The Travelers Companies, Inc.
Investor Day
May 22, 2008
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Presenter</th>
</tr>
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<tr>
<td>12:15 pm</td>
<td>Safe Harbor Statement</td>
<td>Mike Connelly, Vice President of Investor Relations</td>
</tr>
<tr>
<td>12:20 pm</td>
<td>Creating Shareholder Value</td>
<td>Jay Fishman, Chairman and Chief Executive Officer</td>
</tr>
<tr>
<td>12:40 pm</td>
<td>Financial Performance &amp; Strength</td>
<td>Jay Benet, Vice Chairman and Chief Financial Officer</td>
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<tr>
<td></td>
<td>Q&amp;A</td>
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<tr>
<td>1:15 pm</td>
<td>Competitive Advantages</td>
<td>Brian MacLean, Chief Operating Officer</td>
</tr>
<tr>
<td>1:40 pm</td>
<td>Executing on the Competitive Advantages</td>
<td>Joe Lacher, Executive Vice - Personal Insurance &amp; Select Accounts</td>
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<td>Patrick Kinney, President - Field Management</td>
</tr>
<tr>
<td></td>
<td>Q&amp;A</td>
<td></td>
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<tr>
<td>2:40 pm</td>
<td>Break</td>
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<tr>
<td>2:55 pm</td>
<td>Independent Agent Panel</td>
<td>Moderator: Patrick Kinney, President - Field Management</td>
</tr>
<tr>
<td>3:30 pm</td>
<td>Local Execution</td>
<td>Bill Teed, Regional President</td>
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<td>Greg Even, Regional Vice President - Select Accounts</td>
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<tr>
<td></td>
<td></td>
<td>Myles Gibbons, Regional Vice President - Middle Market</td>
</tr>
<tr>
<td></td>
<td>Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>4:30 pm</td>
<td>Closing Remarks</td>
<td>Jay Fishman, Chairman and Chief Executive Officer</td>
</tr>
</tbody>
</table>
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 and statements about the potential impact of the recent disruption in the investment markets on our investment portfolio and underwriting results are forward looking, and we may make forward-looking statements about our results of operations (including, among others, premium volume, net and operating income, investment income, return on equity, expected current returns and combined ratio), and financial condition (including, among others, invested assets and liquidity); the sufficiency of our asbestos and other reserves (including, among others, asbestos claim payment patterns); the cost and availability of reinsurance coverage; catastrophe losses; investment performance; market conditions; and strategic initiatives. 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; 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; 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; the intense competition that we face could harm our ability to maintain or increase our profitability and premium volume; we are exposed to credit risk in certain of our business operations and in our investment portfolio; the insurance industry and we are the subject of a number of investigations by state and federal authorities in the United States, and we cannot predict the outcome of these investigations or their impact on our business or financial results; 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; our investment portfolio may suffer reduced returns or losses; 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; 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 business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology; certain significant multiyear projects are currently in process but may not be successful; and if we experience difficulties with technology, data security and/or outsourcing relationships our ability to conduct our business could be negatively impacted.

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.

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 forward-looking statements.

In this presentation, we may refer to some non-GAAP financial measures, including, among others, operating income, 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 annex to this presentation, which will also be available on the investor section of Travelers website (www. Travelers.com).
Creating Shareholder Value
Jay S. Fishman
Chairman and Chief Executive Officer
Mission: Create Shareholder Value
Aspiration: To Be A Great Company
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
Investor Day Overview

- Creating Shareholder Value – Jay Fishman
- Financial Performance & Strength – Jay Benet
  - Q&A
- Competitive Advantages – Brian MacLean
- Executing on the Competitive Advantages – Joe Lacher & Patrick Kinney
  - Q&A
  - Break
- Independent Agent Panel – Moderator: Patrick Kinney
- Local Execution – Northeast Field Management Team
  - Q&A
- Closing Remarks
Northeast Field Management Team

Bill Teed
Regional President, Northeast
21 Years with Travelers

Myles Gibbons
Regional Vice President, Middle Market
20 Years with Travelers

Greg Even
Regional Vice President, Select Accounts
20 Years with Travelers
Current Market Conditions Still Attractive

Expected Current Business Unit Returns for New + Renewal Business

95% of current new and renewal business at or above target return levels

- 42% Above Target
- 53% Within Target
- 5% Below Target

1 The chart represents the percent of new and renewal business aggregated by business unit that is above, within and below the company’s target returns of 13 – 18%; Allocated based on 1Q 2008 net earned premium and fees by business unit; Utilizes net earned premium & fees for loss sensitive business and residual market servicing to give due proportion to the size of the business.

2 Based on allocated equity by product (does not allocate 100% of GAAP shareholders’ equity, as a portion of equity supports prior year / run-off reserves); prospective economic returns based on currently underwritten policies and related investment income. Not equivalent to GAAP return on equity. Statistics as of 3/31/08.
Executing Successfully
Commercial Accounts Business Unit

Renewal Price Change

Retention

Note: Renewal price change and retention data for commercial middle market accounts
Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
Executing Successfully
Commercial Accounts Business Unit

Renewal Price Change

Retention

Superior execution matters

Note: Renewal price change and retention data for commercial middle market accounts as reported by Travelers, Peer 1 and Peer 2

Statistics are subject to change based on a number of factors, including changes in actuarial estimates.
Executing Successfully
Commercial Accounts Business Unit

- Submissions up 32% in 2007 as we add product and build new relationships
- Quoting activity up with advanced analytics and improved productivity
- Hit ratio down due to increasingly competitive marketplace

Aggressively marketing our competitive advantages, subject to disciplined underwriting
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
Financial Performance & Strength

Jay S. Benet
Vice Chairman & Chief Financial Officer
Consistency of Book Value Growth

TRV Adjusted Book Value Per Share\(^1\)

1Q05 – 1Q08 CAGR: 12.1%
Excluding Share Repurchases\(^2\): 13.2%

Book value growth over time

\(^1\) Adjusted book value per share is total common shareholders’ equity excluding the after-tax impact of net unrealized investment gains and losses (i.e., excluding FAS 115), divided by the number of common shares outstanding

\(^2\) Assumed 3.7% after-tax investment yield

See Annex for reconciliation of non-GAAP financial measures to the most comparable GAAP measures
Travelers Diluted Operating Earnings Per Share

Significant earnings generation

As reported

Impact of 3Q and 4Q 2005 catastrophes, principally Katrina, Rita and Wilma

See Annex for reconciliation of non-GAAP financial measures to the most comparable GAAP measures
Components of Operating Return on Equity

- Investment income from our high quality fixed income portfolio net of interest expense on holding company debt produced an operating return on equity ≥ 9%; a “passage of time” return
- Investment income from our non-fixed income portfolio produced a positive operating return on equity with volatility of 1.0 pts to 1.5 pts
- Almost half of operating return on equity resulting from underwriting income related to “flow businesses” that have less market volatility

See Annex for reconciliation of non-GAAP financial measures to the most comparable GAAP measures
Very Strong Financial Position
($ and shares in millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Mar 31 2008</th>
<th>Dec 31 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>$5,841</td>
<td>$6,242</td>
</tr>
<tr>
<td>Preferred equity</td>
<td>108</td>
<td>112</td>
</tr>
<tr>
<td>Common equity</td>
<td>25,704</td>
<td>25,884</td>
</tr>
<tr>
<td>Total capital</td>
<td>$31,653</td>
<td>$32,238</td>
</tr>
<tr>
<td><strong>Debt-to-total capital</strong></td>
<td><strong>18.5%</strong></td>
<td><strong>19.4%</strong></td>
</tr>
<tr>
<td>Common shares outstanding</td>
<td>606.9</td>
<td>627.8</td>
</tr>
<tr>
<td>Book value per common share</td>
<td>$43.31</td>
<td>$42.22</td>
</tr>
<tr>
<td>Adjusted book value per common share</td>
<td>$42.36</td>
<td>$41.23</td>
</tr>
<tr>
<td>Tangible book value per common share</td>
<td>$35.69</td>
<td>$34.74</td>
</tr>
<tr>
<td>Statutory surplus</td>
<td>$22,353</td>
<td>$22,878</td>
</tr>
<tr>
<td>Holding company liquidity</td>
<td>$1,513</td>
<td>$1,617</td>
</tr>
</tbody>
</table>

1 Excludes FAS 115

See Annex for reconciliation of non-GAAP financial measures to the most comparable GAAP measures

**Capital**
- At or above target levels for all rating agencies
- Under review for upgrade from Moody’s (11/20/2007)
- Continue to generate excess capital and repurchase shares
  - $1.0 billion of share repurchases in 1Q 2008

**Leverage**
- Debt-to-total capital ratio below 20% target
- Low level of maturing debt
  - 3Q and 4Q 2008: $152 million
  - 2009: $143 million
  - 2010: $273 million
- Can self-fund all maturing debt

**Liquidity**
- Holding company liquidity $400 million above target level
- Not reliant on and not active in commercial paper market
- Substantial liquidity allows opportunistic access to capital markets

**Very high credit quality investment portfolio**
- Fixed maturities portfolio average quality rating: Aa1, AA+
  - Below investment grade: 2.5%
  - Duration: 4.4
- Pre-tax unrealized gain of $863 million at 3/31/2008
- Negligible exposure to sub-prime / Alt-A mortgages, commercial mortgage-backed securities, SIV related assets and owned investment real estate
- Immaterial exposure to changes in ratings of municipal bond insurers
- Level 3 financial assets of only $519 million, only 2% of common equity
Successfully Issued New Debt in May 2008

- On May 8, priced a $500 million public offering of 5.80% 10-year senior notes
- Replaces $400 million of senior notes that matured in March 2008
- On a pro-forma basis, increased March 31, 2008 debt to total capital ratio from 18.5% to 19.7%, consistent with our 20% target
### Consistent High Quality Investment Portfolio

($ in millions)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Taxable fixed maturities</td>
<td>43%</td>
<td>41%</td>
<td>38%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Tax-exempt fixed maturities</td>
<td>41%</td>
<td>46%</td>
<td>49%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Total fixed maturities</td>
<td><strong>84%</strong></td>
<td><strong>87%</strong></td>
<td><strong>87%</strong></td>
<td><strong>87%</strong></td>
<td><strong>87%</strong></td>
</tr>
<tr>
<td>Mortgage loans</td>
<td><strong>-%</strong></td>
<td><strong>-%</strong></td>
<td><strong>-%</strong></td>
<td><strong>-%</strong></td>
<td><strong>-%</strong></td>
</tr>
<tr>
<td>Short-term securities</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Total fixed income</td>
<td><strong>92%</strong></td>
<td><strong>94%</strong></td>
<td><strong>94%</strong></td>
<td><strong>94%</strong></td>
<td><strong>94%</strong></td>
</tr>
<tr>
<td>Private equities</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Real estate &amp; other</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Total other investments</td>
<td><strong>8%</strong></td>
<td><strong>6%</strong></td>
<td><strong>6%</strong></td>
<td><strong>6%</strong></td>
<td><strong>6%</strong></td>
</tr>
<tr>
<td><strong>Total invested assets</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Net unrealized investment gains (pretax) $1,335 $485 $680 $937 $863

Net realized investment gains/(losses) (pretax) $(39) $17 $11 $154 $(62)

Fixed maturities data:
- Average quality rating: Aa2, AA, Aa1, AA+, AA1, AA+ Aa1, AA+ Aa1, AA+ Aa1, AA+
- Below investment grade: 3.3% 3.0% 2.9% 2.5% 2.5%
- Average duration: 4.1 3.9 4.0 4.0 4.4

1 Average duration of fixed maturities and short-term securities, net of securities lending activities and net receivables and payables on investment sales and purchases.
## Financial Strength Unaffected by Recent Market Disruption

<table>
<thead>
<tr>
<th>Areas of Market Disruption</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subprime mortgage-backed securities</td>
<td>Negligible exposure</td>
</tr>
<tr>
<td>Collateralized debt obligations</td>
<td>None</td>
</tr>
<tr>
<td>Collateralized loan obligations</td>
<td>None</td>
</tr>
<tr>
<td>Monoline insurer guarantee of municipal bonds</td>
<td>Municipal bond portfolio AAA- with guarantee/AA+ without guarantee</td>
</tr>
<tr>
<td>Structured investment vehicles</td>
<td>None</td>
</tr>
<tr>
<td>Municipal tender-option programs</td>
<td>None</td>
</tr>
<tr>
<td>Asset-backed commercial paper</td>
<td>None</td>
</tr>
<tr>
<td>Auction-rate securities</td>
<td>None</td>
</tr>
<tr>
<td>Liquidity puts</td>
<td>None</td>
</tr>
<tr>
<td>Loss of access to commercial paper market</td>
<td>Access uninterrupted; not reliant on commercial paper</td>
</tr>
</tbody>
</table>
The following exhibits provide a comparison of certain Travelers net paid-to-incurred ratios and net IBNR-to-incurred ratios with the industry and a peer group.

- Travelers information is based on the 2007 combined annual statutory statement of the company’s domestic insurance subsidiaries which contains 92% of total Travelers non-asbestos and environmental reserves.
- The six lines presented represent 76% of the non-asbestos and environmental reserves for the combined annual statutory statement.

- The lower the net paid-to-incurred ratios, all things being equal\(^1\), the stronger the reserves.
- The higher the net IBNR-to-incurred ratios, all things being equal\(^1\), the stronger the reserves.
- Because of the inherent uncertainties related to setting the reserves, additional liabilities may arise for amounts in excess of the current stated reserves.

\(^1\) For example, not impacted by individual company payout patterns or mix of business written.

Note: See Item 1A Risk Factors in Travelers’ Form 10-K for the year ended December 31, 2007.
## Net Paid to Incurred Ratios – 2007 Industry Comparison

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Workers’ Compensation</th>
<th>Accident Year</th>
<th>Private Passenger Auto Liability</th>
<th>Accident Year</th>
<th>Commercial Auto</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Peer¹</td>
<td>Travelers</td>
<td>Industry</td>
<td>Year</td>
<td>Peer¹</td>
</tr>
<tr>
<td>1998</td>
<td>81.8%</td>
<td>77.9%</td>
<td>85.5%</td>
<td>1998</td>
<td>99.7%</td>
</tr>
<tr>
<td>1999</td>
<td>80.1%</td>
<td>77.1%</td>
<td>83.5%</td>
<td>1999</td>
<td>99.4%</td>
</tr>
<tr>
<td>2000</td>
<td>75.5%</td>
<td>71.2%</td>
<td>82.8%</td>
<td>2000</td>
<td>99.3%</td>
</tr>
<tr>
<td>2001</td>
<td>68.9%</td>
<td>66.0%</td>
<td>79.1%</td>
<td>2001</td>
<td>98.9%</td>
</tr>
<tr>
<td>2002</td>
<td>70.1%</td>
<td>59.2%</td>
<td>76.0%</td>
<td>2002</td>
<td>97.9%</td>
</tr>
<tr>
<td>2003</td>
<td>69.1%</td>
<td>52.8%</td>
<td>71.0%</td>
<td>2003</td>
<td>96.1%</td>
</tr>
<tr>
<td>2004</td>
<td>64.8%</td>
<td>47.3%</td>
<td>64.1%</td>
<td>2004</td>
<td>92.3%</td>
</tr>
<tr>
<td>2005</td>
<td>56.1%</td>
<td>35.8%</td>
<td>54.8%</td>
<td>2005</td>
<td>84.7%</td>
</tr>
<tr>
<td>2006</td>
<td>38.2%</td>
<td>27.1%</td>
<td>39.9%</td>
<td>2006</td>
<td>71.6%</td>
</tr>
<tr>
<td>2007</td>
<td>17.9%</td>
<td>14.3%</td>
<td>18.6%</td>
<td>2007</td>
<td>43.3%</td>
</tr>
<tr>
<td>Accident Year</td>
<td>Commercial Multi Peril</td>
<td>Accident Year</td>
<td>Other Liability - Occurrence</td>
<td>Accident Year</td>
<td>Products Liability - Occurrence</td>
</tr>
<tr>
<td>Year</td>
<td>Peer¹</td>
<td>Travelers</td>
<td>Industry</td>
<td>Year</td>
<td>Peer¹</td>
</tr>
<tr>
<td>1998</td>
<td>96.9%</td>
<td>95.9%</td>
<td>96.5%</td>
<td>1998</td>
<td>81.8%</td>
</tr>
<tr>
<td>1999</td>
<td>95.4%</td>
<td>94.6%</td>
<td>95.6%</td>
<td>1999</td>
<td>85.7%</td>
</tr>
<tr>
<td>2000</td>
<td>94.3%</td>
<td>92.1%</td>
<td>94.4%</td>
<td>2000</td>
<td>81.6%</td>
</tr>
<tr>
<td>2001</td>
<td>92.4%</td>
<td>92.8%</td>
<td>93.2%</td>
<td>2001</td>
<td>76.3%</td>
</tr>
<tr>
<td>2002</td>
<td>89.7%</td>
<td>89.0%</td>
<td>89.6%</td>
<td>2002</td>
<td>69.8%</td>
</tr>
<tr>
<td>2003</td>
<td>85.4%</td>
<td>79.8%</td>
<td>85.1%</td>
<td>2003</td>
<td>63.8%</td>
</tr>
<tr>
<td>2004</td>
<td>81.2%</td>
<td>73.5%</td>
<td>79.8%</td>
<td>2004</td>
<td>50.3%</td>
</tr>
<tr>
<td>2005</td>
<td>72.3%</td>
<td>69.9%</td>
<td>70.5%</td>
<td>2005</td>
<td>35.2%</td>
</tr>
<tr>
<td>2006</td>
<td>55.5%</td>
<td>48.3%</td>
<td>56.4%</td>
<td>2006</td>
<td>21.2%</td>
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<tr>
<td>2007</td>
<td>34.0%</td>
<td>32.5%</td>
<td>36.0%</td>
<td>2007</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

¹ Peer group includes ACE, AIG, Allstate, Chubb, Cincinnati Financial, CNA, Hartford, Progressive, Safeco and XL.

Note: Percentages in **blue** represent the **lowest** ratio.

Source: Highline Data, filed annual statutory statements for 2007.
### Net IBNR to Incurred Ratios – 2007 Industry Comparison

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Workers' Compensation</th>
<th></th>
<th></th>
<th></th>
<th>Private Passenger Auto Liability</th>
<th></th>
<th></th>
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<th></th>
<th>Commercial Auto</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Peer</td>
<td>Travelers</td>
<td>Industry</td>
<td></td>
<td>Peer</td>
<td>Travelers</td>
<td>Industry</td>
<td></td>
<td>Peer</td>
<td>Travelers</td>
<td>Industry</td>
<td></td>
<td>Peer</td>
<td>Travelers</td>
</tr>
<tr>
<td>1998</td>
<td>6.4%</td>
<td>8.8%</td>
<td>5.1%</td>
<td>1998</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>1998</td>
<td>0.5%</td>
<td>0.3%</td>
<td>0.4%</td>
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1 Peer group includes ACE, AIG, Allstate, Chubb, Cincinnati Financial, CNA, Hartford, Progressive, Safeco and XL.

Note: Percentages in blue represent the highest ratio.

Source: Highline Data, filed annual statutory statements for 2007.
Very Modest Increases in Modeled Operating Company Surplus
($ in billions)

- These capital levels are calculated using simulations of existing rating agency models and factor in, for illustrative purposes, a 5% annual growth rate for net written premiums, among many other assumptions. The capital levels shown are consistent with our stated objective of being rated A+ by A.M. Best and AA by Fitch, Moody’s and S&P.

- Expect to continue to pay very significant dividends from operating companies to the holding company.

1 Calculated using a 5% annual growth in net written premiums and assuming normal catastrophe losses and no additional prior year reserve development, favorable or unfavorable, among many other assumptions.
Generating Very High Level of Additional Capital

- Operating companies generated $4.9 billion of statutory net income in 2007

Statutory net income of $4.9 billion in 2007
Statutory net income of $4.9 billion in 2007

- Operating companies generated $4.9 billion of statutory net income in 2007
- $500 million was earmarked for operating company surplus

$4.4 billion available for distribution to holding company

Earmarked for operating company surplus
Generating Very High Level of Additional Capital

- Operating companies generated $4.9 billion of statutory net income in 2007
- $500 million was earmarked for operating company surplus
- $232 million was earmarked for payment of interest on holding company debt
- Future debt maturities are very modest and are expected to be refinanced: $152 million for remainder of 2008; $143 million in 2009; and $273 million in 2010
- $742 million was earmarked for holding company common and preferred dividends

Statutory net income of $4.9 billion in 2007

- $3.4 billion not earmarked
- Earmarked for operating company surplus
- Earmarked for holding company interest expense, net of tax
- Earmarked for holding company common and preferred dividends

$4.9 billion of statutory net income in 2007

$3.4 billion not earmarked

$232 million

$742 million

Earmarked for holding company common and preferred dividends
Generating Very High Level of Additional Capital

- Operating companies generated $4.9 billion of statutory net income in 2007
- $500 million was earmarked for operating company surplus
- $232 million was earmarked for payment of interest on holding company debt
  - Future debt maturities are very modest and are expected to be refinanced: $152 million for remainder of 2008; $143 million in 2009; and $273 million in 2010
- $742 million was earmarked for holding company common and preferred dividends
- **Returning unneeded capital to shareholders**
  - In 2007, we returned $2.9 billion to shareholders through share repurchases
  - In 1Q 2008, we returned $1.0 billion to shareholders through share repurchases
Beneficial Impact of Share Repurchase Program

Since the inception of the share repurchase program in 2Q 2006, we repurchased $5.1 billion of common shares or 14.3% of outstanding shares as of March 31, 2006.

Since March 31, 2006, adjusted book value per share has grown by 30%. It would have grown by 33% had share repurchases not been made.
Beneficial Impact of Share Repurchase Program

Adjusted Book Value Per Share¹

- $36.20 (Dec 31 2006)
- $41.23 (Dec 31 2007)
- $42.36 (Mar 31 2008)

- $36.62 (Dec 31 2006)
- $42.43 (Dec 31 2007)
- $43.61 (Mar 31 2008)

Diluted Operating Income Per Share

- 0.5% higher: $5.87 (2006), $6.39 (2007)
- 5.0% higher: $5.90 (2006), $6.71 (2007)
- 9.5% higher: $1.47 (1Q 2008), $1.61 (1Q 2008)

Operating Return on Equity

- 0.6% higher: 17.8% (2006), 17.9% (2006)
- 7.3% higher: 16.5% (2007), 17.7% (2007)
- 13.0% higher: 13.8% (1Q 2008), 15.6% (1Q 2008)

- As reported
- Adjusted to exclude impact of share repurchases²

➢ Since the inception of the share repurchase program in 2Q 2006, we repurchased $5.1 billion of common shares or 14.3% of outstanding shares as of March 31, 2006.

➢ Since March 31, 2006, adjusted book value per share has grown by 30%. It would have grown by 33% had share repurchases not been made.

➢ Share repurchase program has meaningfully increased diluted operating income per share and operating return on equity.

---

¹ Excluding FAS 115
² Assumed 3.7% after-tax investment yield
See Annex for reconciliation of non-GAAP financial measures to the most comparable GAAP measures
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
2008 Annual Guidance

- Operating income per diluted share range of $5.55 to $5.85
- This range equates approximately to an operating return on equity of 13% to 14%
- Primarily due to the fine tuning of our investment income outlook for the remainder of the year, we now have a bias toward the lower end of the range

Guidance assumptions

- Catastrophe losses of $525 million pre-tax and $340 million after-tax, or $0.56 per diluted share, for the full year
- No additional prior year reserve development, favorable or unfavorable
- GAAP combined ratio increase of 1.5 points compared to 2007 excluding prior year reserve development, catastrophe losses and the timing impact for the transition to the fixed, value-based agent compensation program
- Average invested assets are expected to grow slightly
  - After dividends and approximately $2.7 billion of share repurchases for the full year
- Weighted average diluted share count of approximately 612 million, which includes the impact of:
  - Assumed share repurchases
  - Normal growth in share count from employee equity awards
Competitive Advantages

Brian MacLean
Chief Operating Officer
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
Meaningful and Sustainable Competitive Advantages

Underwriting Specialization & Focus

Breadth of Products

Execution Through Information & Analytics

Size & Scale of Franchise
Underwriting Specialization & Focus – Fundamental to Profitability

$21.6 Billion Net Written Premiums
Full Year 2007

- Understanding customers’ needs
- Focused underwriting by industry, line of business, customer size and geography

Specialization permeates everything we do
Underwriting Specialization & Focus – Fundamental to Profitability

Granular level of expertise within each business

- Auto Dealers
- Printers / Publishers
- Educational Institutions
- Hotels / Motels
- Restaurants
- Metals
- Food
- Wood
- Plastic & Rubber Goods
- Wholesale
- Mineral Products
- Textiles
- Imported Products
- Severe Products
- Electrical Equipment
- Retail Goods
- Real Estate Owners / Managers
- Homeowners
- Select Construction
- Technology
- Public Sector
- Oil & Gas
- Agri-Inland
- Marine
- Commercial Accounts
- Ocean
Successful launch of five new INDUSTRYEdge™ programs

New Business Premium
Auto Dealers, Printers/Publishers, Educational Institutions, Hotel/Motels and Restaurants

- 2006: $39
- 2007: $84

Specialization driving growth

Note: represents Commercial Accounts new business premium for the five newly launched programs.
Underwriting Specialization & Focus – Fundamental to Profitability

Expected Current Business Unit Returns for New + Renewal Business

95% of current new and renewal business at or above target return levels

- **42% Above Target**
- **53% Within Target**
- **5% Below Target**

1. The chart represents the percent of new and renewal business aggregated by business unit that is above, within and below the company’s target returns of 13 – 18%; Allocated based on 1Q 2008 net earned premium and fees by business unit; Utilizes net earned premium & fees for loss sensitive business and residual market servicing to give due proportion to the size of the business.

2. Based on allocated equity by product (does not allocate 100% of GAAP shareholders’ equity, as a portion of equity supports prior year / run-off reserves); prospective economic returns based on currently underwritten policies and related investment income. Not equivalent to GAAP return on equity. Statistics as of 3/31/08.
Breadth of Products – Leading Range of Products & Capabilities

- Comprehensive array of products
- Abundance of related products across markets
- Significant market share in a wide range of markets and lines of business

$21.6 Billion Net Written Premiums

Full Year 2007
Breadth of Products – Leading Range of Products & Capabilities

Large Account Capabilities

- Casualty products
  - Market leader in loss sensitive primary casualty bundled and unbundled products
  - Recognized top-tier workers’ compensation claim service provider
- National property
  - Significant presence in primary layers
- Large surety
  - Top-tier player in large construction and commercial surety
- Management liability
  - Limited exposure to large accounts
### Breadth of Products – Leading Range of Products & Capabilities

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- Full breadth of product offerings for small and mid-size commercial accounts
- Heavily weighted in high-frequency, low-severity lines
Breadth of Products – Leading Range of Products & Capabilities

Travelers Market Position

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| Commercial                    |        |       |
| Commerical Multi-peril        | #1     |       |
| Property                      | Top 5  |       |
| Liability                     | Top 5  |       |
| Auto                          | #1     |       |
| Workers' Compensation         | Top 5  |       |
| Inland Marine                 | Top 5  |       |
| Ocean Marine                  | Top 5  |       |
| Farmowners/Agribusiness       | Top 5  |       |
| Boiler & Machinery            | Top 5  |       |
| Surety                        | #1     |       |
| Management Liability          | Top 5  |       |

Product Breadth – delivering what competitors cannot:

- Increased cross-sell opportunities among related lines
- Enhanced knowledge of customers and markets leads to higher retention and product innovation

Source: A.M. Best (2006), Market Stance, and internal analysis
Benefits of Travelers Product Breadth:

➢ To Our Customers
   ❑ Ability to bundle purchase of products due to comprehensive breadth
   ❑ More appropriate price due to enhanced information and analytics

➢ To Agents & Brokers
   ❑ Improved efficiency due to ease of use
   ❑ Facilitated cross-sell due to abundance of related products

➢ To Travelers
   ❑ Enhanced product innovation due to increased customer preference data
   ❑ Increased retention due to deeper relationships with customers and agents
Execution through Information & Analytics – Enhanced Decision Making & Performance

Metrics Produced
Company-wide:
- Profitability
- Production
- Pricing segmentation
- Loss trends
- Expenses

Views Accessible by:
- Region
- Office
- Line of Business
- Industry / Program
- Account Size
- Distributor
- Underwriter

Delivering market insight to underwriters and agents
Results: Distribution Depth Advantage

Agency Preference – Commercial

Travelers identified as top five partner by 60% of commercial lines agents responding to the survey. Significant advantage over competitors.


Insurance agents were asked: “The top five companies my agency does commercial lines business with are as follows”
Results: Distribution Depth Advantage

Travelers identified as top five partner by 45% of personal lines agents responding to the survey

Significant advantage over competitors

Insurance agents were asked: “The top five companies my agency does personal lines business with are as follows”
Results: Distribution Depth Advantage

Booz Allen survey of Independent Agents for middle market commercial accounts

- Agents place 80% of their middle market book with three carriers
- Travelers identified as “top three” by 66% of surveyed agents
- Next closest competitor identified by only 31% of surveyed agents
- Travelers leading position driven by specialization and breadth of product

Source: June 2007 Copernicus Market Research Telephone Survey; Booz Allen analysis.
Results: Competitive Advantages Driving Premium Growth

Percentage Growth in Net Written Premiums

Travelers excludes run-off operations; 2Q07-1Q08 growth rates adjusted for the April 2007 sale of Mendota, the company's non-standard personal auto operation, and the March 2007 sale of Afianzadora Insurgentes, the company's Mexican surety operation.

Peer Group consists of AIG: Commercial and Personal Lines; ALL; CB; CNA: P&C Operations; HIG: P&C Segment Ongoing Operations; PGR; SAF; XL: Insurance Segment; and ACE: Insurance North America Segment.
Expected Current Business Unit Returns for New + Renewal Business

- 42% Above Target
- 53% Within Target
- 5% Below Target

95% of current new and renewal business at or above target return levels

1 The chart represents the percent of new and renewal business aggregated by business unit that is above, within and below the company’s target returns of 13 – 18%; Allocated based on 1Q 2008 net earned premium and fees by business unit; Utilizes net earned premium & fees for loss sensitive business and residual market servicing to give due proportion to the size of the business.

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Agenda for the Balance of the Afternoon

- Specialization, breadth and analytics matter – three examples
  1. Select - breakthrough changes expanding the lead in small commercial
  2. Workers’ compensation - capitalizing on & creating opportunities from loss management expertise
  3. Middle market industry focus - individual account underwriting tailored solutions fueling targeted growth

- What agents value
  - Independent agent panel

- How we make it work locally
  - Northeast field management team
Executing On the Competitive Advantages

Joseph P. Lacher, Jr.
Executive Vice President
Specialized Expertise Fueled by Breadth and Analytics

- Three examples

1. Select Accounts - Breakthrough changes expanding a lead in small commercial

2. Workers’ Compensation - Capitalizing on & creating opportunities from loss management expertise

3. Middle Market - Individual account underwriting tailored solutions fueling targeted growth
Select Accounts
Specialization – Industry Leading Market Share and Profitability

➢ Travelers is the market leader in Small Commercial
  □ #1 Market Share (Commercial Multi-Peril)
  □ Leading Profitability
➢ Uncommon success in both flow & individual account underwriting segments of the market
➢ Leading business platform
  □ Best-in-class rate, quote, issue system
  □ Outstanding service center capabilities
  □ Top-tier local field sales & underwriting staff
➢ Broad based agency plant with deep relationships

Top Commercial Multi-Peril Direct Written Premium Writers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>DWP</th>
<th>Market Share</th>
<th>Combined Ratio (5yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Travelers</td>
<td>3.2</td>
<td>9.0%</td>
<td>88%</td>
</tr>
<tr>
<td>2</td>
<td>Zurich/Farmers</td>
<td>2.5</td>
<td>7.2%</td>
<td>116%</td>
</tr>
<tr>
<td>3</td>
<td>Hartford</td>
<td>2.1</td>
<td>6.0%</td>
<td>96%</td>
</tr>
<tr>
<td>4</td>
<td>Liberty Mutual/Safeco</td>
<td>2.1</td>
<td>6.0%</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>Chubb</td>
<td>1.8</td>
<td>5.0%</td>
<td>78%</td>
</tr>
</tbody>
</table>
Select Accounts - Leader in Small Commercial Insurance
*Diverse Underwriting Breadth*

<table>
<thead>
<tr>
<th></th>
<th>TravelersExpress℠</th>
<th>TravelersExpress℠ Plus</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 Direct Written Premium ($’s in billions)</td>
<td>$1.3</td>
<td>$1.5</td>
<td>$2.8</td>
</tr>
<tr>
<td>Average Account Size</td>
<td>$3,500</td>
<td>$16,000</td>
<td>$6,000</td>
</tr>
</tbody>
</table>

Travelers excels at both “ends” of the small commercial market
Select Accounts - Expanding a Lead

*Diverse Underwriting Breadth*

- Clear leading specialization in small commercial
- But…historic concentrations
  - Over 2/3 of written premium in commercial multi-peril, property & liability
  - Over 2/3 of this written premium in four industry segments: “B,O,B,S”
- Perceived market opportunity to further streamline flow business
- Travelers breadth leveraged
  - Quantum like analytics
  - Personal lines like automation
  - Workers compensation & commercial auto expertise

**TravelersExpressSM**: competitive advantage is specialization fueled by breadth
Select Accounts – TravelersExpresssm- Pre-Launch
Speed is Differentiating Factor

Opportunity Areas:

- Declines – too many and too long
  - Declines took 3 days on average
  - Represented approximately 18% of submissions
- High volume of referrals with significant elapsed time
  - 83% of submissions referred to underwriter
  - Underwriters took 3 days on average
- Only 17% automatically generated bindable quotes
Historical flow business pricing control at individual account level – not optimal for this small transaction size

- Basic pricing grid set countrywide with local market adjustments
- Broad underwriting latitude to adjust at individual account level
- Ability to leverage predictive modeling and granular pricing impaired by underwriting variability

Fine tuning at the individual account level:
• Weakens impact of predictive modeling and most granular pricing
• Harder to achieve consistency in pricing or appetite
Select Accounts – TravelersExpress™
Rating Sophistication Unlocks Efficiency

- Historical Flow Business pricing control at individual account level – not optimal for this small transaction size
- Predictive modeling and multivariate analysis enable broader appetite and tighter control
  - Analytics allow broader product reach via granular pricing
  - Reduces deviation and increases execution consistency
  - Shifted decision and management to optimal leverage point
    - Countrywide structure
    - Local market and territory modification and management
    - Limited discretionary individual account adjustments
- Enables major transaction speed and efficiency gain
- “Send all your business and we’ll sort it out” marketing capabilities

Frequent measurement, analysis and adjustment
Select Accounts – TravelersExpress℠ – Post Launch
Speed is Differentiating Factor

**Strengths:**
- Automatically generated bindable quote (pass through) up to 71%
  - Automated underwriting reduces two areas of “negative human intervention”
- Declines: fewer and dramatically faster
  - Declination rate cut by nearly 1/3rd
  - Average time now 15 minutes from three days; 80% within five minutes
- Referrals reduced by 4/5th – focused on most critical items
  - Average decision time cut by 2/3rds to one day

**Submissions increased approximately 50%**
Select Accounts – TravelersExpress™

How is it working?

➢ Strengthened rating and underwriting consistency driven by automation
  □ Leading application of predictive modeling and multivariate analysis
  □ Automated best-in-class underwriting
  □ Optimized utility of underwriters

➢ Ease of doing business improved dramatically

➢ Increased submission flow – agents reaction very positive

➢ Broader reach in both industry segment and line mix

➢ Average policy size declined somewhat
Select Accounts – TravelersExpress\textsuperscript{sm} Results

Agents Quoting

<table>
<thead>
<tr>
<th>Legacy</th>
<th>TE</th>
</tr>
</thead>
<tbody>
<tr>
<td>18,573</td>
<td>26,088</td>
</tr>
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</table>

Increased flow

Submission Flow

<table>
<thead>
<tr>
<th>Legacy</th>
<th>TE</th>
</tr>
</thead>
<tbody>
<tr>
<td>73,110</td>
<td>129,782</td>
</tr>
</tbody>
</table>

Up 78%

Quotes Per Agent

<table>
<thead>
<tr>
<th>Legacy</th>
<th>TE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.9</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Up 26%

- Increased flow
- Ease of use
  - Broader market reach
  - Smoother process
- Pricing sophistication is driving selection
- Quote volume doubled
- Declination rates reduced
Select Accounts – TravelersExpress℠ Results

Broader Reach Across Industry Segments

- B.O.B.S. concentration reduced from 70% to 46% post launch

- Written premiums increased 41%:
  - B.O.B.S. up 13%
  - Non-B.O.B.S up 80%
Select Accounts – TravelersExpress™ Results
Broader Reach Across Industry Lines

- Commercial multi-peril concentration reduced from 70% to 60% post launch

- Written premiums increased 41%:
  - Commercial multi-peril up 38%
  - Workers’ compensation up 55%
  - Auto up 65%
Select Accounts - TravelersExpress\textsuperscript{sm}

- Building upon market leading position and expertise
- Leveraging enterprise breadth and analytics
  - Quantum like predictive model based rating
  - Automated underwriting via personal lines like automation
  - Workers compensation and auto strengths enable expansion opportunities
- Creating competitive advantages and delivering results

Breakthrough changes expanding a lead in small commercial
Specialized Expertise Fueled by Breadth and Analytics

➢ Three examples

1. Select Accounts - Breakthrough changes expanding a lead in small commercial

2. Workers’ Compensation - Capitalizing on & creating opportunities from loss management expertise

3. Middle Market - Individual account underwriting tailored solutions fueling targeted growth
Travelers has a top tier specialization in workers’ compensation

- Identified opportunities to:
  - Selectively grow in certain guaranteed cost markets
  - Leverage workers’ compensation severity management in other bodily injury claims

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>'06 DWP</th>
<th>Market Share</th>
<th>Statutory Combined Ratio (5yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AIG</td>
<td>6.8</td>
<td>12.6%</td>
<td>102%</td>
</tr>
<tr>
<td>2</td>
<td>Liberty Mutual</td>
<td>5.6</td>
<td>10.4%</td>
<td>108%</td>
</tr>
<tr>
<td>3</td>
<td>State Comp Fund CA</td>
<td>3.6</td>
<td>6.6%</td>
<td>103%</td>
</tr>
<tr>
<td>4</td>
<td>Travelers</td>
<td>2.8</td>
<td>5.2%</td>
<td>92%</td>
</tr>
<tr>
<td>5</td>
<td>Zurich/Farmers</td>
<td>2.7</td>
<td>5.0%</td>
<td>104%</td>
</tr>
</tbody>
</table>

Workers’ Compensation Specialization – Industry Leading Profitability and Market Share

Top Workers’ Compensation Direct Written Premium Writers

1 2006 A.M Best
Workers’ Compensation
A few definitions…

➢ Market Segments / Funding Types

q **Guaranteed Cost products**: an insurance policy where the premiums charged will not be adjusted for actual loss experience during the covered period. In a guaranteed cost policy, the only variable affecting premium is payroll.

q **Loss Sensitive or Retrospective rating**: A plan or method which permits adjustment of the final premium or commission on the basis of actual loss experience, subject to certain minimum and maximum limits.

q **Fee for Service**: claim services are unbundled and paid for separately. Losses retained by purchasing company.

q **Residual Markets**: Guaranteed Cost products: an insurance policy where the premiums charged will not be adjusted for actual loss experience during the covered period. In a guaranteed cost policy, the only variable affecting premium is payroll.

➢ Premium Equivalents:

q For self-funded cases, premium equivalents are defined as estimated claims expenses plus self-funded fees.
Workers’ Compensation – Experience Matters

*Expertise and Claim Handling*

- **Historical strength and scale**
  - National Accounts ($2.0 billion in premium equivalents)
  - Residual markets servicing carrier – large player (36% of market)
  - Guaranteed cost business

- **Superior loss severity management**
  - Travelers statutory combined ratio is 12 pts better than the industry Top 10
  - Travelers Residual Market Service paid loss ratio is 9% better than all servicing carriers\(^1\)

---

**Workers Compensation $2.9 Billion Gross**

Written Premiums

*Full Year 2007*

- National Accounts 43%
- Commercial Accounts 21%
- Select Accounts 16%
- All Other 20%

**Workers Compensation $5.0 Billion Gross**

Written Premiums & Equivalents

*Full Year 2007*

- National Accounts 67%
- Commercial Accounts 12%
- Select Accounts 9%
- All Other 12%

\(^1\) Based on a study of top 20+ Residual Market Players; Data source: NCCI – all states excluding MA
Workers’ Compensation
Capitalizing on Targeted Guaranteed Cost Growth Opportunities

<table>
<thead>
<tr>
<th>Workers' Compensation Net Written Premium</th>
<th>1Q 2008</th>
<th>Growth (1Q08/1Q07)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Accounts</td>
<td>$157</td>
<td>-4%</td>
</tr>
<tr>
<td>Select</td>
<td>138</td>
<td>10%</td>
</tr>
<tr>
<td>Commercial Accounts</td>
<td>193</td>
<td>15%</td>
</tr>
<tr>
<td>All Other</td>
<td>186</td>
<td>19%</td>
</tr>
<tr>
<td>Business Insurance Total</td>
<td>$674</td>
<td>10%</td>
</tr>
</tbody>
</table>

- Travelers is not executing a broad brush workers’ compensation growth strategy
- 1Q 2008 – Experiencing growth from targeted opportunities revealed by superior analytics
- Example – Select Accounts
Workers’ Compensation – Leveraging Expertise

*Example – Select Accounts*

- Historically, Select under concentrated in worker’s compensation
- Analytics revealed opportunities for profitable growth
- TravelersExpress™ predictive modeling and automated underwriting unlocked opportunity
Select Accounts - Workers’ Compensation

Identifying Opportunity Through Segmentation

- Analytics allow us to identify growth opportunities

WC Written Premium Growth Excluding Rate Change

1 Represents pro-forma premium growth excluding the estimated impact of rate changes.
Select Accounts - Workers’ Compensation

Identifying Opportunity Through Segmentation

- Analytics allow us to identify growth opportunities
- Sometimes summary data does not clearly highlight opportunities
- Surgical examination & granular execution allow access

WC Written Premium Growth Excluding Rate Change ¹

<table>
<thead>
<tr>
<th></th>
<th>Better</th>
<th>Average</th>
<th>Worse</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better</td>
<td>21%</td>
<td>7%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td>Average</td>
<td>3%</td>
<td></td>
<td></td>
<td>21%</td>
</tr>
<tr>
<td>Worse</td>
<td>0%</td>
<td></td>
<td></td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>24%</td>
<td>6%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

¹ Represents pro-forma premium growth excluding the estimated impact of rate changes.
Select Accounts - Workers’ Compensation  
*Identifying Opportunity Through Segmentation*

- Analytics allow us to identify growth opportunities
- Sometimes summary data does not clearly highlight opportunities
- Surgical examination & granular execution allow access
- Segment optimization allows for differentiated rate action

---

### WC Written Premium Growth Excluding Rate Change

*Looking behind these growth percentages reveals: “Worse-Worse” cell rate change 12 points higher than “Better-Better” cell*

<table>
<thead>
<tr>
<th>State Environment</th>
<th>Better</th>
<th>Average</th>
<th>Worse</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combination of Account Segments &amp; Industry Segment</td>
<td>21%</td>
<td>7%</td>
<td>12%</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td>24%</td>
<td>6%</td>
<td>5%</td>
<td>Total</td>
</tr>
</tbody>
</table>

1 Represents pro-forma premium growth excluding the estimated impact of rate changes.
Workers’ Compensation
Leveraging Multi-Line Advantage

Over 525k injury claims annually

Workers’ Compensation
350k injuries

Automobile
100k injuries

General Liability
75k injuries

All Injury Claims

Proper Payment
• Medical bill re-pricing
• Fraud detection

Medical Involvement
• Nurse oversight
• Medical equipment review
• Pharmaceutical management

Enhance Products & Insight
• Better pricing all accounts that have injury components
• Understanding regional variances

Product breadth and scale allows for superior data, analytics and results
Travelers Personal Insurance Auto experiencing bodily injury (BI) severity trends out of pattern with the industry

- Major personal auto players reporting BI severity trends in the mid to high single digits
- Travelers reporting nearly flat severity trends

As an example, the impact of an 8 point auto BI severity trend on a full year of Travelers Personal Insurance Auto results would be:

- 8 points of BI loss trend converts to 3 points of total auto loss trend
- 3 points of total auto loss trend converts to 2 combined ratio points
- **2 combined ratio points converts to $75 million pre-tax impact on $3.6 billion auto book (2007 NWP)**

Workers’ Compensation

*Leveraging Breadth Yields High Impact*

Workers’ compensation medical loss management is a leveragable competitive advantage
Personal Auto - Severity Trends

- Industry bodily injury severity trend is evident
- Workers’ compensation loss management fueled claim initiatives
- Analytics identified greatest opportunities
- Competitive advantage with measurable results

3rd Party Bodily Injury

Index of Average Claim Payment

- Industry data is composite of state specific industry data (source: ISO Fast Track data) re-weighted to Travelers distribution by state. Data presented on calendar period 12 month moving average paid closed claim basis. All data excludes AK, HI, ID, MI, ND, SD, WV & WY due to small data set.
Workers’ Compensation
Capitalizing on and Creating Opportunities

- Building upon specialization
  - Top tier market position
  - Leading loss management expertise
- Superior analytics and leveraging breadth
  - Capitalizing on opportunistic targeted workers’ compensation guaranteed cost growth
  - Creating opportunity – Offsetting auto BI severity trend
- Creating competitive advantages and delivering results
Specialized Expertise Fueled by Breadth and Analytics

➢ Three examples

1. Select Accounts - Breakthrough changes expanding a lead in small commercial

2. Workers’ Compensation - Capitalizing on & creating opportunities from loss management expertise

3. Middle Market - Individual account underwriting tailored solutions fueling targeted growth
Meaningful and Sustainable Competitive Advantages

- **Industry Focused**
  - Underwriting specialization & focus
    - By line
    - By industry
    - By customer size
  - Breadth of products
    - Expand number of lines and classes of business
  - Execution through analytics
    - Determine opportunities, match with distribution plans and measure results

**Size & Scale of Franchise**
Note: Percentage of 2007 net written premiums excluding Business Insurance Other.
Keys Success Drivers for Individually Underwritten Accounts

- Leading agency position across a broad distribution plant
- Market leading management information and analytic capabilities leveraged by size and scale
- Specialized industry focused products and underwriting
- Continuous new product development
- Superior local execution
Underwriting Specialization & Focused Resources
Expertise for Companies in High Potential Industries

Printers / Publishers

- **Opportunity**
  - $500 million in premium
  - Under penetrated
  - Profitable

- **Industry product analysis**
  - Change from manufacturing to technology
  - Exposure changes
  - Products needed to match exposures

- **Research**
  - Printers / Publishers
  - Agents
  - Field

Determine the needs of each
Underwriting Specialization & Focused Resources
Expertise for Companies in High Potential Industries

Product and Marketing Plan - Printers / Publishers

- Tailored product to printer / publisher exposure
  - Example: E&O form
  - Customized risk and claim services

- Tailored marketing plan to agents
  - Pre-qualified leads
  - Packaged sales kits
  - Joint advertising

- Account Executive’s tools
  - Underwriting knowledge edge
  - Pricing sophistication
  - Sales kits and tips
ABC Printing Company

- $150 million in sales
- $20 million exports
- 2 printing facilities
- $12 million property values
- 5 vehicles
- 75 employees
The Example: Advantages of Integrated Execution

Coverages Requested

Historical

Additional Coverage Opportunities

Today

Umbrella
Auto
General Liability
Property

Bond
Crime
Boiler
International
Cargo
Printers E&O

General Liability
Property
Printers / Publishers Results

**INDUSTRYEdge™**

- Auto Dealers
- Printers / Publishers
- Educational Institutions
- Hotels / Motels
- Restaurants
- Metals
- Food
- Wood
- Plastic & Rubber Goods
- Wholesale
- Mineral Products
- Textiles
- Imported Products
- Severe Products
- Electrical Equipment
- Retail Goods
- Real Estate Owners / Managers

**Full Year 2007 Results**

- Submission flow up 37%
- Written premium growth: +21%
- Retention: 89%

**Tailored solutions fueling targeted growth**
Independent Agent Panel

Moderator: Patrick Kinney
President – Field Management
Independent Agent Panel

Lewis Bernstein
B&B Coverage
Valley Stream, NY

Rob Bouvier
Bouvier, Beckwith & Lennox
West Hartford, CT

Bruce Rogers
Pierson & Smith
Norwalk, CT
Travelers Agency Value Equation

**Sustainable Competitive Advantages**
- Industry leading specialization
- Broad product breadth
- Actionable analytics
- Best people and superior field execution

**Benefits to Agents**
- Custom tailored solutions
- Sales opportunities
- Stability
- Local team interaction

Top tier agency position
Merge Core Strength With Field Execution

Local leaders
Enterprise team ownership
Local decision making
Integrated business system
Best practices

Results in:

- Superior local execution
- Leading agency position
- Market leading distribution knowledge
- Actionable analytics
- Outperform national and local competitors
Northeast Field Management Team

Bill Teed
Regional President, Northeast
21 Years with Travelers

Myles Gibbons
Regional Vice President, Middle Market
20 Years with Travelers

Greg Even
Regional Vice President, Select Accounts
20 Years with Travelers
Meaningful and Sustainable **Local** Competitive Advantages

- Brodest product mix
- Tailored sales solutions
- Leverage all opportunities
- Think and act as one team
Northeast Region At a Glance

$2.8 Billion Net Written Premiums
Full Year 2007

- Delivering national capabilities at the local level
- Identify and maximize all opportunities across the business units
- Increase flow and sales through total account solutions
Northeast Region At a Glance

$2.8 Billion Net Written Premiums
Full Year 2007

Execute as one team
Northeast Region At a Glance

- Full service region, including:
  - Risk control
  - Claim services
- 300 account executives
- 9 field offices
- Partner with 1000 agents
Northeast Region Local Management Strategy

- Local management responds to diverse economic, regulatory, demographic and competitive landscapes
- Local management responsible for profit centers, distribution plans and product integration

Sell more product in each state, city and town
Northeast Region Local Management Strategy

- Delivering national capabilities at the local level

<table>
<thead>
<tr>
<th>Personal Insurance</th>
<th>Business Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
</tr>
<tr>
<td>Auto</td>
<td>●</td>
</tr>
<tr>
<td>Home</td>
<td>●</td>
</tr>
<tr>
<td>Commercial Multi-peril</td>
<td>n/a</td>
</tr>
<tr>
<td>Property</td>
<td>n/a</td>
</tr>
<tr>
<td>Liability</td>
<td>n/a</td>
</tr>
<tr>
<td>Workers' Compensation</td>
<td>n/a</td>
</tr>
<tr>
<td>Inland Marine</td>
<td>n/a</td>
</tr>
<tr>
<td>Ocean Marine</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Public Sector</strong></td>
<td>n/a</td>
</tr>
<tr>
<td>Boiler &amp; Machinery</td>
<td>n/a</td>
</tr>
<tr>
<td>Surety</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>n/a</td>
</tr>
</tbody>
</table>

Building underwriting sales and marketing plans that match our local footprint
Discussion Topics

- What is our execution advantage?
  - How does specialization and product breadth help us write and retain more business?
  - How do we use our analytic and information advantage to manage our business?
Local Execution

Business Planning

Performance Metrics

Agency Segmentation

Creating local opportunities through specialization and product breadth

Distribution Analytics
2008 Northeast Region Business Plan

- Business plans built by region, profit center and state
- Develop target strategies locally by business unit
- Promotes execution as one team

2008 Northeast Region Plan

- New business: $500+ million
- Retention: 85%
- Growth: 3%

Field Management Plan
2008 Production Plan by Business Unit Detail
(Amounts in Thousands)

<table>
<thead>
<tr>
<th>Business Units</th>
<th>Total Base</th>
<th>Retention %</th>
<th>RPC %</th>
<th>New Bus. %</th>
<th>Total Production</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Express Plus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Express</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Select Accounts</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Agribusiness</td>
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<tr>
<td>Commercial Accounts</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Agency Segmentation

<table>
<thead>
<tr>
<th>Agency</th>
<th>National Accounts</th>
<th>Construction</th>
<th>Select Accounts</th>
<th>Commercial Accounts</th>
<th>Inland Marine</th>
<th>Bond</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency A</td>
<td>Growth</td>
<td>No Relationship</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
<td>No Opportunity</td>
</tr>
<tr>
<td>Agency B</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
<td>Mature</td>
<td>Growth</td>
</tr>
<tr>
<td>Agency C</td>
<td>Growth</td>
<td>Mature</td>
<td>Growth</td>
<td>Growth</td>
<td>Mature</td>
<td>Growth</td>
<td>Growth</td>
</tr>
</tbody>
</table>

- **Common standards across businesses**
- **Target resources to each agency’s expertise**
- **Broadens enterprise accountability**
### Individual Agency Plan

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>Business Unit / RM</th>
<th>Agency Code</th>
<th>Relationship Mgr.</th>
<th>Regional Director</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2008 OBJECTIVES BY BUSINESS UNIT

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>New Business</th>
<th>YTD Growth</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select Accounts</td>
<td>$250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Accounts</td>
<td>$750,000</td>
<td></td>
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<tr>
<td>Construction</td>
<td>$400,000</td>
<td></td>
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<tr>
<td>National Property</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inland Marine</td>
<td>$25,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Matching our products and capabilities with their expertise
- Customized marketing plan
- Individual agency plan rollups to match the enterprise business plan
- Managed by a local field leader
Discussion Topics

- What is our execution advantage?

- How does specialization and product breadth help us write and retain more business?
  - Customer = tailored solutions
  - Agent = customer satisfaction
  - Underwriter = knowledge and market place edge

- How do we use our analytic and information advantage to manage our business?
Underwriting Specialization & Focused Resources

INDUSTRYEdge™

- Auto Dealers
- Printers / Publishers
- Educational Institutions
- Hotels / Motels
- Restaurants
- Metals
- Food
- Wood
- Plastic & Rubber Goods
- Wholesale
- Mineral Products
- Textiles
- Imported Products
- Severe Products
- Electrical Equipment
- Retail Goods
- Real Estate Owners / Managers

- Local underwriting expertise and knowledge edge
- Superior risk selection
- Industry specific pricing
- Tailored risk control
- Outstanding claim service
- Local driven agency marketing and sales plans
Opportunity in Connecticut
$73 million in premium
303 auto dealers

Results
Since 1/1/07 Inception
$3 million in written premium
28 new auto dealer accounts

Connecticut Auto Dealers
Product Breadth – Growing Flow Business

Massachusetts

- Double digit market share
- Industry leading position in CMP
- Under weighted in workers compensation

TravelersExpress℠ Launched

- Workers’ compensation in Sept. 2007
- CMP in Feb. 2008

CMP = Commercial Multi-Peril

Line

<table>
<thead>
<tr>
<th>Industry Segment</th>
<th>Line</th>
<th>Worker’s Comp.</th>
<th>Auto</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMP</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Worker’s Comp.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Historical “Sweet Spot”

Expanded “Sweet Spot”

“B.O.B.S.”

Other Segments

- Business
- Office
- Building
- Stores
- Apartments
- Condominiums
- Contractors
- Garage
- Institutional
- Manufacturers
- Restaurants
- Technology Mfg.
- Technology Off Pac
- Wholesaler
TravelersExpress℠ Workers’ Compensation
Massachusetts

Building
Example of “B.O.B.S.” segment

Enumerated segments:
- Auto
- Workers’ Comp
- CMP

Contractors
Example of “non-B.O.B.S.” segment

Enhanced workers’ compensation capability expanded our industry penetration

CMP = Commercial Multi-Peril
*B.O.B.S. = Business, Office, Building, Stores
TravelersExpress℠ Workers’ Compensation
Massachusetts

Increased Submission Flow

Pre-launch: 1,850
Post-launch: 3,239

% Increase in Submission Flow
“B.O.B.S.” vs. Non-”B.O.B.S.”

- "B.O.B.S."
  - 31%

- Non-"B.O.B.S."
  - 130%

- Achieving broader industry reach
- Win through breadth and ease

"B.O.B.S. = Business, Office, Building, Stores"
Discussion Topics

- What is our execution advantage?
- How does specialization and product breadth help us write and retain more business?
- How do we use our analytic and information advantage to manage our business?
Flow Analytics and Metrics
Northeast Region

Drill down capability
- Region / profit center / state
- Agency
- Business unit / line of insurance
- Account executive

Analytic advantage
- Drives behavior at point of sale
- Agency management

Data for illustrative purposes only
Plan vs Actual: Agent View
Northeast Region

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>2008 YTD</th>
<th></th>
<th></th>
<th></th>
<th>2007 PYE</th>
<th></th>
<th></th>
<th></th>
<th>2008 Agency Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Written Premium</td>
<td>Growth %</td>
<td>New Business</td>
<td>Loss Ratio</td>
<td>Written Premium</td>
<td>Loss Ratio</td>
<td>New Business</td>
<td>Retention %</td>
<td>Growth %</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>145,662</td>
<td>-30.7%</td>
<td>22,385</td>
<td>37.0%</td>
<td>916,698</td>
<td>86.1%</td>
<td>10,000</td>
<td>85%</td>
<td>0%</td>
</tr>
<tr>
<td>Boiler &amp; Machinery</td>
<td>16,734</td>
<td>35.2%</td>
<td>14,748</td>
<td>0.0%</td>
<td>65,481</td>
<td>148.8%</td>
<td>375,000</td>
<td>90%</td>
<td>6%</td>
</tr>
<tr>
<td>Commercial Accounts</td>
<td>617,317</td>
<td>-3.4%</td>
<td>20,623</td>
<td>29.6%</td>
<td>2,275,238</td>
<td>24.1%</td>
<td>100,000</td>
<td>90%</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>195,801</td>
<td>-40.5%</td>
<td>0</td>
<td>147.4%</td>
<td>777,687</td>
<td>19.4%</td>
<td>25,000</td>
<td>90%</td>
<td>75%</td>
</tr>
<tr>
<td>Excess Casualty</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
<td>29,290</td>
<td>0.0%</td>
<td>75,000</td>
<td>80%</td>
<td>9%</td>
</tr>
<tr>
<td>Global Accounts</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
<td>0.0%</td>
<td>8,041</td>
<td>0.0%</td>
<td>75,000</td>
<td>80%</td>
<td>9%</td>
</tr>
<tr>
<td>Inland Marine</td>
<td>129,539</td>
<td>291.8%</td>
<td>81,740</td>
<td>4.0%</td>
<td>257,178</td>
<td>18.0%</td>
<td>75,000</td>
<td>80%</td>
<td>9%</td>
</tr>
</tbody>
</table>

- Manage agency results versus plan
- Monitor enterprise and business unit results
- Continuous performance feedback

Data for illustrative purposes only
Financial Measurement
Northeast Region

Strong financial management tools
Financial results at regional, profit center, state, business unit and line of business levels
Disciplined financial approach
Northeast Region

1st Quarter 2008 Results

- Submission flow up 12%
- Written premium growth: +2%
- Retention: 86%
- Combined ratio: 89.7%

Very successful region
Closing Remarks
Jay S. Fishman
Chairman and Chief Executive Officer
Total Return\(^1\) Since Merger Through 5/20/08

<table>
<thead>
<tr>
<th>Company</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldman Sachs Group</td>
<td>81.2%</td>
</tr>
<tr>
<td>The Chubb Companies</td>
<td>67.6%</td>
</tr>
<tr>
<td>ACE Ltd.</td>
<td>52.8%</td>
</tr>
<tr>
<td>TRAVELERS</td>
<td>37.0%</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>32.2%</td>
</tr>
<tr>
<td>Allstate</td>
<td>21.0%</td>
</tr>
<tr>
<td>JP Morgan Chase &amp; Co.</td>
<td>20.1%</td>
</tr>
<tr>
<td>Hartford Financial Services Group</td>
<td>17.6%</td>
</tr>
<tr>
<td>CNA Financial Corp.</td>
<td>11.7%</td>
</tr>
<tr>
<td>American Express Company</td>
<td>9.0%</td>
</tr>
<tr>
<td>Bank of America Corp.</td>
<td>4.5%</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>3.0%</td>
</tr>
<tr>
<td>Progressive Corp.</td>
<td>-11.0%</td>
</tr>
<tr>
<td>American International Group</td>
<td>-44.5%</td>
</tr>
<tr>
<td>XL Capital Ltd.</td>
<td>-49.0%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>-49.1%</td>
</tr>
</tbody>
</table>

\(^1\) Includes dividend reinvestment in company’s security

Source: Thomson Financial
Annex
Glossary of Financial Measures

The following measures are used by the Company's management to evaluate financial performance against historical results and establish targets on a consolidated basis. In some cases, these measures are considered non-GAAP financial measures under applicable SEC rules because they are not displayed as separate line items in the consolidated statement of income or required to be disclosed in the notes to financial statements, and in some cases, include or exclude certain items not ordinarily included or excluded in the most comparable GAAP financial measure. In the opinion of the Company's management, a discussion of these measures provides investors with a better understanding of the significant factors that comprise the Company's periodic results of operations and how management evaluates the Company's financial performance.

**Operating income (loss)** is net income (loss) excluding the after-tax impact of net realized investment gains (losses). **Operating income (loss) per share** is operating income (loss) on a per share basis.

**Return on equity** is the ratio of net income to average equity. **Operating return on equity** is the ratio of operating income to average equity excluding net unrealized investment gains and losses, net of tax.

In the opinion of the Company's management, operating income, operating income per share and operating return on equity are meaningful indicators of underwriting and operating results. These measures exclude net realized investment gains or losses which can be significantly impacted by both discretionary and other economic factors and are not necessarily indicative of operating trends. Internally, the Company's management uses operating income, operating income per share and operating return on equity to evaluate performance against historical results and establish financial targets on a consolidated basis.

**Underwriting gain (loss)** is net earned premiums and fee income less claims and claim adjustment expenses and insurance-related expenses.

A **catastrophe** is a severe loss, resulting from natural and man-made events, including risks such as fire, earthquake, windstorm, explosion, terrorism and other similar events. Each catastrophe has unique characteristics and catastrophes are not predictable as to timing or amount. Their effects are included in net and operating income and claims and claim adjustment expense reserves upon occurrence. A catastrophe may result in the payment of reinsurance reinstatement premiums and assessments from various pools. In the opinion of the Company's management, a discussion of the impact of catastrophes is meaningful for investors to understand variability in periodic earnings.

**Loss reserve development** is the increase or decrease in incurred claims and claim adjustment expenses as a result of the re-estimation of claims and claim adjustment expense reserves at successive valuation dates for a given group of claims. Loss reserve development may be related to one or more prior years or the current year. In the opinion of the Company's management, discussion of loss reserve development is useful to investors as it allows them to assess the impact between prior and current year development on incurred claims and claim adjustment expenses, net and operating income, and changes in claims and claim adjustment expense reserve levels from period to period.

**GAAP combined ratio** is the sum of the loss and loss adjustment expense ratio (loss and LAE ratio), the underwriting expense ratio and, where applicable, the ratio of dividends to policyholders to net premiums earned. For GAAP, the loss and LAE ratio is the ratio of incurred losses and loss adjustment expenses reduced by an allocation of fee income to net earned premiums. The underwriting expense ratio is the ratio of underwriting expenses incurred reduced by an allocation of fee income, and billing and policy fees to net earned premiums. A GAAP combined ratio under 100% generally indicates an underwriting profit. A GAAP combined ratio over 100% generally indicates an underwriting loss. The GAAP combined ratio is an operating statistic that includes GAAP measures in the numerator and the denominator.

**Gross written premiums** reflect the direct and assumed contractually determined amounts charged to the policyholders for the effective period of the contract based on the terms and conditions of the insurance contract. **Net written premiums** reflect gross written premiums less premiums ceded to reinsurers.
Glossary of Financial Measures - Continued

**Book value per share** is total common shareholders’ equity divided by the number of common shares outstanding. **Adjusted book value per share** is total common shareholders’ equity excluding the after-tax impact of net unrealized investment gains and losses (i.e., excluding FAS 115), divided by the number of common shares outstanding. In the opinion of the Company’s management, adjusted book value is useful in an analysis of a property casualty company’s book value as it removes the effect of changing prices on invested assets, (i.e., net unrealized investment gains (losses), net of tax) which do not have an equivalent impact on unpaid claims and claim adjustment expense reserves. **Tangible book value per share** is adjusted book value per share excluding the after-tax value of goodwill and other intangible assets divided by the number of common shares outstanding. In the opinion of the company’s management, tangible book value per share is useful in an analysis of a property casualty company’s book value on a nominal basis as it removes certain effects of purchase accounting (i.e., goodwill and other intangible assets), in addition to the effect of changing prices on invested assets.

Description of Reportable Business Segments

**Travelers has organized its businesses into the following reportable business segments:**

**Business Insurance** - The Business Insurance segment offers a broad array of property and casualty insurance and insurance-related services to its clients primarily in the United States. Business Insurance is organized into the following six groups, which collectively comprise Business Insurance Core operations: Select Accounts; Commercial Accounts; National Accounts; Industry-Focused Underwriting including Construction, Technology, Public Sector Services, Oil & Gas, and Agribusiness; Target Risk Underwriting including National Property, Inland Marine, Ocean Marine, Excess Casualty, Boiler & Machinery, and Global Accounts; and Specialized Distribution including Northland and National Programs. Business Insurance also includes the Special Liability Group (which manages the Company's asbestos and environmental liabilities), and other runoff operations, which collectively are referred to as Business Insurance Other.

**Financial, Professional & International Insurance** - The Financial, Professional & International Insurance segment includes surety and financial liability businesses which primarily use credit-based underwriting processes, as well as property and casualty products that are predominantly marketed on an international basis. The businesses in Financial, Professional & International Insurance are Bond & Financial Products and International.

**Personal Insurance** writes virtually all types of property and casualty insurance covering personal risks. The primary coverages in this segment are personal automobile and homeowners insurance sold to individuals.
Statutory Net Income to GAAP Net Income and Tangible Book Value Per Share Reconciliations
($ in millions, except per share amounts)

**Statutory Net Income to GAAP Net Income Reconciliation**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory net income</td>
<td>$ 4,857</td>
</tr>
<tr>
<td>GAAP adjustments</td>
<td></td>
</tr>
<tr>
<td>Non insurance income</td>
<td>21</td>
</tr>
<tr>
<td>Premiums</td>
<td>44</td>
</tr>
<tr>
<td>Net investment income</td>
<td>(85)</td>
</tr>
<tr>
<td>Fee Income</td>
<td>8</td>
</tr>
<tr>
<td>Net realized investment gains (losses)</td>
<td>83</td>
</tr>
<tr>
<td>Other revenue</td>
<td>66</td>
</tr>
<tr>
<td>Claims and claim expenses</td>
<td>(15)</td>
</tr>
<tr>
<td>Amortization of deferred policy acquisition costs</td>
<td>200</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(223)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(353)</td>
</tr>
<tr>
<td>Foreign exchange and other</td>
<td>(2)</td>
</tr>
<tr>
<td>Total GAAP adjustments</td>
<td>(256)</td>
</tr>
<tr>
<td>GAAP net income</td>
<td>$ 4,601</td>
</tr>
</tbody>
</table>

**Tangible Book Value Reconciliation**

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2007</th>
<th>March 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible common shareholders' equity</td>
<td>$21,811</td>
<td>$21,659</td>
</tr>
<tr>
<td>Goodwill and other intangibles, net of tax</td>
<td>4,073</td>
<td>4,045</td>
</tr>
<tr>
<td>Adjusted common shareholders' equity</td>
<td>25,884</td>
<td>25,704</td>
</tr>
<tr>
<td>Net unrealized investment gains (losses)</td>
<td>620</td>
<td>576</td>
</tr>
<tr>
<td>Common shareholders' equity</td>
<td>$26,504</td>
<td>$26,280</td>
</tr>
<tr>
<td>Common shares outstanding</td>
<td>627.8</td>
<td>606.9</td>
</tr>
<tr>
<td>Tangible book value per share</td>
<td>$34.74</td>
<td>$35.69</td>
</tr>
<tr>
<td>Adjusted book value per share</td>
<td>$41.23</td>
<td>$42.36</td>
</tr>
<tr>
<td>Book value per share</td>
<td>$42.22</td>
<td>$43.31</td>
</tr>
</tbody>
</table>
### Book Value and Earnings Per Share Reconciliations

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

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted common shareholders’ equity</td>
<td>$20,276</td>
<td>$21,234</td>
<td>$21,776</td>
<td>$21,823</td>
<td>$22,752</td>
<td>$23,388</td>
<td>$24,200</td>
<td>$24,553</td>
<td>$24,794</td>
<td>$25,466</td>
<td>$25,971</td>
<td>$25,884</td>
<td>$25,704</td>
</tr>
<tr>
<td>Net unrealized investment gains (losses)</td>
<td>$277</td>
<td>$962</td>
<td>$472</td>
<td>$327</td>
<td>$(61)</td>
<td>$(476)</td>
<td>$411</td>
<td>$453</td>
<td>$439</td>
<td>$(263)</td>
<td>$(221)</td>
<td>$620</td>
<td>$576</td>
</tr>
<tr>
<td>Common shareholders’ equity</td>
<td>$20,553</td>
<td>$22,196</td>
<td>$22,248</td>
<td>$22,185</td>
<td>$22,891</td>
<td>$22,912</td>
<td>$24,511</td>
<td>$25,006</td>
<td>$25,233</td>
<td>$26,200</td>
<td>$26,192</td>
<td>$26,904</td>
<td>$26,289</td>
</tr>
<tr>
<td>Common shares outstanding</td>
<td>673.6</td>
<td>674.6</td>
<td>692.2</td>
<td>693.4</td>
<td>696.2</td>
<td>691.4</td>
<td>695.3</td>
<td>678.3</td>
<td>665.3</td>
<td>670.0</td>
<td>646.1</td>
<td>627.8</td>
<td>606.9</td>
</tr>
<tr>
<td>Adjusted book value per share, at period end</td>
<td>$30.10</td>
<td>$31.48</td>
<td>$31.46</td>
<td>$31.47</td>
<td>$33.83</td>
<td>$35.10</td>
<td>$36.20</td>
<td>$37.26</td>
<td>$38.76</td>
<td>$40.20</td>
<td>$41.23</td>
<td>$42.36</td>
<td>$43.31</td>
</tr>
<tr>
<td>Book value per share, at period end</td>
<td>$30.51</td>
<td>$32.90</td>
<td>$32.14</td>
<td>$31.94</td>
<td>$32.68</td>
<td>$33.14</td>
<td>$35.69</td>
<td>$36.86</td>
<td>$37.93</td>
<td>$38.36</td>
<td>$40.54</td>
<td>$42.22</td>
<td>$43.31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings Per Share Reconciliation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
</tr>
<tr>
<td>Operating income</td>
</tr>
<tr>
<td>Net realized investment gains (losses)</td>
</tr>
<tr>
<td>Income from continuing operations</td>
</tr>
<tr>
<td>Discontinued operations</td>
</tr>
<tr>
<td>Net income</td>
</tr>
<tr>
<td><strong>Basic earnings per share</strong></td>
</tr>
<tr>
<td>Operating income</td>
</tr>
<tr>
<td>Net realized investment gains (losses)</td>
</tr>
<tr>
<td>Income from continuing operations</td>
</tr>
<tr>
<td>Discontinued operations</td>
</tr>
<tr>
<td>Net income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diluted earnings per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
</tr>
<tr>
<td>Net realized investment gains (losses)</td>
</tr>
<tr>
<td>Income from continuing operations</td>
</tr>
<tr>
<td>Discontinued operations</td>
</tr>
<tr>
<td>Net income</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weighted average number of common shares outstanding (basic)</th>
</tr>
</thead>
<tbody>
<tr>
<td>668.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weighted average number of common shares outstanding and common stock equivalents (diluted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>709.1</td>
</tr>
</tbody>
</table>
## Reconciliations of the Impact of Share Repurchases

($ in millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>1Q 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Book Value Reconciliation-Adjusted to Exclude the Impact of Share Repurchases</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted common shareholders’ equity</td>
<td>$24,553</td>
<td>$25,884</td>
<td>$25,704</td>
</tr>
<tr>
<td>Cumulative cost of share repurchases</td>
<td>1,121</td>
<td>4,068</td>
<td>5,068</td>
</tr>
<tr>
<td>Cumulative net investment income ¹</td>
<td>11</td>
<td>102</td>
<td>144</td>
</tr>
<tr>
<td>Cumulative additional dividends ²</td>
<td>(10)</td>
<td>(73)</td>
<td>(102)</td>
</tr>
<tr>
<td>Adjusted common shareholders’ equity, excluding impact of share repurchases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$25,675</td>
<td>$29,981</td>
<td>$30,814</td>
</tr>
<tr>
<td>Common shares outstanding</td>
<td>678.3</td>
<td>627.8</td>
<td>606.9</td>
</tr>
<tr>
<td>Cumulative shares repurchased</td>
<td>22.8</td>
<td>78.8</td>
<td>99.7</td>
</tr>
<tr>
<td>Common shares outstanding, excluding impact of share repurchases</td>
<td>701.1</td>
<td>706.6</td>
<td>706.6</td>
</tr>
<tr>
<td>Adjusted book value per share, at period end</td>
<td>$36.20</td>
<td>$41.23</td>
<td>$42.36</td>
</tr>
<tr>
<td>Adjusted book value per share, excluding impact of share repurchases</td>
<td>$36.62</td>
<td>$42.43</td>
<td>$43.61</td>
</tr>
</tbody>
</table>

| **Earnings Per Share Reconciliation-Adjusted to Exclude the Impact of Share Repurchases** |       |       |         |
| Operating income                                              | $4,200 | $4,500 | $1,008  |
| Effect of dilutive securities                                  | 30     | 12     | 1       |
| Operating income, diluted                                      | 4,230  | 4,512  | 1,009   |
| Net investment income ¹                                         | 11     | 91     | 42      |
| Operating income, diluted - excluding impact of share repurchases | $4,241 | $4,603 | $1,051  |

outstanding and common stock equivalents (diluted)

|                                                                 |       |       |         |
| Cumulative impact of share repurchases on weighted average number of common shares | 6.0   | 48.0   | 87.8    |
| Weighted average number of common shares outstanding and common stock equivalents, excluding the impact of share repurchases (diluted) |       |       |         |
|                                                                 | 722.7  | 720.3  | 715.9   |

Diluted earnings per share

|                                                                 |       |       |         |
| Diluted earnings per share, excluding impact of share repurchases | $5.90 | $6.71  | $1.61   |
| Diluted earnings per share, excluding impact of share repurchases | $5.87 | $6.39  | $1.47   |

| **Operating Return on Equity-Adjusted to Exclude the Impact of Share Repurchases** |       |       |         |
| Operating return on equity                                     | 17.9%  | 17.7%  | 15.6%   |
| Impact of share repurchases                                    | 0.1%   | 1.2%   | 1.8%    |
| Operating return on equity, excluding impact of share repurchases | 17.8% | 16.5%  | 13.8%   |

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1 Impact of share repurchases on net investment income assuming a 3.7% after-tax investment yield.
2 Impact of share repurchases on dividends to common shareholders based on declared dividends.