



Jay Fishman

Chairman & Chief Executive Officer

Long-Term Financial Strategy



CREATE SHAREHOLDER VALUE

Objective: Mid-Teens ROE *Over Time*

Operating Return on Equity - Adjusted

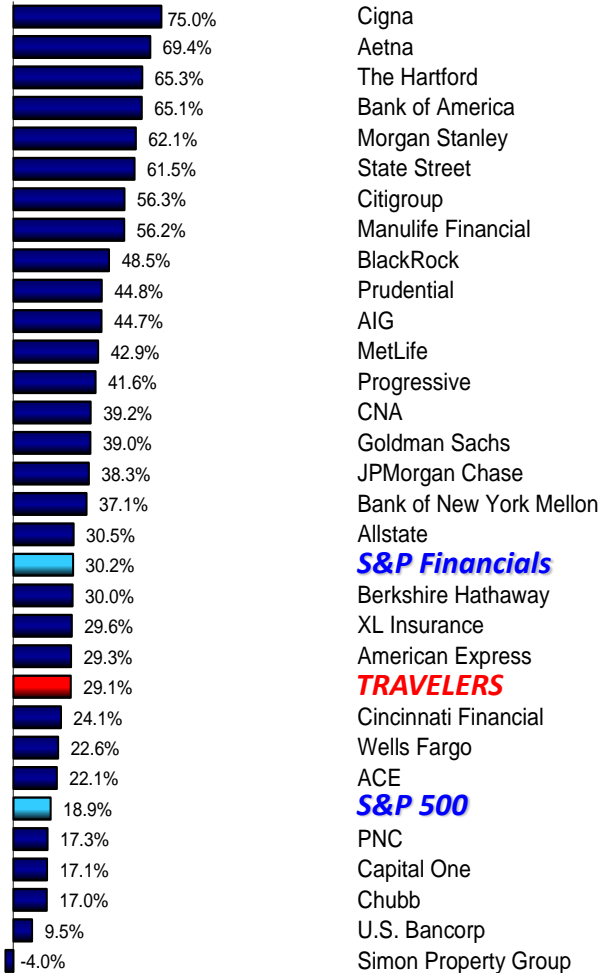
Six Months Ended June 30,		
	2013	2012
Operating return on equity - reported	15.0%	11.8%
<u>Less impact of:</u>		
Net favorable prior year reserve development	2.4%	3.1%
Favorable tax and legal settlements	1.1%	-%
Operating return on equity - adjusted	11.5%	8.7%
Less impact of catastrophe losses	(2.4%)	(4.1%)
Operating return on equity – adjusted (excluding catastrophe losses)	13.9%	12.8%

Total Return¹

20 Largest S&P Financial Companies² & Other Selected Financial Companies

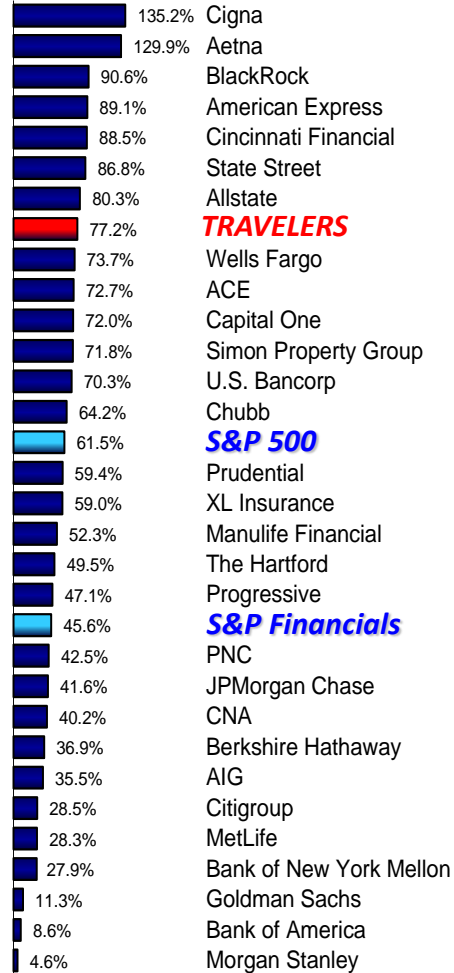
1 Year Total Return

September 10, 2012 – September 9, 2013



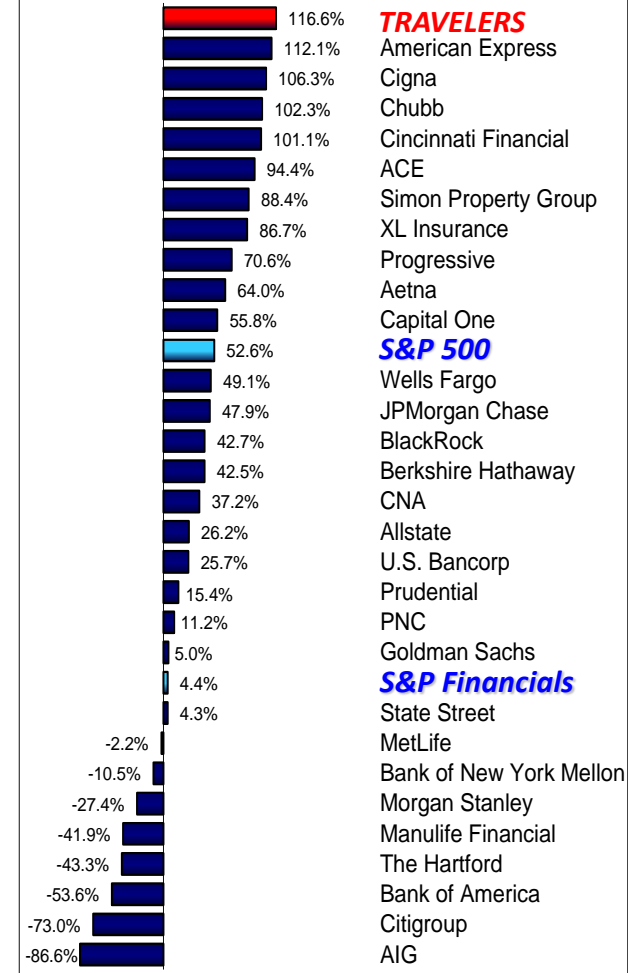
3 Year Total Return

September 10, 2010 – September 9, 2013



5 Year Total Return

September 10, 2008 – September 9, 2013



Source: SNL Financial

From January 1, 2005 through June 30, 2013, TRV's average annual operating ROE was approximately 12.9%

(1) Total return is a concept used to compare the performance of a company's stock over time and is the ratio of the net stock price change plus the cumulative amount of dividends over the specified time period, assuming dividend reinvestment, to the stock price at the beginning of the time period. Total return to shareholders is not included as an indication of future performance.

(2) By market capitalization as of September 9, 2013.

Underlying Margin Improvement

- Underlying underwriting margin¹ improvement since 2011 has generated an increase in after-tax operating income of **\$1.025 billion** on an annualized basis.

Commercial Insurance²: **\$660 million**

Personal Insurance: **\$365 million**

Our granular, active approach has been very successful in
improving profitability

Overview

- **Business Insurance**

- Impact of rate, retention and mix
-

- **Personal Insurance**

- Impact of comparative rating technology
- Introduction of Quantum Auto 2.0



Illustrative Impact of Rate, Retention & Mix on \$3 Billion of Premium Available for Renewal

Overview

	<u>Renewal Rate Change</u>	<u>Retention</u>	<u>Indicative Underwriting Profit on Renewed Premium (Before Expenses)</u>
Baseline	8%	81%	\$1.094 Billion
Theoretical Calculation #1	9%	81%	Lower vs. baseline
Theoretical Calculation #2	7%	81%	Higher vs. baseline

Illustrative Impact of Rate, Retention & Mix on \$3 Billion of Premium Available for Renewal

Baseline



----- Segmentation Bands -----

	1	2	3	4	5	Total
Baseline						
Percentage of total base	20%	19%	37%	19%	6%	100%
Renewal rate change	5%	6%	7%	14%	20%	8%
Retention	85%	84%	83%	76%	69%	81%

Loss ratio on premium available for renewal

Loss ratio on renewed premium (before renewal rate change & loss trend)

62.5%

60.4%

2.1 point improvement from mix shift

Impact on loss ratio of:

Renewal rate change

Loss trend (assume 4%)

(4.5%)

2.4%

Net impact

(2.1%)

Indicative loss ratio on renewed premium

58.3%

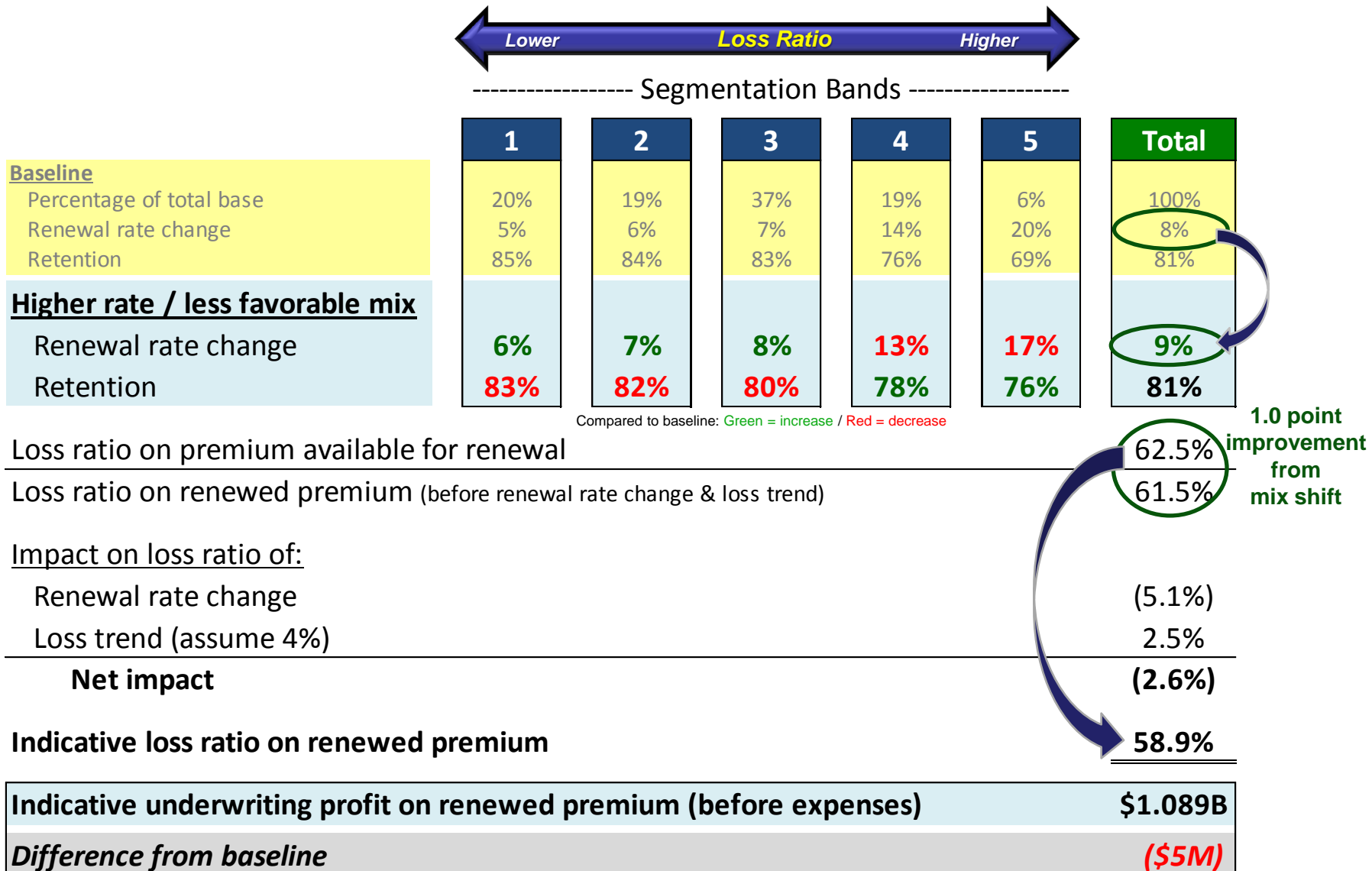
Indicative underwriting profit on renewed premium (before expenses)

\$1.094B

Note: For illustrative purposes only. Baseline based on Travelers' Middle Market business (excluding lines the company does not segment in this manner) for the first six month of 2013. The indicative loss ratio on renewed premium and the indicative underwriting profit on renewed premiums before expenses are based on historical data that may not be indicative of future results. They are not intended to be used as a forecast for underwriting results.

Illustrative Impact of Rate, Retention & Mix on \$3 Billion of Premium Available for Renewal

Theoretical Calculation #1: Higher Aggregate Rate, Lower Underwriting Profit



Note: For illustrative purposes only. The indicative loss ratio on renewed premium and the indicative underwriting profit on renewed premiums before expenses are based on historical data that may not be indicative of future results. They are not intended to be used as a forecast for underwriting results.

Illustrative Impact of Rate, Retention & Mix on \$3 Billion of Premium Available for Renewal

Theoretical Calculation #2: Lower Aggregate Rate, Higher Underwriting Profit



----- Segmentation Bands -----

Baseline
Percentage of total base
Renewal rate change
Retention
Lower rate / more favorable mix
Renewal rate change
Retention

	1	2	3	4	5	Total
Percentage of total base	20%	19%	37%	19%	6%	100%
Renewal rate change	5%	6%	7%	14%	20%	8%
Retention	85%	84%	83%	76%	69%	81%
Renewal rate change	3%	4%	6%	16%	21%	7%
Retention	87%	86%	84%	72%	65%	81%

Compared to baseline: Green = increase / Red = decrease

Loss ratio on premium available for renewal

Loss ratio on renewed premium (before renewal rate change & loss trend)

Impact on loss ratio of:

Renewal rate change

Loss trend (assume 4%)

Net impact

Indicative loss ratio on renewed premium

Indicative underwriting profit on renewed premium (before expenses)

Difference from baseline

62.5%

59.1%

(3.9%)

2.4%

(1.5%)

57.6%

3.4 point improvement from mix shift

\$1.103B

\$9M

Note: For illustrative purposes only. The indicative loss ratio on renewed premium and the indicative underwriting profit on renewed premiums before expenses are based on historical data that may not be indicative of future results. They are not intended to be used as a forecast for underwriting results.

Illustrative Impact of Rate, Retention & Mix on \$12 Billion of Premium Available for Renewal

Simplistic View of Change in Underwriting Profit (before expenses)

(\$ in millions)



----- Segmentation Bands -----

	1	2	3	4	5	Total
Renewal rate change	9%	9%	9%	9%	9%	9%
Retention	81%	81%	81%	81%	81%	81%

Indicative underwriting profit on renewed premium (before expenses) \$4.333B

	1	2	3	4	5	Total
Renewal rate change	7%	7%	7%	7%	7%	7%
Retention	81%	81%	81%	81%	81%	81%

Indicative underwriting profit on renewed premium (before expenses) \$4.143B

Lower indicative underwriting profit on renewed premium (before expenses) (\$190)M

Illustrative Impact of Rate, Retention & Mix on \$12 Billion of Premium Available for Renewal

View With Segmentation of Change in Underwriting Profit (before expenses)



----- Segmentation Bands -----

	1	2	3	4	5	Total
Renewal rate change	6%	7%	8%	13%	17%	9%
Retention	83%	82%	80%	78%	76%	81%

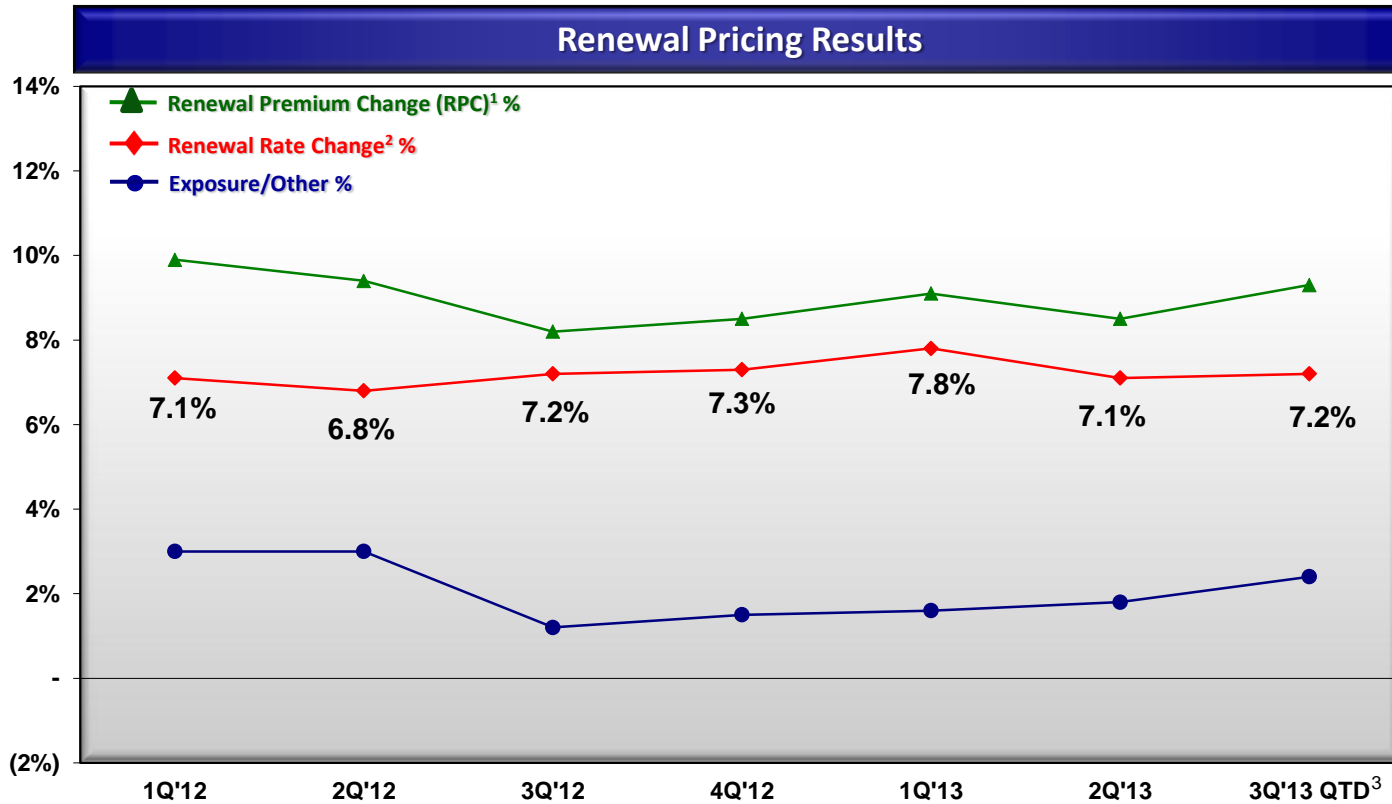
Indicative underwriting profit on renewed premium (before expenses) \$4.356B

	1	2	3	4	5	Total
Renewal rate change	3%	4%	6%	16%	21%	7%
Retention	87%	86%	84%	72%	65%	81%

Indicative underwriting profit on renewed premium (before expenses) \$4.412B

Higher indicative underwriting profit on renewed premium (before expenses) despite lower renewal rate change \$56M

Illustrative Business Statistics



(\$ in millions)

Retention	79%	80%	81%	80%	80%	79%	80%
RPC ¹	9.9%	9.4%	8.2%	8.5%	9.1%	8.5%	9.3%

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

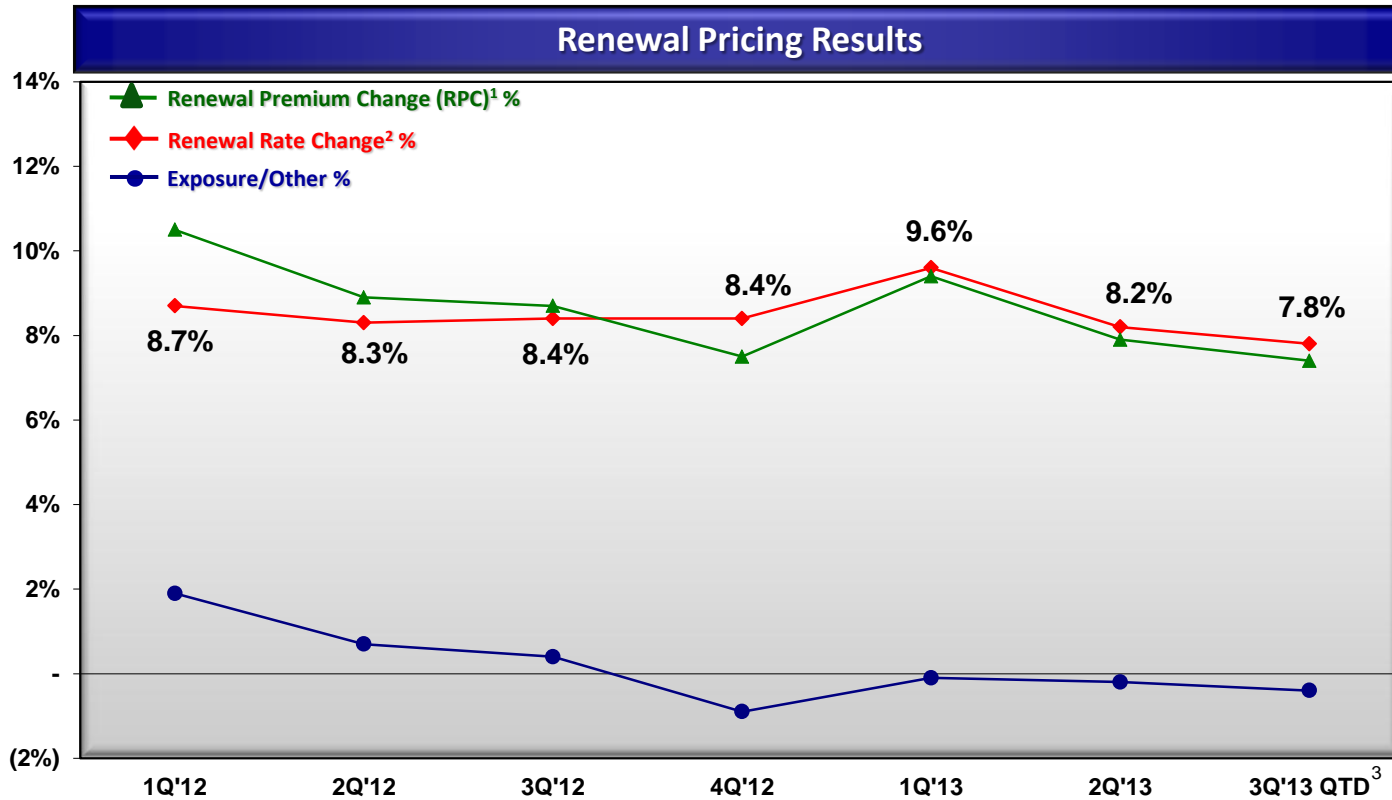
² Represents the estimated change in average premium on policies that renew, excluding exposure changes.

³ Quarter-to-date through August 31, 2013.

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

Business Insurance: *Commercial Accounts*

Illustrative Business Statistics



(\$ in millions)

Retention	81%	82%	85%	81%	82%	81%	82%
RPC ¹	10.5%	8.9%	8.7%	7.5%	9.4%	7.9%	7.4%

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

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

³ Quarter-to-date through August 31, 2013.

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

Conclusion

- Segmentation is critical in making sure pricing and retention actions have the desired effect on profitability.
- We utilize segmentation (either by class or by account) as we seek to optimize our results while minimizing disruption to insureds or agents.
- A simplistic view of aggregate rate and retention measurements is not necessarily predictive of change in profitability from one period to another.
- We remain very pleased with the execution of this strategy and remain committed to it.

Overview

- **Business Insurance**

- Impact of rate, retention and mix

- **Personal Insurance**

- Impact of comparative rating technology
 - Introduction of Quantum Auto 2.0
-



Changing Personal Auto Insurance Marketplace

Carriers

- Direct writer advertising is extraordinarily visible and significantly focused on saving money for consumers.

Consumers

- Responding with a meaningfully increased, but **not** exclusive, focus on price regardless of channel.

Independent Agents

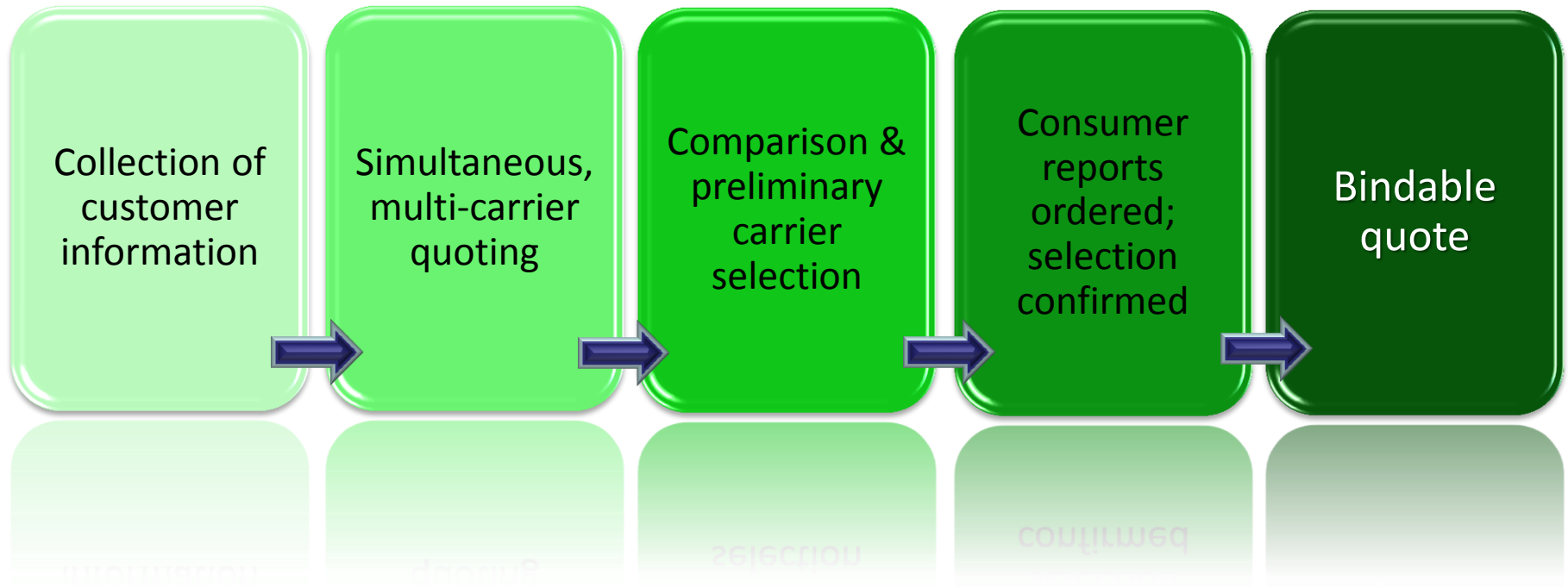
- Increased adoption of comparative rater technology has enabled agents to more efficiently respond to changing consumer demands.

Increased significance of price in purchase and sale transaction

Impact of Comparative Rating Technology

How Comparative Raters Work

Comparative Rater Independent Agency Process




Increased Adoption of Comparative Rating Technology

How Comparative Raters Work

Quoted by: Chris Smith of Universal Agency

Sort by: Premium: Low-High (Term Independent)

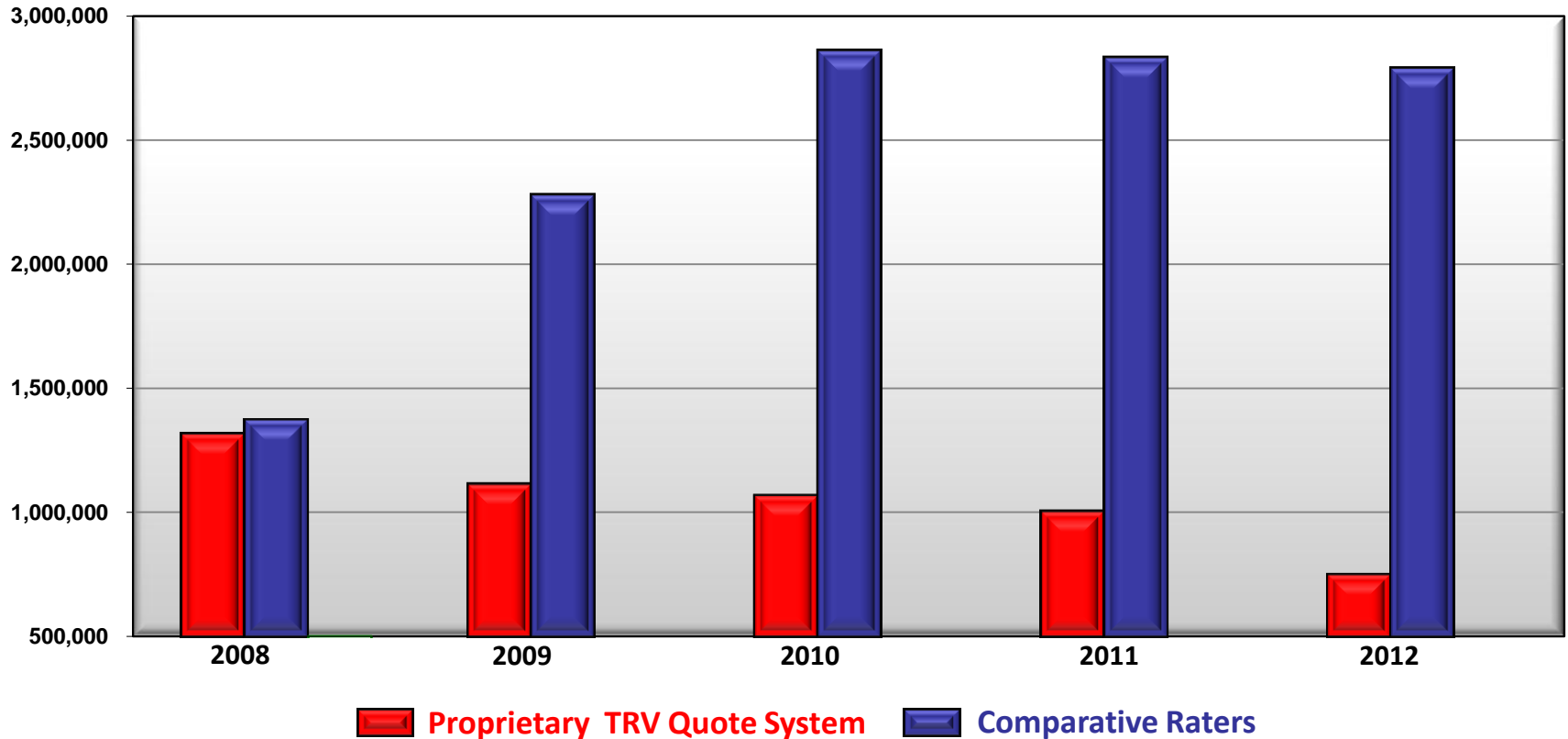
Auto Carrier Name	Agent Input 100/300/100	Option 1 50/100/50	Option 2 250/500/100
	12 Month Premium = \$1419.00 (Paid in full) Quote Number: 0008253205012 Discounts applied: Safe Driver Advantage Early Quote Advantage Pay in Full Discount Travelers Homeowners Customer	\$1222.00 -197.00	\$1484.00 +65.00
Carrier 2	12 Month Premium = \$1482.00 (Paid in full) Quote Number: ABZLY327070213123 Discounts applied: Homeownership Air Bag Anti-Theft Pay in Full Discount	\$1279.00 -203.00	\$1554.00 +72.00
Carrier 3	12 Month Premium = \$1549.00 (Paid in full) Application Number: 0000185310777 Discounts applied: Anti-Lock Brake Discount Claim Free Discount Loss Free Discount Package Discount	\$1338.00 -211.00	\$1625.00 +76.00

Agents generally sort by price, driving selection of carrier placement

Impact of Comparative Rating Technology

Changing Independent Agency Dynamics

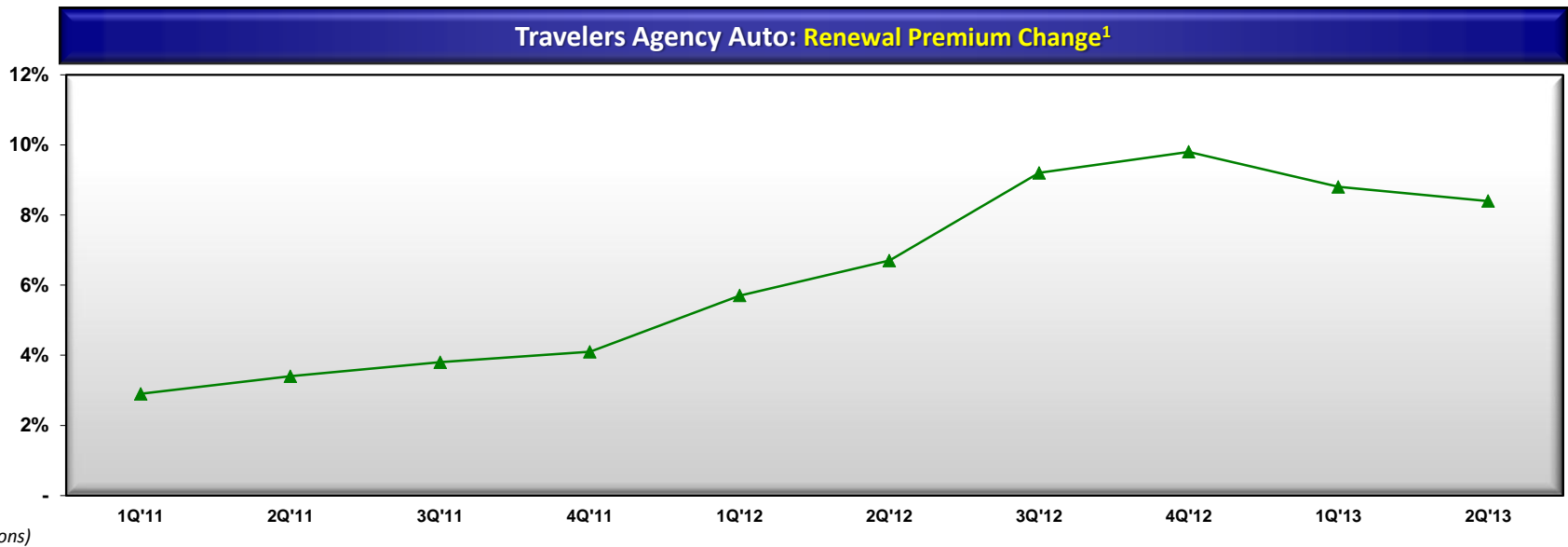
Travelers Agency Auto: **Quote Volume**



Comparative raters account for approximately 80% of our auto quotes today. Close rates on comparative raters are considerably lower than on our proprietary quote system.

Personal Insurance

Response to Changing Personal Auto Insurance Market



New Business	\$171	\$166	\$161	\$142	\$135	\$107	\$103	\$85	\$86	\$90
YOY % Change	-%	(16%)	(24%)	(22%)	(21%)	(36%)	(36%)	(40%)	(36%)	(16%)

- We increased price in response to systemic profitability issues arising from industry severity trends in 2011, as well as the low interest rate environment and changing weather patterns.
- While we are being successful in addressing profitability issues, the increased adoption of comparative rater technology combined with our pricing actions have impacted new business volumes.

Critical factor for success is to be a lower cost producer with effective pricing segmentation

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

Personal Insurance

Expense Reductions Announced July 2013

- Reduction in unallocated claim and other insurance expenses of \$140 million pre-tax when fully realized as expected by 2015.
- Savings primarily driven by staff reductions, majority through attrition. Notice given to approximately 450 employees in July.
- Expect to take restructuring charge of \$16 million; approximately \$10 million of which will be incurred in 3Q'13.
- Majority of savings will benefit Auto.

Introduction of Quantum Auto 2.0

Objective: Be a low cost manufacturer of a highly sophisticated and segmented auto insurance product that successfully competes in the marketplace and generates an appropriate return

- Updates underwriting with 8 years of data and experience from Quantum Auto 1.0:
- Examples:
 - Waive 4th & 5th year minor violations for drivers who have been incident free for 3 years.
 - Youthful driver leniency for tenured families.
 - Increases and decreases in “pricing cells” to incorporate underwriting experience and improve returns.
- Incorporates recently announced cost reductions.
- Lowers the base commission rate by approximately 2 points from Quantum Auto 1.0. We believe our total compensation program for Quantum Auto 2.0 will be very competitive with other large national carriers.
- Quantum Auto 2.0 will be rolled out starting Sept. 2013 in all but 3 states. In approved states all new accounts will be on the new product. The product will also be available to agents at their discretion for existing accounts.

Personal Auto Expense Actions – Order of Magnitude

\$ in millions	Current Annual Run Rate	Pro forma Annual Run Rate Once Fully Implemented
Other insurance expenses ¹	\$381	\$347
Unallocated loss adjustment expenses	362	300
Commissions	386	333 ²
Taxes, Licenses & Fees	76	76
Total	\$1,205	\$1,056

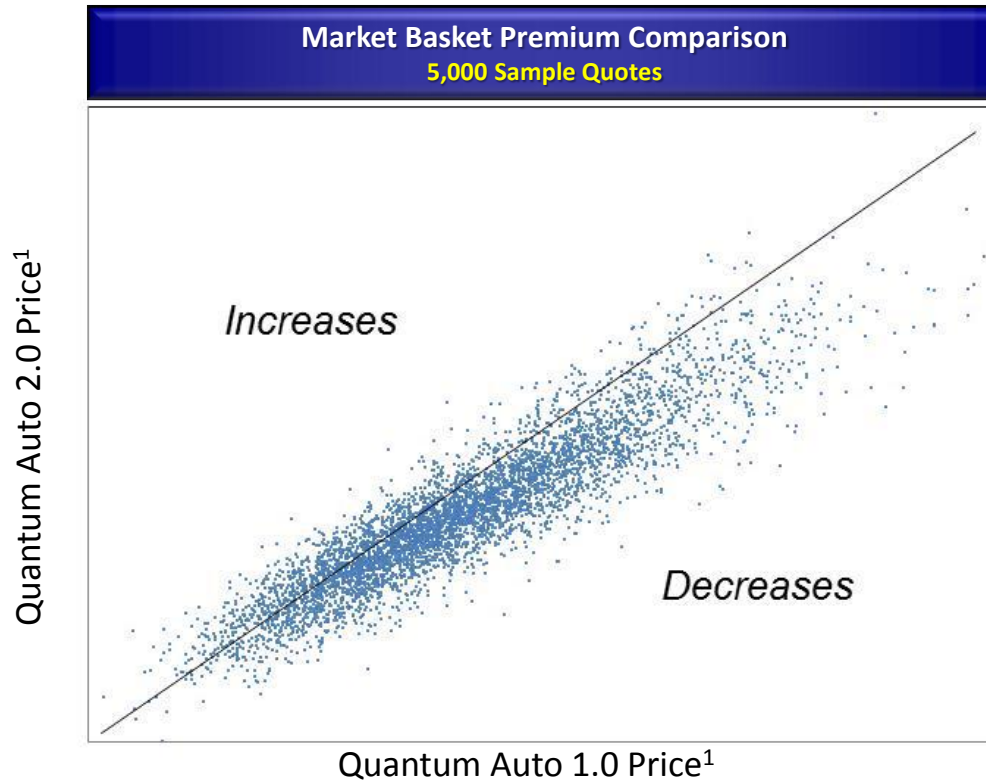
12.4% reduction

¹ Does not include Direct-to-Consumer advertising expenses

² Assumes 100% of premium in approved states is in the new product

Introduction of Quantum Auto 2.0

- Significant cost reductions will enable us to both lower price and improve margins. The product is being priced to achieve target returns over time.



- We conducted a small scale market test to better understand price elasticity, and we back tested our proposed pricing using data from the comparative raters. Subject to competitive reaction, we believe Quantum Auto 2.0 will meaningfully improve volumes and achieve target returns over time.

Personal Insurance

Auto Insurance: Competing Beyond Price

Agent	Value Proposition	Consumer
<input checked="" type="checkbox"/>	Brand Recognition	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Advice & Counsel	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Ease of Doing Business	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Breadth of Products	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Superior Claims Service	<input checked="" type="checkbox"/>

While we believe having a market-relevant price is important, there are other factors a consumer and agent value in making their purchasing decision

Commercial Insurance¹

- Approximately \$16 billion in annual premiums.
- Continue to seek improved profitability through thoughtful rate actions while minimizing disruption to insureds and agents.
- Success to date: \$660 million after-tax improvement in underlying underwriting margin² on an annualized basis since 2011.

Personal Insurance

- Approximately \$7.5 billion in annual premiums: ~½ auto and ½ homeowners.
- Significant success in homeowners business – combined ratio average of 92% over last 10 years; less than 100% 9 out of the last 10 years (2011 > 100% - Joplin, Tuscaloosa, Irene).
- Continue to capitalize on homeowners capacity and expertise to address complete consumer account needs.
- In Personal Auto, significant cost reductions will enable us to both lower price and improve margins. Quantum Auto 2.0 is being priced to achieve target returns over time.

¹ Commercial Insurance includes the Business Insurance and Financial, Professional & International segments.

² Underlying underwriting margin excludes catastrophe losses and prior year reserve development.

Explanatory Note

This presentation contains, and management may make, certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates” and similar expressions are used to identify these forward-looking statements. Examples of our forward-looking statements include statements relating to our future financial condition and operating results, our share repurchase plans, potential margins, the sufficiency of our reserves and our strategic initiatives, including related to our personal auto business, among others.

We caution investors that such statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Some of the factors that could cause actual results to differ include, but are not limited to, the following:

- Catastrophe losses;
- Financial market disruption or economic downturn;
- Changes to our claims and claim adjustment expense reserves;
- The performance of our investment portfolio;
- Asbestos and environmental claims;
- Mass tort claims;
- Emerging claim and coverage issues;
- Competition, including the impact of competition on our strategic initiatives and new products;
- The collectability and availability of reinsurance coverage;
- Credit risk we face in insurance operations and investment activities;
- 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, including in Personal Insurance, or expanding in targeted markets;
- A reduction in the U.S. federal corporate income tax rate that adversely affects any net deferred tax assets we may have;
- Other changes in tax laws that adversely impact our investment portfolio or operating results;
- Risks associated with our use of pricing and capital models;
- Risks associated with our business outside of the United States, including regulatory risks;
- Limits to the effectiveness of our information technology systems;
- Difficulties with our technology, data security and/or outsourcing relationships;
- Risks associated with acquisitions, including our acquisition of The Dominion of Canada General Insurance Company, and the financing plans related to such transactions;
- Changes to existing accounting standards;
- Limits to the effectiveness of our compliance controls;
- Our ability to hire and retain qualified employees;
- Losses of or restrictions placed on the use of credit scoring in the pricing and underwriting of insurance products;
- Factors impacting the operation of our repurchase plans; and
- The company may not achieve the anticipated benefits of its transactions, its new products or its strategic initiatives, including in Personal or Commercial Insurance, or complete a transaction that is subject to closing conditions.

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.

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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 releases and financial supplements that we have made available in connection with our earnings releases and our most recent annual report on Form 10-K filed with the Securities and Exchange Commission. See the “For Investors” section at Travelers.com.

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The Travelers Companies, Inc.
