

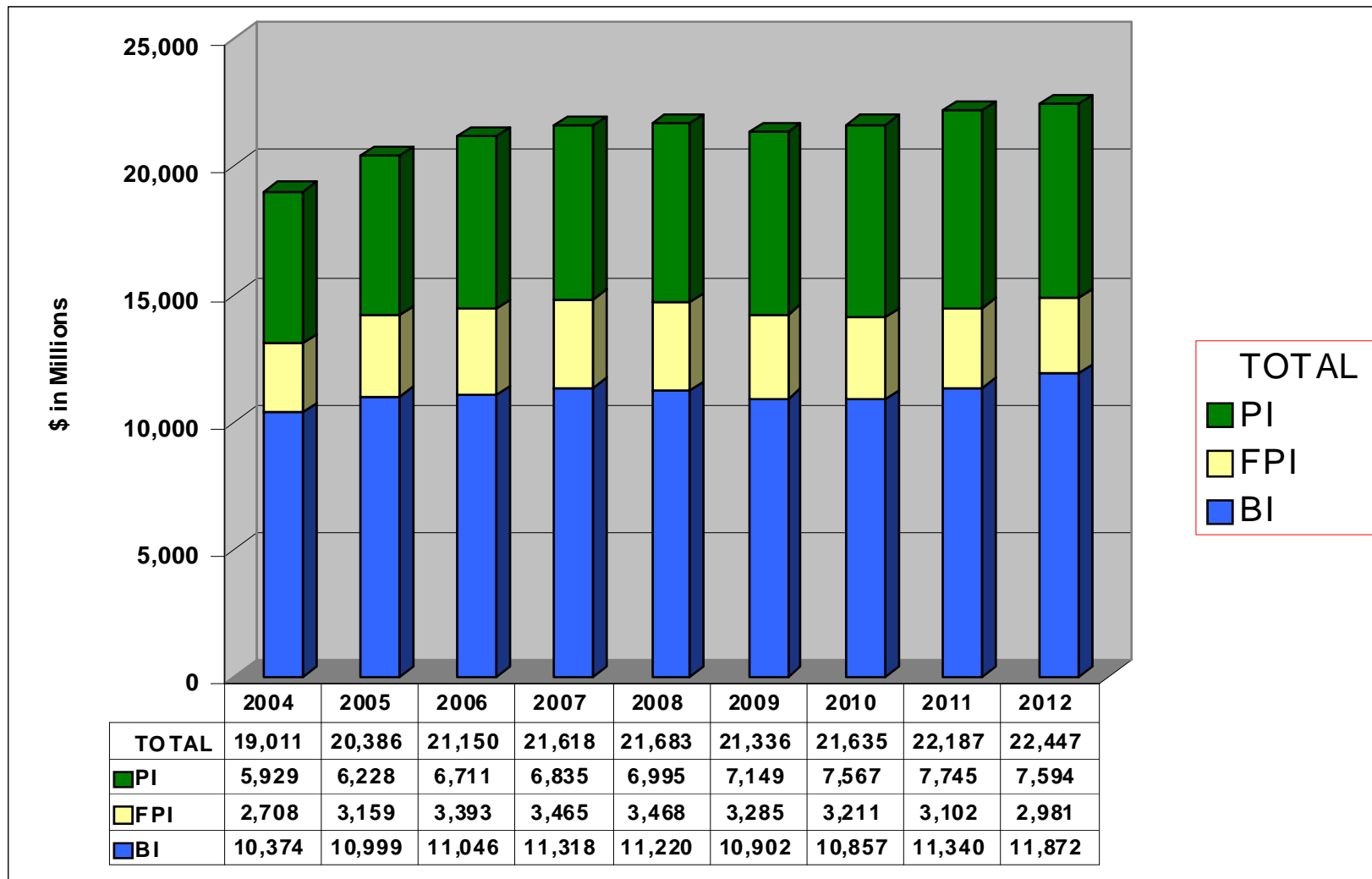


Casualty Actuaries in Reinsurance

Bermuda 2013

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SVP, Reinsurance
June 6, 2013

Travelers Net Written Premium by Business Segment



Very Strong Financial Position

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Debt	\$ 6,350	\$ 6,605
Common equity ¹	<u>22,302</u>	<u>21,606</u>
Total capital ¹	<u>\$ 28,652</u>	<u>\$ 28,211</u>
Debt-to-capital ¹	22.2%	23.4%
Common shares outstanding	377.4	392.8
Book value per common share	\$ 67.31	\$ 62.32
Adjusted book value per common share ¹	\$ 59.09	\$ 55.01
Tangible book value per common share ^{1, 2}	\$ 49.29	\$ 45.46
Statutory surplus	\$ 20,048	\$ 19,174
Holding company liquidity	\$ 2,034	\$ 2,387

Capital

- At or above target levels for all rating agencies
- Repurchased \$1.450 billion of common shares, and dividends were \$700 million in 2012

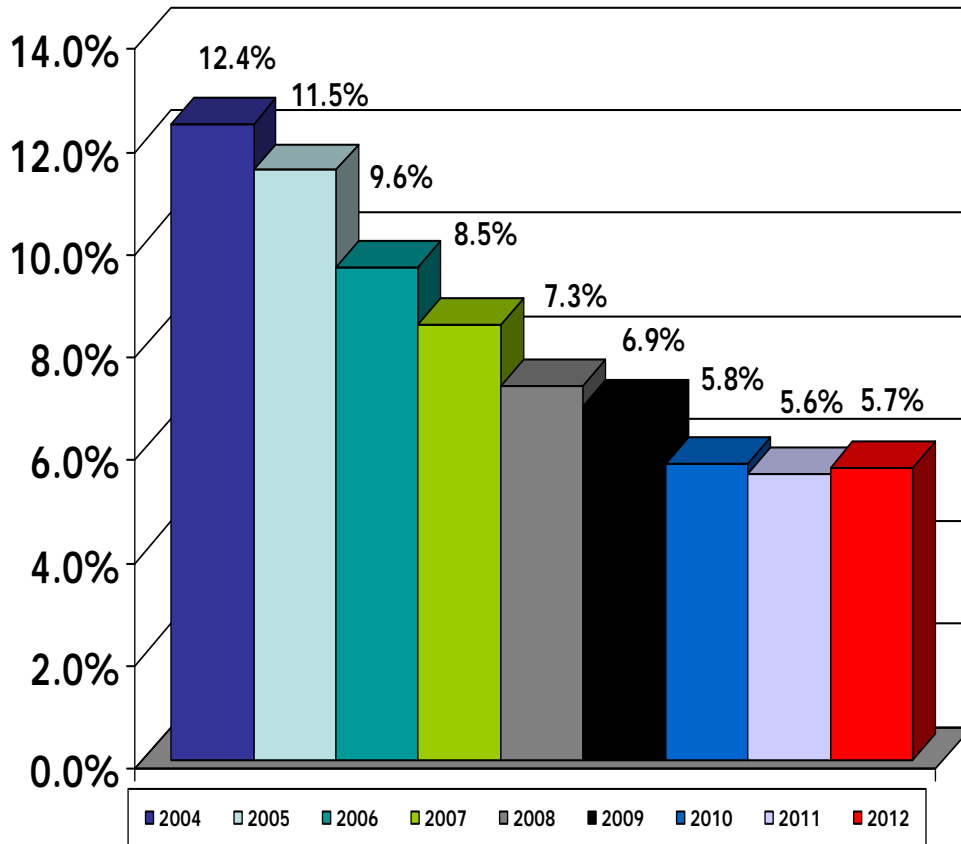
Leverage

- Debt-to-capital ratio¹ of 22.2%, comfortably within target range
- Low level of maturing debt
 - 2013 \$500 million
 - 2014 -
 - 2015 \$400 million

Very high quality investment portfolio

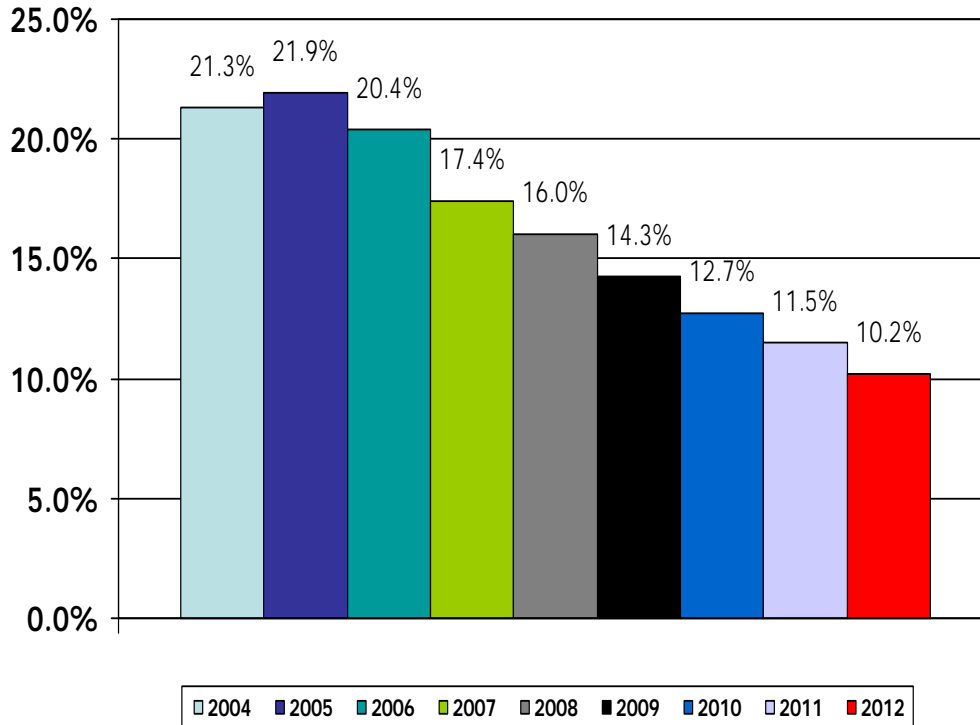
- Net unrealized investment gains of \$3.103 billion after-tax (\$4.761 billion pre-tax) at year-end 2012

Travelers Ceded Premium as % of Gross Written (both excluding mandatory pools)



- Merged/consolidated separate programs
- Eliminated smaller programs and exited reinsurance dependent business units
- Combined purchases across business units
- Increased retentions and co-participations
- Introduced aggregate deductibles

Reinsurance Recoverables as % of GAAP Loss and LAE Reserves (Excluding Mandatory Pools and Structured Settlements)



- Reduced legacy recoverables on businesses in run-off.
- Collected recoverables on hurricanes Katrina, Rita, and Wilma (2005).
- Pursued active commutation strategy on legacy reinsurance recoverables since 2004
- Settled/resolved major disputes
- Sold Unionamerica

Reinsurance Drivers

- **BUSINESS STRATEGY**

Lines of Business Written, Market Share, Geographic Considerations

- **FINANCIAL RESOURCES**

Optimize Amount of Risk to Available Resources

- **MANAGEMENT STYLE**

Reflect Risk Tolerance of Key Decision Makers

Business Strategy Support

- Increase per risk limits capacity
- Provide homogeneity of retained risks
- Reduce the risk when entering a new geographical area or line of business
- Limit the effect a single loss or series of losses can have upon the results of the business
- Assist withdrawal from a line of business or a geographical area

Financial Resource Tools

- Protect policyholder surplus
- Conserve cash in the event of significant losses
- Provide “surplus relief” or premium capacity
- Protect Earnings

Management Style Motivations

- A valued component of Enterprise Risk Management
- Enterprise vs. Business Unit management approach
- Large loss review process
- Incentive plan design
- Underwriters “comfort zone”