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## Fourth Quarter 2015 Results

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# Long-Term Financial Strategy

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## **CREATE SHAREHOLDER VALUE**

Objective: Mid-Teens Operating ROE *Over Time*

# Fourth Quarter 2015 Overview

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**Travelers Reports Fourth Quarter Net and Operating Income per Diluted Share of \$2.83 and \$2.90, Respectively**

**Fourth Quarter Return on Equity and Operating Return on Equity of 14.5% and 15.8%, Respectively**

**Record Full Year Net and Operating Income per Diluted Share of \$10.88 and \$10.87, Respectively**

**Full Year Return on Equity and Operating Return on Equity of 14.2% and 15.2%, Respectively**

- Fourth quarter net and operating income of \$866 million and \$886 million, respectively.
- Fourth quarter consolidated combined ratio of 86.6% reflected strong underwriting results in each business segment.
- Fourth quarter net written premiums of \$5.864 billion; record full year net written premiums of \$24.121 billion.
- Total capital returned to shareholders of \$1.184 billion in the quarter, including \$1.001 billion of share repurchases. Year-to-date total capital returned to shareholders of \$3.968 billion, including \$3.224 billion of share repurchases.
- Book value per share of \$79.75 and adjusted book value per share of \$75.39 increased 3% and 6%, respectively, from year-end 2014.
- Board of Directors approves quarterly dividend per share of \$0.61.

# Consolidated Performance

(\$ in millions, after-tax)

	Fourth Quarter		Full Year	
	Operating Income	Operating Return on Equity	Operating Income	Operating Return on Equity
<b>2014</b>	<b>\$ 1,023</b>	<b>17.7%</b>	<b>\$ 3,641</b>	<b>15.5%</b>
Lower net investment income	(73)	(1.3) pts	(311)	(1.3) pts
Higher (lower) net favorable prior year reserve development	(36)	(0.6) pts	1	- pts
Higher (lower) underlying underwriting gain	(18)	(0.3) pts	16	- pts
Lower (higher) catastrophes	(6)	(0.1) pts	124	0.5 pts
Other	(4)	0.4 pts	(34)	0.5 pts
<b>2015</b>	<b>\$ 886</b>	<b>15.8%</b>	<b>\$ 3,437</b>	<b>15.2%</b>

# Consolidated Performance

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

	Fourth Quarter			Full Year		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<b>\$ 886</b>	<b>\$ 1,023</b>	<b>(13) %</b>	<b>\$ 3,437</b>	<b>\$ 3,641</b>	<b>(6) %</b>
<i>per diluted share</i>	<i>\$ 2.90</i>	<i>\$ 3.07</i>	<i>(6) %</i>	<i>\$ 10.87</i>	<i>\$ 10.55</i>	<i>3 %</i>
<u>Included the following items:</u>						
Net favorable prior year reserve development	\$ 194	\$ 230		\$ 617	\$ 616	
Catastrophes, net of reinsurance	(33)	(27)		(338)	(462)	
<b>Total items</b>	<b>\$ 161</b>	<b>\$ 203</b>		<b>\$ 279</b>	<b>\$ 154</b>	
Loss and loss adjustment ratio	55.0 %	52.8 %		56.6 %	57.6 %	
Underwriting expense ratio	31.6	32.2		31.7	31.4	
<b>Combined ratio <sup>1</sup></b>	<b>86.6 %</b>	<b>85.0 %</b>	<b>(1.6) pts</b>	<b>88.3 %</b>	<b>89.0 %</b>	<b>0.7 pts</b>
Net favorable prior year reserve development	4.9	5.9		3.9	3.9	
Catastrophes, net of reinsurance	(0.8)	(0.7)		(2.1)	(3.0)	
<b>Underlying combined ratio</b>	<b>90.7 %</b>	<b>90.2 %</b>	<b>(0.5) pts</b>	<b>90.1 %</b>	<b>89.9 %</b>	<b>(0.2) pts</b>
<b>Net Written Premiums</b>	<b>\$ 5,864</b>	<b>\$ 5,836</b>	<b>- %</b>	<b>\$ 24,121</b>	<b>\$ 23,904</b>	<b>1 %</b>
<b>Change in total net written premiums excluding the impact of changes in foreign exchange rates</b>			<b>1 %</b>			<b>2 %</b>

# Very Strong Financial Position

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

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Debt	\$ 6,344	\$ 6,349
Common equity <sup>1</sup>	<u>22,309</u>	<u>22,870</u>
Total capital <sup>1</sup>	<u>\$ 28,653</u>	<u>\$ 29,219</u>
<i>Debt-to-capital</i> <sup>1</sup>	<i>22.1%</i>	<i>21.7%</i>
Common shares outstanding	295.9	322.2
Book value per common share	\$ 79.75	\$ 77.08
Adjusted book value per common share <sup>1</sup>	\$ 75.39	\$ 70.98
Tangible book value per common share <sup>1,2</sup>	\$ 62.58	\$ 59.00
Statutory capital and surplus	\$ 20,567	\$ 21,049
Holding company liquidity	\$ 1,625	\$ 1,587

## Capital

- At or above target levels for all rating agencies.
- Repurchased 8.8 million shares during the fourth quarter 2015 and 30.3 million shares year-to-date at a total cost of \$1.001 billion and \$3.224 billion, respectively.
- Dividends in the fourth quarter and year-to-date were \$183 million and \$744 million, respectively.

## Leverage

- Debt-to-capital ratio<sup>1</sup> of 22.1%, comfortably within target range.
- Low level of maturing debt.
  - 2016 \$400 million
  - 2017 \$450 million
  - 2018 \$500 million

## Very high quality investment portfolio

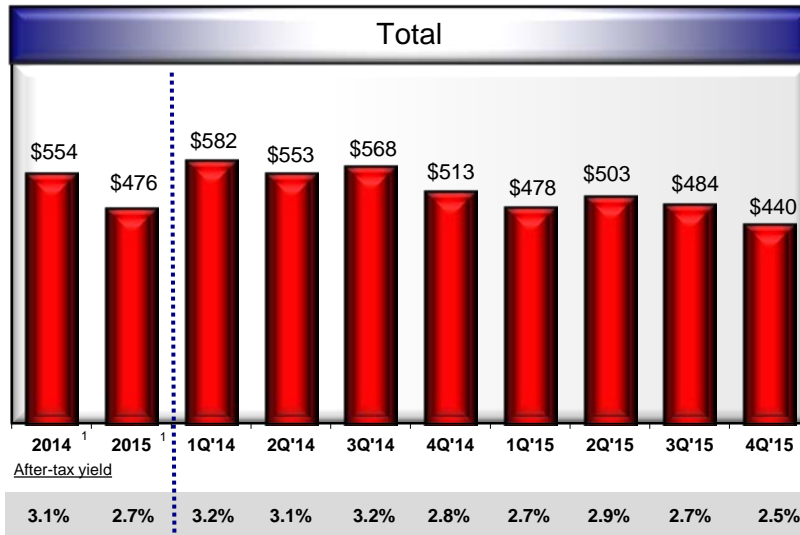
- Net unrealized investment gains of \$1.289 billion after-tax (\$1.974 billion pre-tax) at December 31, 2015.
- Fixed maturities average weighted quality Aa2, AA.
- Fixed maturities below investment grade 2.8%.

<sup>1</sup> Excludes net unrealized investment gains, net of taxes

<sup>2</sup> Excludes the after-tax value of goodwill and other intangible assets

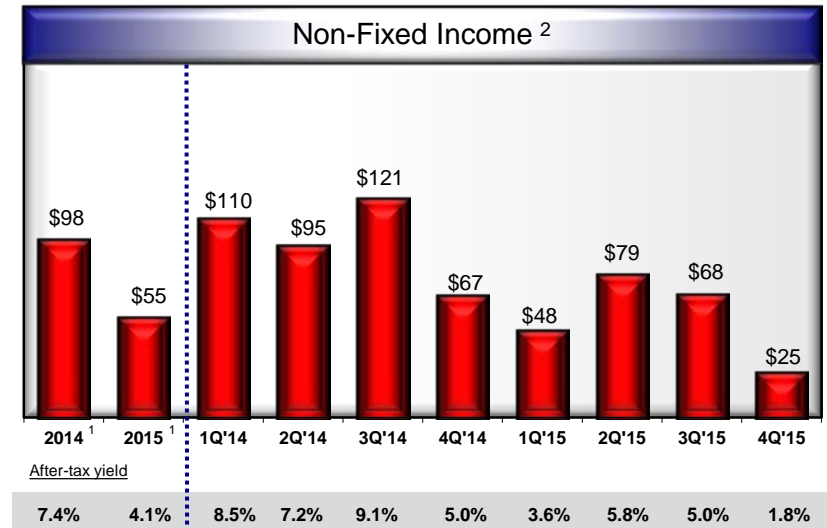
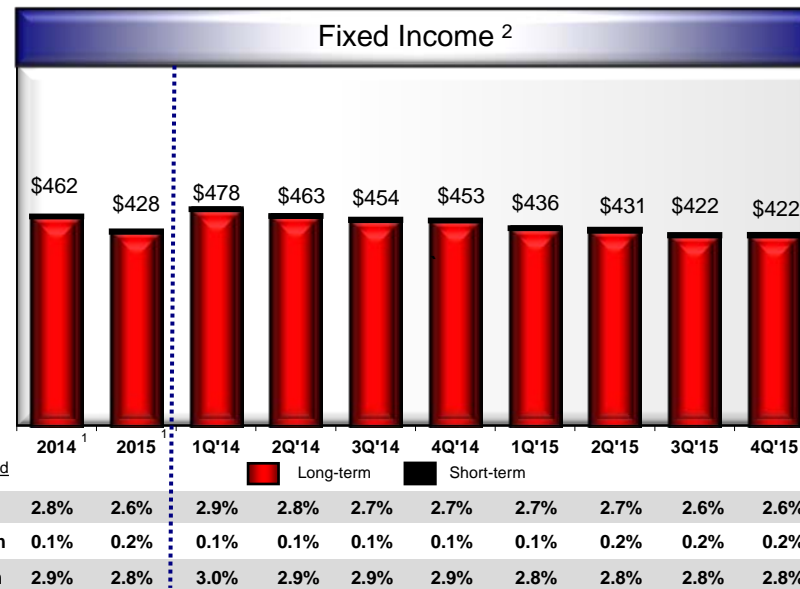
# Combined Net Investment Income – After-tax

(\$ in millions, after-tax)



## Fourth Quarter 2015 Commentary

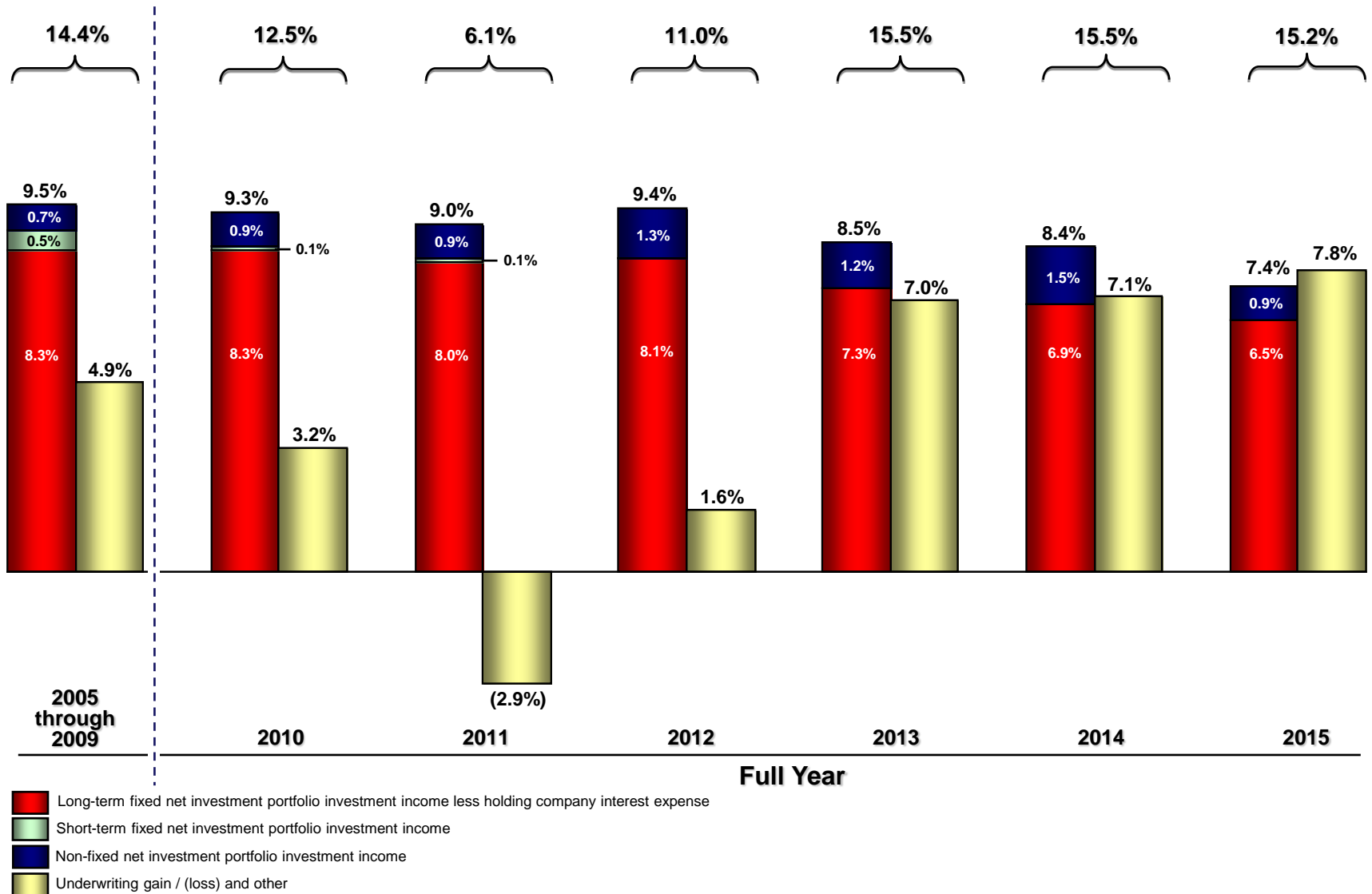
- Fixed income returns declined primarily due to lower reinvestment rates and a modestly lower amount of fixed income investments that were impacted by the Company's \$579 million payment in the first quarter of 2015 related to the settlement of the Asbestos Direct Action Litigation
- Short-term portion of fixed income portfolio continued to be impacted by very low interest rates
- Non-fixed income returns were primarily impacted by lower valuations for energy-related investments



<sup>1</sup> 2014 and 2015 data represent quarterly average

<sup>2</sup> Excludes investment expenses

# Components of Operating Return on Equity



From Jan. 1, 2005 through Dec. 31, 2015, TRV's average annual operating ROE was approximately 13.5%



# Business and International Insurance Performance

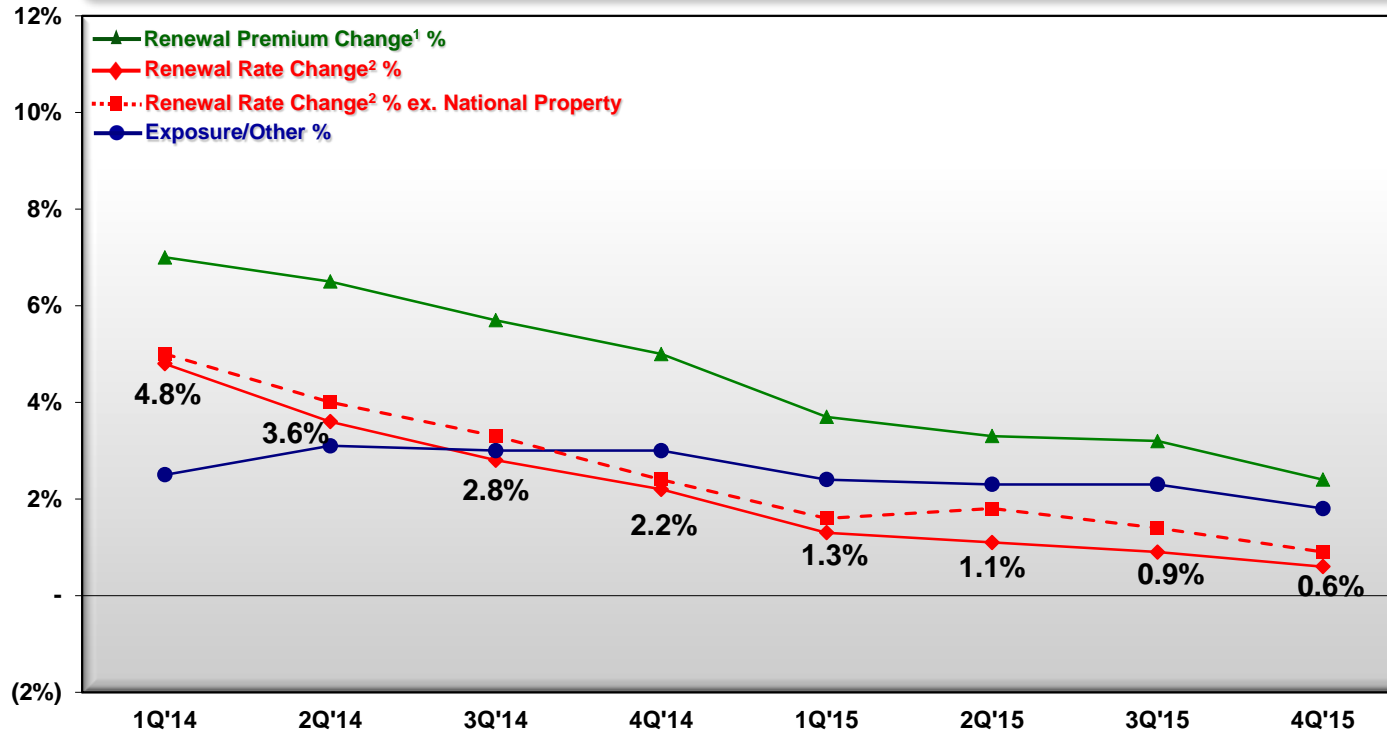
(\$ in millions)

	Fourth Quarter			Full Year		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<u>\$ 566</u>	<u>\$ 630</u>	(10) %	<u>\$ 2,170</u>	<u>\$ 2,347</u>	(8) %
Loss and loss adjustment ratio	57.0 %	57.4 %		59.6 %	61.6 %	
Underwriting expense ratio	<u>32.6</u>	<u>32.4</u>		<u>32.5</u>	<u>31.5</u>	
<b>Combined ratio <sup>1</sup></b>	<u><b>89.6 %</b></u>	<u><b>89.8 %</b></u>	<b>0.2 pts</b>	<u><b>92.1 %</b></u>	<u><b>93.1 %</b></u>	<b>1.0 pts</b>
Net favorable prior year reserve development	4.8	4.3		2.8	2.2	
Catastrophes, net of reinsurance	<u>0.0</u>	<u>(0.2)</u>		<u>(1.7)</u>	<u>(2.5)</u>	
<b>Underlying combined ratio</b>	<u><b>94.4 %</b></u>	<u><b>93.9 %</b></u>	<b>(0.5) pts</b>	<u><b>93.2 %</b></u>	<u><b>92.8 %</b></u>	<b>(0.4) pts</b>
<hr/>						
<b>Net written premiums</b>						
Domestic						
Select Accounts	\$ 631	\$ 630	- %	\$ 2,716	\$ 2,707	- %
Middle Market	1,534	1,511	2	6,325	6,108	4
National Accounts	267	255	5	1,048	1,047	-
First Party	361	373	(3)	1,564	1,579	(1)
Specialized Distribution	<u>266</u>	<u>262</u>	2	<u>1,111</u>	<u>1,074</u>	3
Total Domestic	<u>3,059</u>	<u>3,031</u>	1	<u>12,764</u>	<u>12,515</u>	2
International	<u>458</u>	<u>544</u>	(16)	<u>1,819</u>	<u>2,121</u>	(14)
<b>Total Business and International Insurance</b>	<u><b>\$ 3,517</b></u>	<u><b>\$ 3,575</b></u>	<b>(2) %</b>	<u><b>\$ 14,583</b></u>	<u><b>\$ 14,636</b></u>	<b>- %</b>
<b>Change in total net written premiums excluding the impact of changes in foreign exchange rates</b>						
				- %	1 %	

<sup>1</sup> A benefit to the reported combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

# Domestic Business Insurance (Ex. National Accounts)

## Illustrative Business Statistics



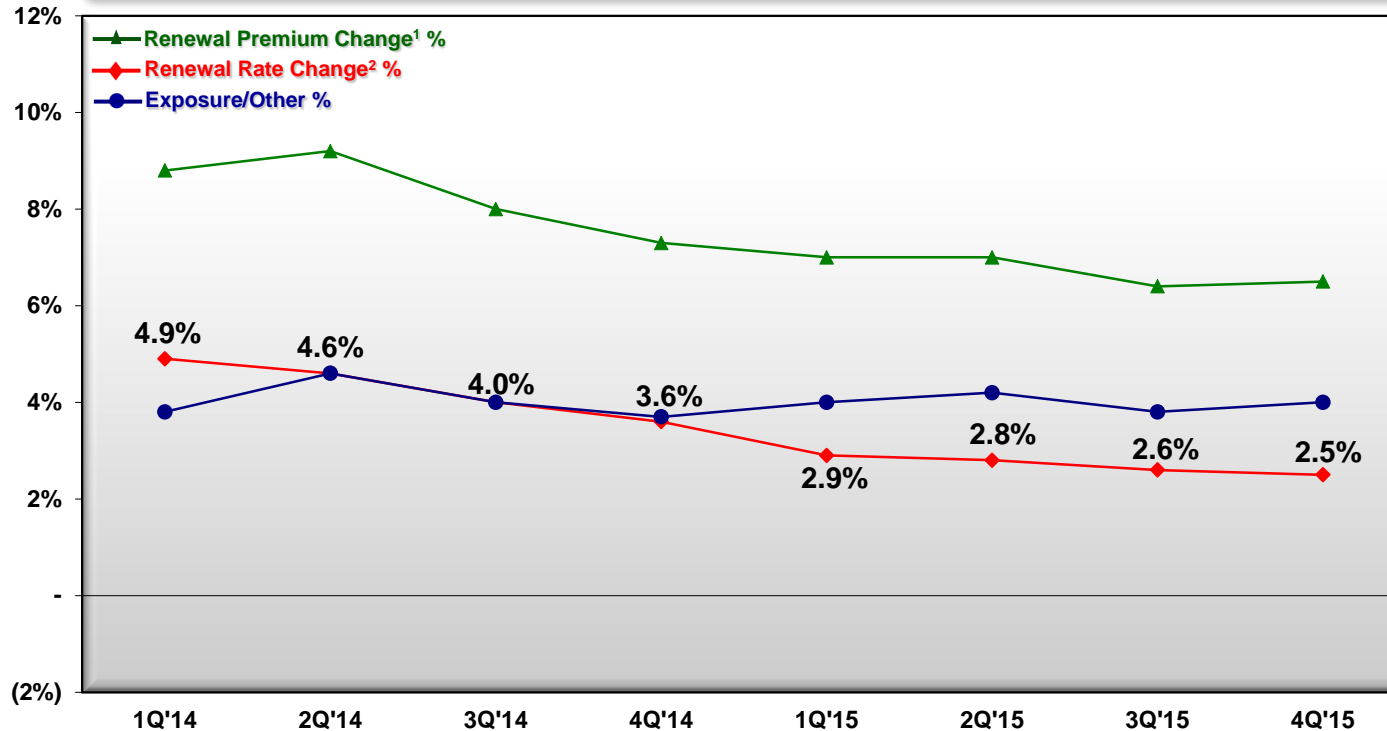
(\$ in millions)

<b>Retention</b>	81%	81%	82%	82%	84%	84%	84%	85%
<b>Renewal premium change<sup>1</sup></b>	7.0%	6.5%	5.7%	5.0%	3.7%	3.3%	3.2%	2.4%
<b>New business</b>	\$458	\$501	\$460	\$465	\$521	\$480	\$447	\$476

<sup>1</sup> Represents the estimated change in average premium on policies that renew, including rate and exposure changes.  
<sup>2</sup> Represents the estimated change in average premium on policies that renew, excluding exposure changes.  
 Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

# Domestic Business Insurance: *Select Accounts*

**Illustrative Business Statistics**



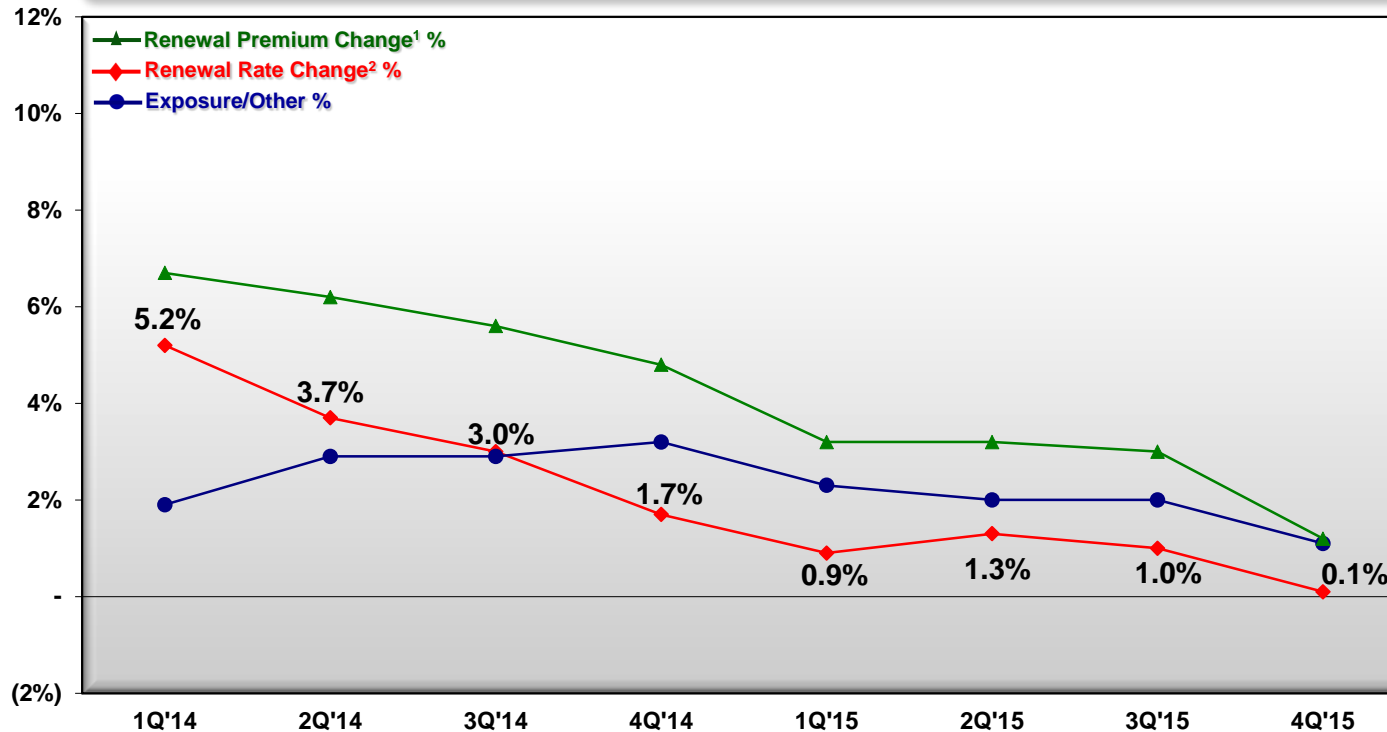
(\$ in millions)

<b>Retention</b>	<b>79%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>82%</b>	<b>82%</b>	<b>82%</b>	<b>82%</b>
<b>Renewal premium change<sup>1</sup></b>	<b>8.8%</b>	<b>9.2%</b>	<b>8.0%</b>	<b>7.3%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>6.4%</b>	<b>6.5%</b>
<b>New business</b>	<b>\$100</b>	<b>\$97</b>	<b>\$92</b>	<b>\$86</b>	<b>\$101</b>	<b>\$96</b>	<b>\$90</b>	<b>\$89</b>

<sup>1</sup> Represents the estimated change in average premium on policies that renew, including rate and exposure changes.  
<sup>2</sup> Represents the estimated change in average premium on policies that renew, excluding exposure changes.  
 Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

# Domestic Business Insurance: *Middle Market*

## Illustrative Business Statistics



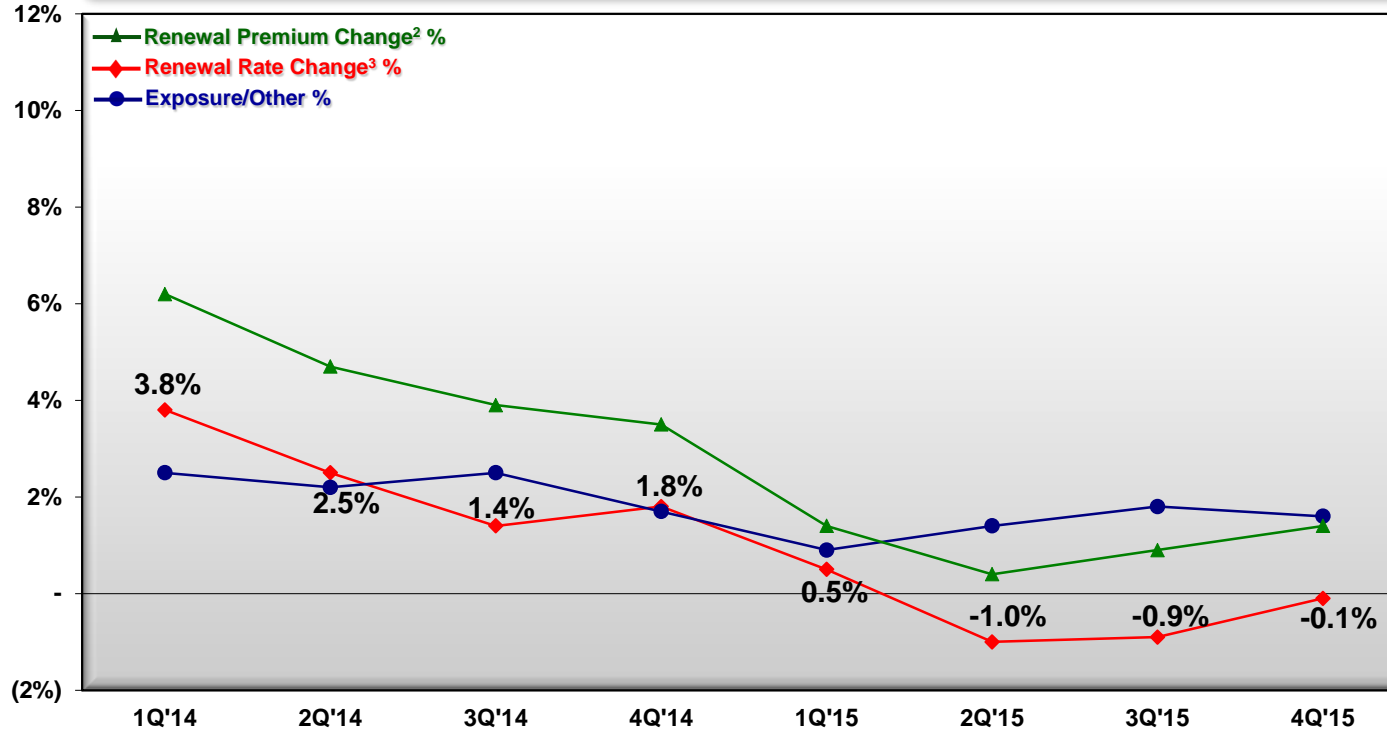
(\$ in millions)

<b>Retention</b>	<b>83%</b>	<b>83%</b>	<b>85%</b>	<b>84%</b>	<b>86%</b>	<b>86%</b>	<b>86%</b>	<b>88%</b>
<b>Renewal premium change<sup>1</sup></b>	<b>6.7%</b>	<b>6.2%</b>	<b>5.6%</b>	<b>4.8%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.0%</b>	<b>1.2%</b>
<b>New business</b>	<b>\$232</b>	<b>\$254</b>	<b>\$242</b>	<b>\$253</b>	<b>\$299</b>	<b>\$232</b>	<b>\$216</b>	<b>\$254</b>

<sup>1</sup> Represents the estimated change in average premium on policies that renew, including rate and exposure changes.  
<sup>2</sup> Represents the estimated change in average premium on policies that renew, excluding exposure changes.  
 Note: Statistics are subject to change based on a number of factors, including changes in actuarial estimates.

# Domestic Business Insurance: *Other Business Insurance*<sup>1</sup>

## Illustrative Business Statistics



(\$ in millions)

<b>Retention</b>	76%	78%	78%	80%	80%	81%	81%	80%
<b>Renewal premium change<sup>2</sup></b>	6.2%	4.7%	3.9%	3.5%	1.4%	0.4%	0.9%	1.4%
<b>New business</b>	\$126	\$150	\$126	\$126	\$121	\$152	\$141	\$133

<sup>1</sup> Includes First Party and Specialized Distribution.

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

<sup>3</sup> 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	2Q	3Q	4Q
<b>International</b> <sup>1</sup>								
Retention	84%	82%	82%	82%	85%	83%	81%	<b>79%</b>
Renewal premium change <sup>2</sup>	1.7%	1.8%	(0.6%)	0.9%	0.5%	(0.5%)	(1.3%)	<b>0.4%</b>
New business	\$83	\$89	\$73	\$68	\$56	\$63	\$59	<b>\$80</b>

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

<sup>2</sup> 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)

	Fourth Quarter			Full Year		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<u>\$ 162</u>	<u>\$ 216</u>	(25) %	<u>\$ 633</u>	<u>\$ 727</u>	(13) %
Loss and loss adjustment ratio	27.6 %	11.1 %		30.4 %	22.8 %	
Underwriting expense ratio	<u>37.5</u>	<u>38.6</u>		<u>37.5</u>	<u>38.0</u>	
<b>Combined ratio <sup>1</sup></b>	<b>65.1 %</b>	<b>49.7 %</b>	<b>(15.4) pts</b>	<b>67.9 %</b>	<b>60.8 %</b>	<b>(7.1) pts</b>
Net favorable prior year reserve development	15.6	34.4		12.4	21.7	
Catastrophes, net of reinsurance	<u>-</u>	<u>-</u>		<u>(0.2)</u>	<u>(0.3)</u>	
<b>Underlying combined ratio</b>	<b><u>80.7 %</u></b>	<b><u>84.1 %</u></b>	<b>3.4 pts</b>	<b><u>80.1 %</u></b>	<b><u>82.2 %</u></b>	<b>2.1 pts</b>
<hr/>						
<b>Net written premiums</b>						
Management Liability	\$ 333	\$ 336	(1) %	\$ 1,326	\$ 1,339	(1) %
Surety	<u>171</u>	<u>189</u>	(10)	<u>755</u>	<u>764</u>	(1)
<b>Total Bond &amp; Specialty Insurance</b>	<b><u>\$ 504</u></b>	<b><u>\$ 525</u></b>	<b>(4) %</b>	<b><u>\$ 2,081</u></b>	<b><u>\$ 2,103</u></b>	<b>(1) %</b>

<sup>1</sup> A benefit to the reported GAAP combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

# Bond & Specialty Insurance

(\$ in millions)

## Illustrative Business Statistics

	2014				2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b><u>Management Liability</u></b> <sup>1</sup>								
Retention	84%	84%	83%	83%	85%	86%	87%	<b>85%</b>
Renewal premium change <sup>2</sup>	7.3%	4.2%	4.0%	5.0%	3.9%	3.2%	3.2%	<b>2.7%</b>
New business	\$37	\$37	\$34	\$36	\$38	\$40	\$45	<b>\$42</b>

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

<sup>2</sup> 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)

	Fourth Quarter			Full Year		
	2015	2014	Change	2015	2014	Change
<b>Operating income</b>	<u>\$ 222</u>	<u>\$ 242</u>	(8) %	<u>\$ 889</u>	<u>\$ 824</u>	8 %
Loss and loss adjustment ratio	58.5 %	55.5 %		58.1 %	59.6 %	
Underwriting expense ratio	<u>28.2</u>	<u>29.8</u>		<u>28.5</u>	<u>29.1</u>	
<b>Combined ratio <sup>1</sup></b>	<b>86.7 %</b>	<b>85.3 %</b>	<b>(1.4) pts</b>	<b>86.6 %</b>	<b>88.7 %</b>	<b>2.1 pts</b>
Net favorable prior year reserve development	1.9	0.7		3.8	2.4	
Catastrophes, net of reinsurance	<u>(2.4)</u>	<u>(1.7)</u>		<u>(3.6)</u>	<u>(4.7)</u>	
<b>Underlying combined ratio</b>	<b><u>86.2 %</u></b>	<b><u>84.3 %</u></b>	<b>(1.9) pts</b>	<b><u>86.8 %</u></b>	<b><u>86.4 %</u></b>	<b>(0.4) pts</b>
<hr/>						
<b>Net written premiums</b>						
Agency Automobile <sup>2</sup>	\$ 888	\$ 792	12 %	\$ 3,534	\$ 3,260	8 %
Agency Homeowners & Other <sup>2</sup>	894	897	-	3,687	3,718	(1)
Direct to Consumer	<u>61</u>	<u>47</u>	30	<u>236</u>	<u>187</u>	26
<b>Total Personal Insurance</b>	<b><u>\$ 1,843</u></b>	<b><u>\$ 1,736</u></b>	<b>6 %</b>	<b><u>\$ 7,457</u></b>	<b><u>\$ 7,165</u></b>	<b>4 %</b>

# Personal Insurance Performance

	Fourth Quarter			Full Year		
	2015	2014	Change	2015	2014	Change
<b>Agency Automobile <sup>1</sup></b>						
Loss and loss adjustment ratio	73.0 %	71.7 %		69.1 %	71.0 %	
Underwriting expense ratio	25.1	26.2		25.6	26.2	
<b>Combined ratio <sup>2</sup></b>	<b>98.1 %</b>	<b>97.9 %</b>	<b>(0.2) pts</b>	<b>94.7 %</b>	<b>97.2 %</b>	<b>2.5 pts</b>
Net favorable prior year reserve development	2.2	-		2.5	-	
Catastrophes, net of reinsurance	(0.1)	-		(0.5)	(1.3)	
<b>Underlying combined ratio</b>	<b>100.2 %</b>	<b>97.9 %</b>	<b>(2.3) pts</b>	<b>96.7 %</b>	<b>95.9 %</b>	<b>(0.8) pts</b>
<b>Agency Homeowners &amp; Other <sup>1</sup></b>						
Loss and loss adjustment ratio	43.8 %	40.8 %		47.2 %	49.4 %	
Underwriting expense ratio	28.8	30.2		28.6	28.9	
<b>Combined ratio <sup>2</sup></b>	<b>72.6 %</b>	<b>71.0 %</b>	<b>(1.6) pts</b>	<b>75.8 %</b>	<b>78.3 %</b>	<b>2.5 pts</b>
Net favorable prior year reserve development	1.6	1.1		5.2	4.4	
Catastrophes, net of reinsurance	(4.7)	(3.1)		(6.5)	(7.7)	
<b>Underlying combined ratio</b>	<b>69.5 %</b>	<b>69.0 %</b>	<b>(0.5) pts</b>	<b>74.5 %</b>	<b>75.0 %</b>	<b>0.5 pts</b>

<sup>1</sup> Represents business sold through agents, brokers and other intermediaries, and excludes direct to consumer.

<sup>2</sup> A benefit to the reported combined ratio is indicated as a positive item, and a charge is indicated as a negative item.

# Personal Insurance

(\$ in millions)

## Illustrative Business Statistics

	2014				2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Agency Automobile <sup>1</sup></b>								
Retention <sup>2</sup>	80%	81%	82%	82%	83%	83%	84%	<b>84%</b>
Renewal premium change <sup>3</sup>	6.7%	6.8%	6.2%	5.6%	5.2%	4.8%	3.5%	<b>3.5%</b>
Policies in force (in thousands)	1,985	1,981	1,990	2,000	2,021	2,057	2,106	<b>2,157</b>
• Sequential quarter growth	(1%)	-%	-%	1%	1%	2%	2%	<b>2%</b>
• Year over year growth	(9%)	(7%)	(3%)	-%	2%	4%	6%	<b>8%</b>
New business	\$104	\$139	\$166	\$161	\$174	\$191	\$218	<b>\$212</b>
<b>Agency Homeowners &amp; Other <sup>1</sup></b>								
Retention <sup>2</sup>	84%	84%	84%	85%	84%	84%	85%	<b>85%</b>
Renewal premium change <sup>3</sup>	8.2%	7.5%	5.8%	5.4%	5.1%	4.8%	4.2%	<b>3.9%</b>
Policies in force (in thousands)	4,146	4,110	4,072	4,032	4,008	4,017	4,034	<b>4,042</b>
• Sequential quarter growth	(1%)	(1%)	(1%)	(1%)	(1%)	-%	-%	<b>-%</b>
• Year over year growth	(8%)	(7%)	(5%)	(4%)	(3%)	(2%)	(1%)	<b>-%</b>
New business	\$56	\$85	\$95	\$83	\$77	\$113	\$122	<b>\$105</b>

<sup>1</sup> Represents business sold through agents, brokers and other intermediaries, and excludes direct to consumer.

<sup>2</sup> 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.

<sup>3</sup> 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.



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Appendix

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# 2016 Catastrophe Reinsurance

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Effective January 1, 2016

## **Corporate Catastrophe Excess-of-Loss Reinsurance Treaty**

Covers the accumulation of certain property losses arising from one or multiple occurrences: 75% (\$1.5 billion) of qualifying losses covered by treaty and 25% (\$500 million) of qualifying losses retained by the Company part of \$2.0 billion excess of \$3.0 billion. Qualifying losses for each occurrence are after a \$100 million deductible.

- In addition to its Corporate Catastrophe Excess-of-Loss Reinsurance Treaty, the following additional catastrophe reinsurance agreements remain in effect as of January 1, 2016:
  - Northeast General Catastrophe Reinsurance Treaty
  - Reinsurance agreements related to the Catastrophe Bonds (Long Point Re III)
  - Middle Markets Earthquake Catastrophe Excess-of-Loss Reinsurance Treaty
  - Personal Insurance Earthquake Excess-of-Loss Reinsurance Treaty
  - Canadian Property Catastrophe Excess-of-Loss Reinsurance Contract
  - Other International Reinsurance Treaties

For further information regarding these additional agreements, see the “Catastrophe Reinsurance Coverage” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in the company’s Annual Report on Form 10-K for the year ended December 31, 2014, and in the company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.

# Investment Portfolio: Energy-Related Investments

(\$ in millions)

	As of December 31, 2015	
	Cost	Average Credit Rating <sup>4</sup>
Below investment grade bonds <sup>1</sup>	\$ 162	Ba3
Publicly traded equity securities <sup>2</sup>	189	
Private equities - energy focused <sup>3</sup>	330	
<b>Total</b>	<b>\$ 681</b>	
<i>Percent of total investment portfolio</i>	<i>1.0%</i>	

Note: Table above does not include investment grade bonds that have a carrying value and cost basis of \$1.57 billion and \$1.60 billion, respectively, and an average credit rating<sup>4</sup> of A2.

<sup>1</sup> Fair value of \$131 million as of December 31, 2015. Net unrealized loss of \$31 million pre-tax (\$20 million after-tax) reflected in shareholders' equity.

<sup>2</sup> Fair value of \$274 million as of December 31, 2015. Net unrealized gain of \$85 million pre-tax (\$56 million after-tax) reflected in shareholders' equity. Approximately 80% of the cost and fair value represented by Master Limited Partnerships.

<sup>3</sup> Valuation based upon equity method of accounting. Excludes \$209 million of unfunded commitments.

<sup>4</sup> Rating using external rating agencies or by Travelers when a public rating does not exist.

# Explanatory Note

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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 outlook, our future financial condition and operating results, our share repurchase plans, future pension plan contributions, outlook for 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, economic downturn or prolonged period of slow economic growth;
- 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 business volume and profitability;
- Consolidation within the insurance industry could alter the competitive environment in which the Company operates, which may impact the Company’s premium volume, the rate it can charge for its products, and the terms on which its products are offered;
- The collectability and availability of reinsurance coverage;
- Credit risk we face in insurance operations, including under reinsurance or structured settlements, and investment activities;
- 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, including as a result of cyber-attacks, and/or outsourcing relationships, including cloud-based;
- Risks associated with our business outside of the United States, including foreign currency exchange fluctuations and restrictive regulations;
- 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;
- We may be unable to protect and enforce our 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

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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](http://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](http://www.sec.gov)).

Copies of this presentation and the accompanying webcast are publicly available on the Travelers website ([www.travelers.com](http://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>.





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The Travelers Companies, Inc.

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