Very high quality investment portfolio

- Net unrealized investment gains of \$2.076 billion after-tax (\$3.172 billion pre-tax) at March 31, 2015.

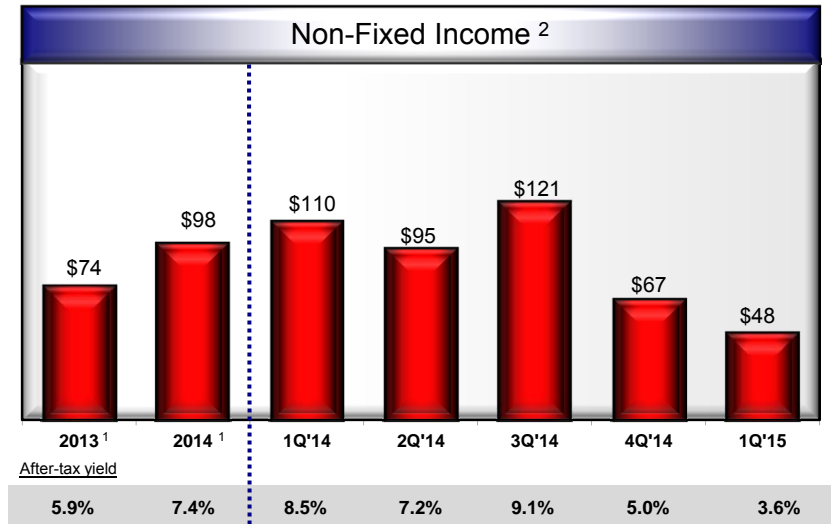
Net Investment Income

(\$ in millions, after-tax)



First Quarter 2015 Commentary

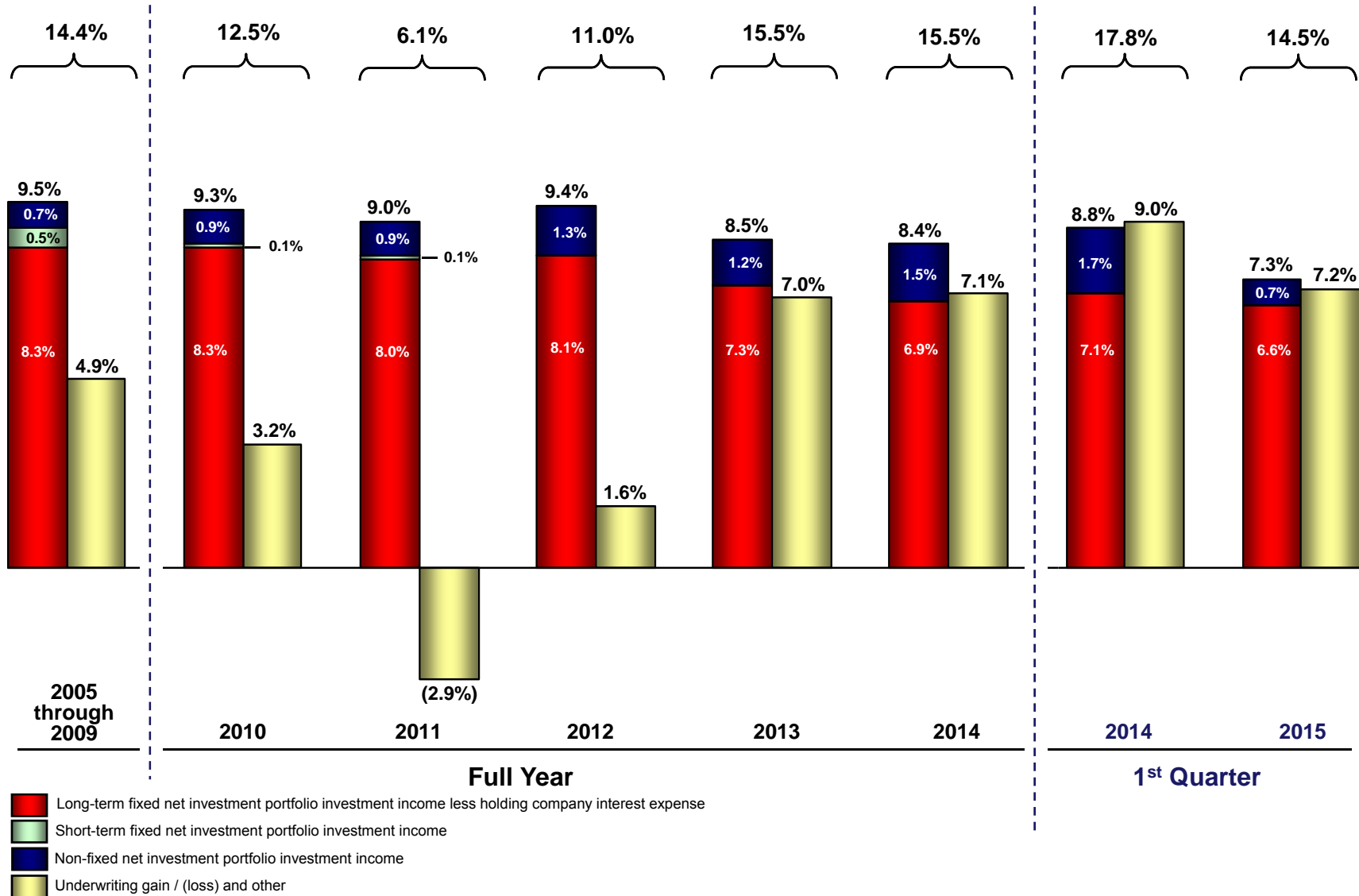
- Net investment income from the long-term fixed income portfolio declined modestly from the prior year quarter due to lower reinvestment rates, as expected, and from volume and mix changes
- Short-term portion of fixed income portfolio continued to be impacted by very low interest rates
- Net investment income from the non-fixed income portfolio decreased from the prior year quarter due to lower private equity returns



¹ 2013 and 2014 data represents quarterly average

² Excludes investment expenses

Components of Operating Return on Equity



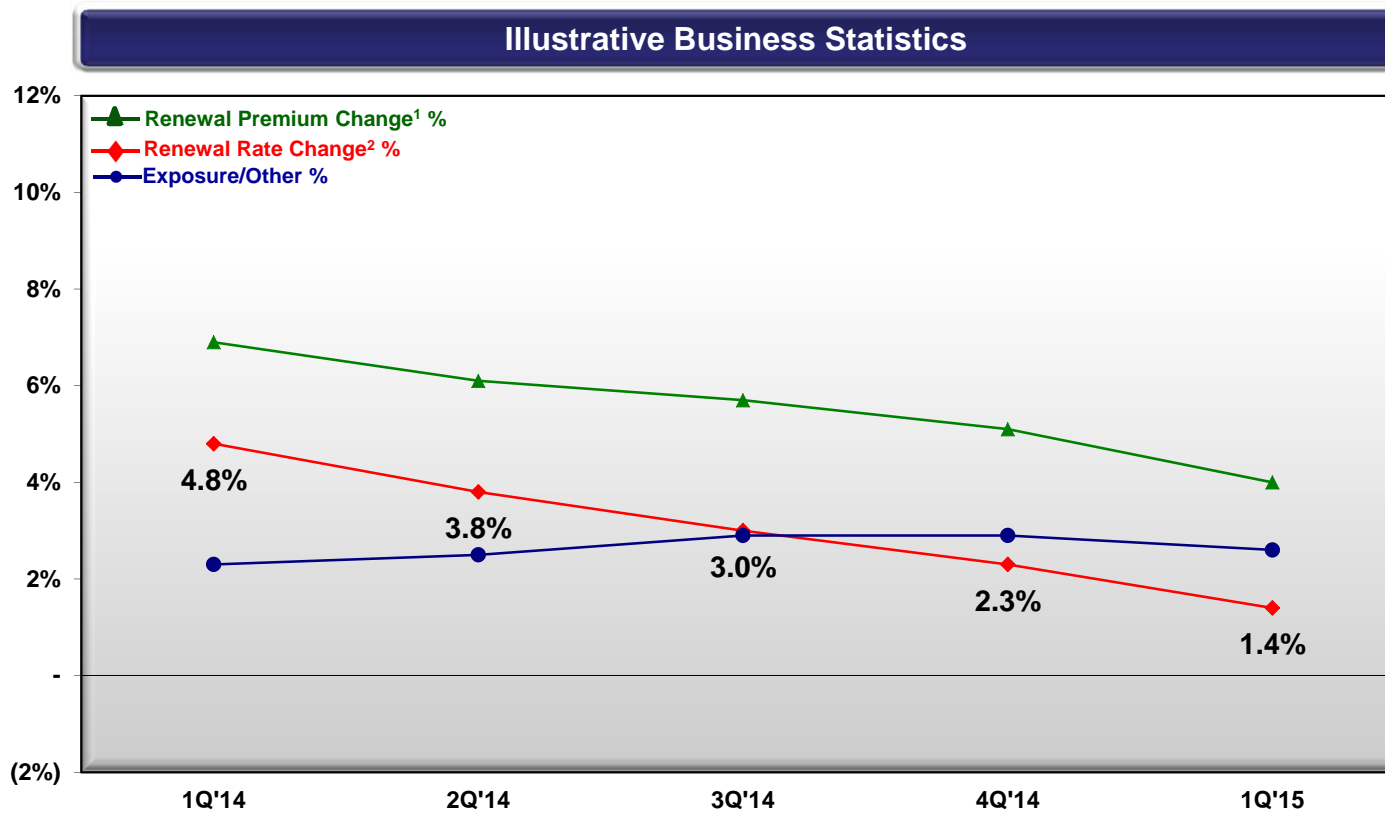
From Jan. 1, 2005 through Mar. 31, 2015, TRV's average annual operating ROE was approximately 13.4%

Business and International Insurance Performance

(\$ in millions)

	First Quarter		
	2015	2014	Change
Operating income	\$ 515	\$ 694	(26) %
Loss and loss adjustment ratio	61.2 %	59.8 %	
Underwriting expense ratio	32.1	29.4	
Combined ratio ¹	93.3 %	89.2 %	(4.1) pts
Net favorable prior year reserve development	2.1	2.7	
Catastrophes, net of reinsurance	(2.7)	(2.4)	
Underlying combined ratio	92.7 %	89.5 %	(3.2) pts
Net written premiums			
Domestic			
Select Accounts	\$ 722	\$ 718	1 %
Middle Market	1,733	1,632	6
National Accounts	299	300	-
First Party	340	387	(12)
Specialized Distribution	268	267	-
Total Domestic	3,362	3,304	2
International	435	468	(7)
Total Business and International Insurance	\$ 3,797	\$ 3,772	1 %
Total Business and International Insurance net written premiums adjusted for the 1% impact each for changes in reinsurance and foreign exchange rates			3 %

Domestic Business Insurance (Ex. National Accounts)



(\$ in millions)

Retention	81%	81%	82%	82%	84%
Renewal premium change¹	6.9%	6.1%	5.7%	5.1%	4.0%
New business	\$446	\$489	\$452	\$463	\$519

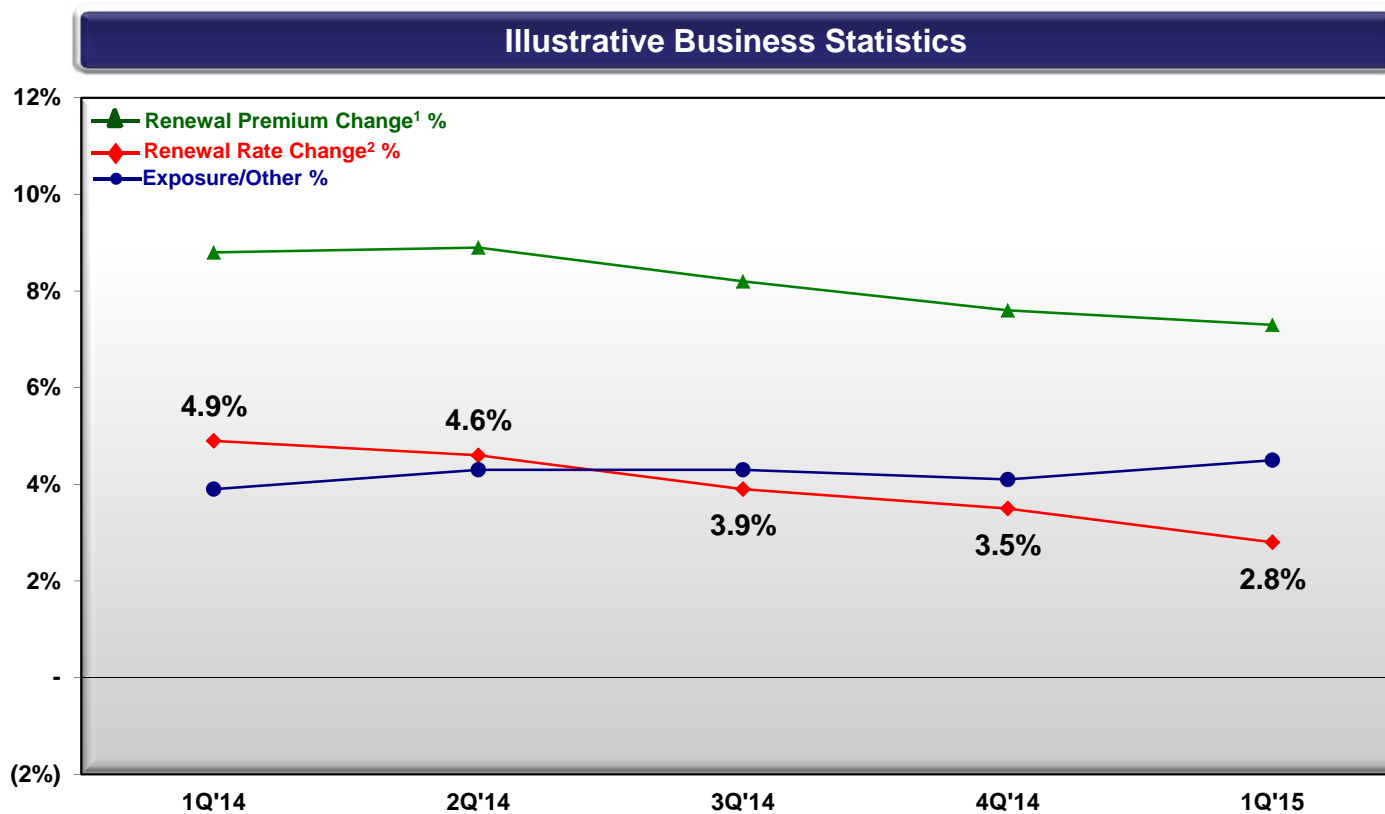
Note: As of 1Q 2015, the change in exposure/other in Middle Market includes estimates for audit premiums, cancellations and endorsements, which previously were included when they occurred. All previous periods have been restated to conform to this presentation.

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Domestic Business Insurance: *Select Accounts*



(\$ in millions)

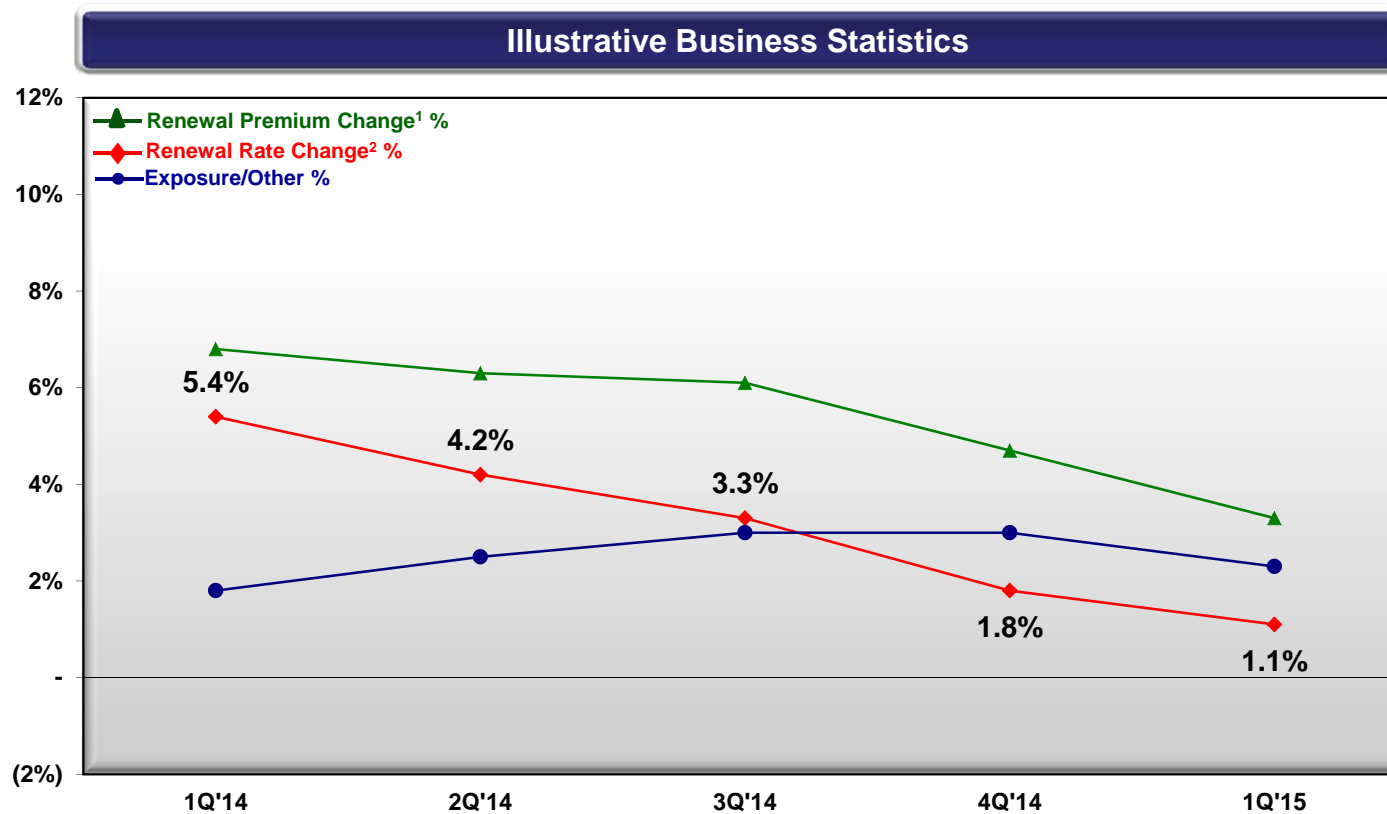
Retention	79%	79%	80%	80%	81%
Renewal premium change¹	8.8%	8.9%	8.2%	7.6%	7.3%
New business	\$100	\$96	\$91	\$86	\$97

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

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Domestic Business Insurance: *Middle Market*



(\$ in millions)

Retention	83%	83%	84%	84%	87%
Renewal premium change¹	6.8%	6.3%	6.1%	4.7%	3.3%
New business	\$222	\$245	\$236	\$253	\$300

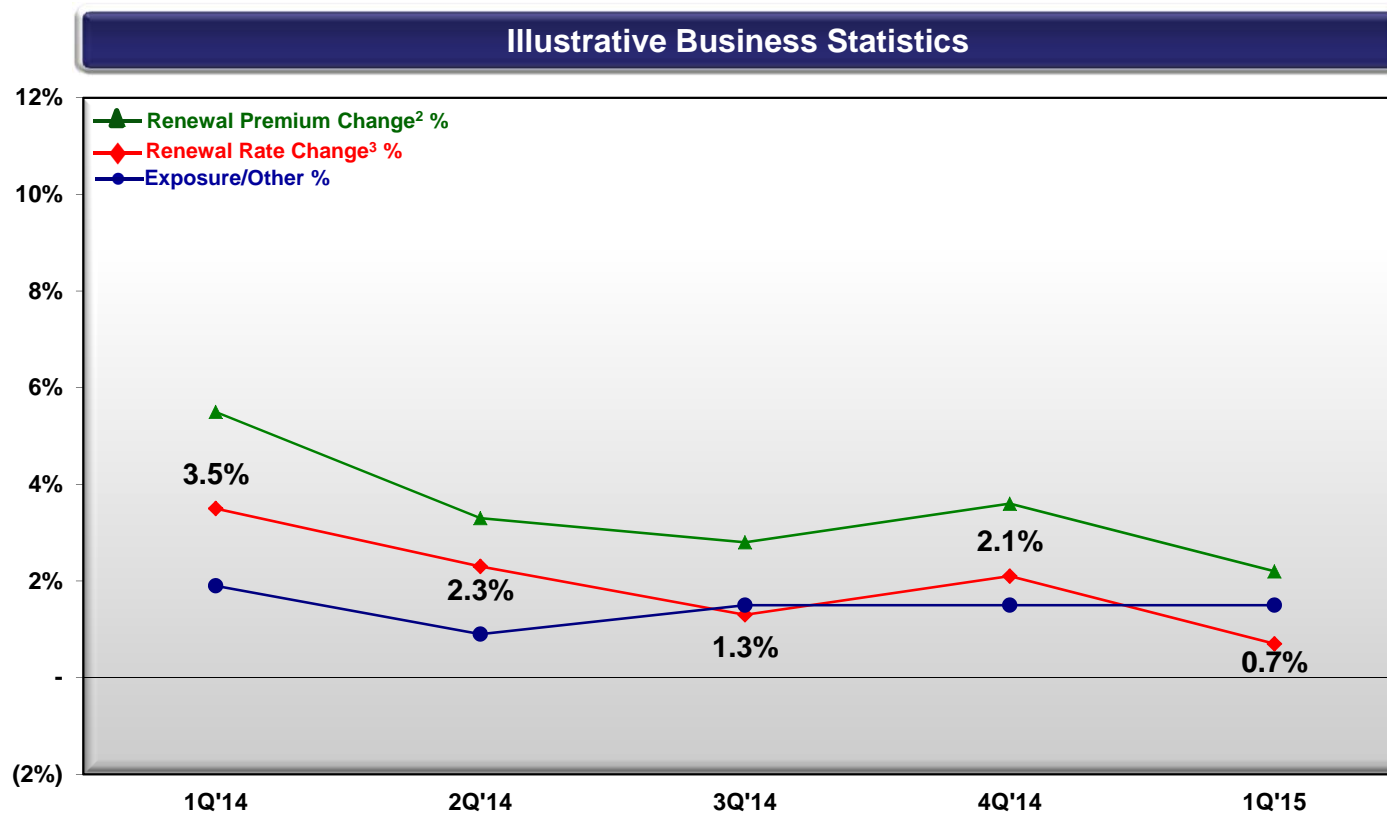
Note: As of 1Q 2015, the change in exposure/other includes estimates for audit premiums, cancellations and endorsements, which previously were included when they occurred. All previous periods have been restated to conform to this presentation.

¹ Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

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Domestic Business Insurance: *Other Business Insurance*¹



(\$ in millions)

Retention	76%	78%	78%	80%	81%
Renewal premium change²	5.5%	3.3%	2.8%	3.6%	2.2%
New business	\$124	\$148	\$125	\$124	\$122

¹ Includes First Party and Specialized Distribution.

² Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

³ Represents the estimated change in average premium on policies that renew, excluding exposure changes.

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

International Insurance

(\$ in millions)

Illustrative Business Statistics

	2014				2015
	1Q	2Q	3Q	4Q	1Q
<u>International</u> ¹					
Retention	84%	81%	81%	82%	84%
Renewal premium change ²	1.5%	2.0%	(1.0%)	1.5%	1.3%
New business	\$85	\$93	\$72	\$69	\$53

¹ Excludes the surety line of business as surety products are generally sold on a non-recurring, project specific basis.

² Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Bond & Specialty Insurance Performance

(\$ in millions)

	First Quarter		
	2015	2014	Change
Operating income	\$ 124	\$ 154	(19) %
Loss and loss adjustment ratio	37.6 %	31.0 %	
Underwriting expense ratio	38.5	37.6	
Combined ratio ¹	76.1 %	68.6 %	(7.5) pts
Net favorable prior year reserve development	6.9	13.2	
Catastrophes, net of reinsurance	(0.1)	(0.2)	
Underlying combined ratio	82.9 %	81.6 %	(1.3) pts
<hr/>			
Net written premiums			
Management Liability	\$ 321	\$ 324	(1) %
Surety	157	158	(1)
Total Bond & Specialty Insurance	\$ 478	\$ 482	(1) %

Bond & Specialty Insurance

(\$ in millions)

Illustrative Business Statistics

	2014				2015
	1Q	2Q	3Q	4Q	1Q
<u>Management Liability</u> ¹					
Retention	85%	84%	83%	83%	85%
Renewal premium change ²	7.2%	3.3%	3.9%	4.8%	4.5%
New business	\$36	\$36	\$33	\$36	\$38

¹ Excludes the surety line of business as surety products are generally sold on a non-recurring, project specific basis.

² Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.

Personal Insurance Performance

(\$ in millions)

	First Quarter		
	2015	2014	Change
Operating income	\$ 252	\$ 268	(6) %
Loss and loss adjustment ratio	55.2 %	55.6 %	
Underwriting expense ratio	28.3	28.0	
Combined ratio ¹	83.5 %	83.6 %	0.1 pts
Net favorable prior year reserve development	7.5	7.5	
Catastrophes, net of reinsurance	(3.5)	(3.7)	
Underlying combined ratio	87.5 %	87.4 %	(0.1) pts
<hr/>			
Net written premiums			
Agency Automobile ²	\$ 822	\$ 788	4 %
Agency Homeowners & Other ²	748	788	(5)
Direct to Consumer	52	43	21
Total Personal Insurance	\$ 1,622	\$ 1,619	- %
Total Personal Insurance net written premiums adjusted for the impact of changes in reinsurance			2 %

Personal Insurance Performance

	First Quarter		
	2015	2014	Change
Agency Automobile ¹			
Loss and loss adjustment ratio	64.4 %	67.7 %	
Underwriting expense ratio	25.8	25.6	
Combined ratio ²	90.2 %	93.3 %	3.1 pts
Net favorable prior year reserve development	2.8	-	
Catastrophes, net of reinsurance	-	-	
Underlying combined ratio	93.0 %	93.3 %	0.3 pts
Agency Homeowners & Other ¹			
Loss and loss adjustment ratio	46.5 %	44.8 %	
Underwriting expense ratio	27.9	27.6	
Combined ratio ²	74.4 %	72.4 %	(2.0) pts
Net favorable prior year reserve development	11.8	14.1	
Catastrophes, net of reinsurance	(6.7)	(6.8)	
Underlying combined ratio	79.5 %	79.7 %	0.2 pts

Personal Insurance

(\$ in millions)

Illustrative Business Statistics

	2014				2015
	1Q	2Q	3Q	4Q	1Q
<u>Agency Automobile</u> ¹					
Retention ²	80%	81%	82%	83%	83%
Renewal premium change ³	6.7%	6.8%	6.1%	5.0%	4.6%
Policies in Force (in thousands)	1,985	1,981	1,990	2,000	2,021
• Sequential quarter growth	(1%)	-%	-%	1%	1%
• Year over year growth	(9%)	(7%)	(3%)	-%	2%
New business	\$104	\$139	\$166	\$161	\$174
<u>Agency Homeowners & Other</u> ¹					
Retention ²	84%	84%	84%	85%	84%
Renewal premium change ³	8.2%	7.6%	5.9%	5.6%	5.5%
Policies in Force (in thousands)	4,146	4,110	4,072	4,032	4,008
• Sequential quarter growth	(1%)	(1%)	(1%)	(1%)	(1%)
• Year over year growth	(8%)	(7%)	(5%)	(4%)	(3%)
New business	\$56	\$85	\$95	\$83	\$77

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 Represents the estimated change in average premium on policies that renew, including rate and exposure changes.

Note: Statistics are in part dependent on the use of estimates and are therefore subject to change.



Appendix

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. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates” and similar expressions are used to identify these forward-looking statements. Examples of our forward-looking statements include statements relating to our future financial condition and operating results, our share repurchase plans, future pension plan contributions, potential margins, potential returns, the sufficiency of our reserves, the impact of emerging claim issues and litigation, the cost and availability of reinsurance coverage, catastrophe losses, the impact of investment, economic and underwriting conditions and our strategic initiatives.

We caution investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the Company’s 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;
- Financial market disruption or economic downturn;
- Changes to our claims and claim adjustment expense reserves;
- The performance of our investment portfolio;
- Asbestos and environmental claims and related litigation;
- Mass tort claims;
- Emerging claim and coverage issues;
- Competition, including the impact of competition on our strategic initiatives and new products;
- The collectability and availability of reinsurance coverage;
- Credit risk we face in insurance operations and investment activities, including under reinsurance or structured settlements;
- The federal, state and international regulatory environment;
- A downgrade in our claims-paying or financial strength ratings;
- The inability of our insurance subsidiaries to pay dividends to our holding company in sufficient amounts;
- Disruptions to our relationships with our independent agents and brokers;
- Risks associated with developing new products or expanding in targeted markets;
- Risks associated with our use of pricing and capital models;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data and network security and/or outsourcing relationships;
- Risks associated with our business outside of the United States, including regulatory risks;
- Loss of or restrictions placed on the use of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of insurance products;
- Risks associated with acquisitions, and integration of acquired businesses;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- Company may be unable to protect and enforce its own intellectual property or may be subject to claims for infringing the intellectual property of others;
- Changes to existing accounting standards;
- Changes in tax laws that adversely impact our investment portfolio or operating results; and
- Factors impacting the operation of our repurchase plans

For a more detailed discussion of these factors, see the information under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. 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 those statements.

Disclosure

In this presentation, we may refer to some non-GAAP financial measures. 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 and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC). See the “For Investors” section at Travelers.com.

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

From time to time, Travelers may use its website and/or social media outlets, such as Facebook and Twitter, as distribution channels of material company information. Financial and other important information regarding the company is routinely accessible through and posted on our website at <http://investor.travelers.com>, our Facebook page at <https://www.facebook.com/travelers> and our Twitter account (@Travelers) at <https://twitter.com/Travelers>. In addition, you may automatically receive email alerts and other information about Travelers when you enroll your email address by visiting the Email Notification section at <http://investor.travelers.com>.



The Travelers Companies, Inc.
