TRAVELERS INSURANCE COMPANIES

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AMB#: 18674

Publicly Traded Corporation: Travelers Companies, Inc. (The)

NYSE: TRV

BEST'S RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Rating of A+ (Superior). The group's Financial Size Category is Class XV.

RATING UNIT MEMBERS

Travelers Insurance Companies (AMB# 18674):

AMB#	COMPANY	RATING	POOL%
02452	St. Paul Fire & Marine Ins Co	A+ g	24.79
02520	Travelers Indemnity Company	A+ g	23.29
02001	Travelers Casualty & Surety Co	A+ g	20.36
02518	Phoenix Insurance Company	A+ g	5.00
02002	Standard Fire Insurance Co	A+ g	4.84
02539	United States Fid & Guar Co	A+ g	4.41
04465	Travelers Casualty Ins Co Amer	A+ g	2.73
01744	Farmington Casualty Company	A+ g	1.48
04046	Auto Ins Co of Hartford	A+ g	1.37
02517	Travelers Indemnity Co of CT	A+ g	1.37
02516	Charter Oak Fire Ins Co	A+ g	1.27
00712	Northland Insurance Company	A+ g	1.22
03592	St. Paul Surplus Lines Ins Co	A+ g	0.88
04003	Travelers Indem Co of Amer	A+ g	0.77
02016	St Paul Protective Ins Co	A+ g	0.58
04869	Northfield Insurance Co	A+ g	0.52
11024	Travelers Casualty Co of CT	A+ g	0.47
11767	Travelers Commercial Cas Co	A+ g	0.47
11025	Travelers Commercial Insurance	A+ g	0.47
02453	St. Paul Mercury Insurance Co	A+ g	0.40
04461	Travelers Prop Cas Co of Amer	A+ g	0.36
11027	Travelers Prop Cas Ins Co	A+ g	0.30
01704	Athena Assurance Company	A+ g	0.29
01705	St. Paul Medical Liab Ins Co	A+ g	0.29
11300	TravCo Insurance Company	A+ g	0.27
00241	Travelers Excess & Surp Lines	A+ g	0.27
11302	Travelers Home and Marine	A+ g	0.27
11020	Travelers Personal Ins Co	A+ g	0.27
11026	Travelers Personal Security	A+ g	0.27
03792	Discover Prop & Cas Ins Co	A+ g	0.14
11763	Discover Specialty Ins Co	A+ g	0.14
04025	Northland Casualty Company	A+ g	0.14
12061	American Equity Specialty	A+ g	0.10
02538	Fidelity & Guaranty Ins Undrs	A+ g	0.10

04311	St. Paul Guardian Ins Co	A+ g	0.10
11134	American Equity Insurance Co	A+ r	
02220	Atlantic Insurance Company	A+ r	
03762	Fidelity & Guaranty Ins Co	A+ r	
11208	Gulf Underwriters Ins Co	A+ r	
00823	Seaboard Surety Company	A+ r	
02222	Select Insurance Company	A+ r	
01701	St. Paul Fire & Casualty Ins	A+ r	
03297	Travelers Lloyds Ins Co	A+ r	
01743	Travelers Lloyds of Texas Ins	A+ r	

RATING RATIONALE

Rating Rationale: On February 26, 2007, The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc. As a result, A.M. Best Company changed the rating unit name of St. Paul Travelers Insurance Companies to Travelers Insurance Companies.

The rating of Travelers Insurance Companies applies to the group's 35 pool members, led by the Travelers Indemnity Company, and nine reinsured affiliates. The rating is based on the consolidated operating performance and financial condition of these domestic companies as well as seven other separately rated domestic affiliates within the Travelers group of companies.

The rating reflects Travelers Insurance Companies' strong risk-adjusted capitalization, superior earnings power, dominant market profile in commercial and personal lines and quality management team. The rating also acknowledges the group's continuing strategic focus on profitability, emphasizing both underwriting and financial discipline, diligent risk management as well as superior technology, which has improved its underwriting effectiveness and ability to service its agents and customers. In addition, the rating considers the benefits that have been derived through the integration of the former St. Paul's and Travelers' operations. The rating also recognizes Travelers' significant earnings in 2005 -- despite sizable catastrophe losses and asbestos reserve development -- and particularly in 2006, which have substantially increased the group's statutory surplus. Concurrent with modest changes in net premiums written, loss reserves, and ceded reinsurance, underwriting leverage measures have substantially improved. The rating also considers the financial flexibility provided by the parent, The Travelers Companies, Inc., which has ready access to the capital markets. In 2007 and 2008, Travelers Companies, Inc. expects to continue repurchasing shares of its common stock. The holding company's liquidity is significant with $1.4 billion of liquid funds held at year-end 2006. A.M. Best believes the holding company will maintain liquid funds in excess of $1.0 billion in 2007. The Travelers Companies, Inc.'s debt-to-total capital of 18.9% at year-end 2006, which is within acceptable levels for the current rating, should be relatively unaffected during 2007.

Travelers possesses significant market share, ranking second in the U.S. in commercial lines as well as in personal lines agency companies, with approximately 6.0% and 8.1% market shares, respectively, based on 2006 direct premiums written. The combining of the former St. Paul's and Traveler's operations has also resulted in greater geographic spread and diversification of business, with the Travelers' presence being particularly strong in the Northeast and East Coast and St. Paul in the Midwest and South. Management has recently implemented a new field structure that has included the creation of 14 regional president positions. This initiative is expected to result in more effective management at the local level, develop a stronger partnership with business heads, and instill greater internal responsibility and accountability for franchise success.

Offsetting these positive factors has been volatility of Travelers' asbestos and environmental (A&E) reserves prior to 2006, although A.M. Best acknowledges that in 2005 and 2006, overall commercial lines reserves excluding A&E appear to have stabilized, while significant redundancies have occurred in personal lines reserves. Furthermore, being among the largest commercial insurers and national property writers, Travelers has significant exposure to potential terrorist-related losses and natural catastrophes, although it has comprehensive and active programs in place to manage its spread of risk and limit its exposure to a single event.

Over the past two years, Travelers as well as other insurers and brokers have received subpoenas and other information requests from regulators and attorneys general in a number of states relating to certain business practices. Moreover, since July 2004, the group has received inquiries from the Securities and Exchange Commission regarding certain reserve adjustments totaling $1.6 billion recorded by Travelers in the second quarter of 2004, as well as the April 2004 merger between St. Paul and Travelers. Despite these factors, A.M. Best considers the group favorably positioned and sufficiently well-capitalized to absorb the above challenges and those posed by the recent softening in property / casualty markets.

Best's Rating: A+ **Outlook: Stable**

FIVE YEAR RATING HISTORY

Date	Best's Rating
06/18/07	A+
05/30/06	A+
07/13/05	A+

KEY FINANCIAL INDICATORS

	Statutory Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
2002	20,033,938	17,686,183	-577,702
2003	22,205,233	19,930,602	2,884,681
2004	22,277,342	19,593,089	1,767,331
2005	21,495,050	19,289,916	3,121,826
2006	22,042,925	20,061,741	5,618,965
09/2006	16,464,187	14,883,902	4,117,376
09/2007	16,900,138	15,361,501	4,324,413

	Statutory Data ($000)		
Period Ending	Net Income	Total Admitted Assets	Policy-holders' Surplus
2002	-386,953	65,559,880	12,286,480
2003	2,761,029	66,592,352	13,609,968
2004	1,712,024	69,211,972	14,416,223
2005	2,904,054	72,671,445	17,226,533
2006	4,071,449	75,023,044	20,161,290
09/2006	3,071,241	74,130,285	19,239,353
09/2007	3,462,643	75,890,149	21,312,549

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
2002	118.2	5.4	-3.4	46.2	1.4	5.7	124.1	112.5
2003	97.8	5.3	15.5	40.5	1.5	5.3	126.9	116.1
2004	107.4	5.5	8.9	31.2	1.4	5.1	127.6	132.2
2005	101.7	5.6	16.2	26.5	1.1	4.3	132.5	119.8
2006	86.6	5.0	28.5	21.8	1.0	3.7	138.2	122.6
5-Yr Avg	101.9	5.3	13.5	…	…	…	…	…
09/2006	87.2	XX	28.2	XX	1.0	3.8	136.6	120.0
09/2007	87.8	XX	28.5	XX	1.0	3.5	140.6	128.5

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Commercial Casualty Composite.

CORPORATE OVERVIEW

On February 26, 2007, The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc. As a result, A.M. Best Company changed the name of the rating unit St. Paul Travelers Insurance Companies to Travelers Insurance Companies.

Overall financial control of Travelers Insurance Companies is held by The Travelers Companies, Inc., a widely held publicly traded holding company (NYSE: TRV). The Travelers Companies, Inc. was formed by the merging of The St. Paul Companies, Inc. (SPC) -- now known as The Travelers Companies, Inc. -- with Travelers Property Casualty Corp. (TPC) on April 1, 2004. The Travelers Companies, Inc., headquartered in Saint Paul, Minnesota, with substantial operations in Hartford, Connecticut, through its subsidiaries, provides a full array of commercial and personal property and casualty services to businesses, government units, associations and individuals. Travelers possesses significant market share, ranking second in the U.S. in commercial lines as well as in personal lines agency companies, with 6.0% and 8.1% market shares, respectively, based on direct premiums written.

As a result of the merger of The St. Paul Companies, Inc., with Travelers Property Casualty Corp., St. Paul Fire and Marine Insurance Company -- the lead company within the former St. Paul Companies -- and all its subsidiaries are a sister organization with Travelers Property Casualty Corp. and all its subsidiaries under the parent holding company, The Travelers Companies, Inc.

With regard to recent divestitures, in January 2007, Jupiter Holdings, Inc., entered into a definitive agreement to sell its wholly-owned subsidiary, Mendota Insurance Company, and Mendota's wholly-owned subsidiary, Mendakota Insurance Company, to Kingsway America, Inc., a Delaware corporation. On April 1, 2007, the sale was completed. In April, Mendota and Mendakota were de-pooled from the TNC Insurance Group intercompany pooling arrangement effective January 1, 2007. These companies had previously represented the group's retail personal lines operations; they accounted for approximately $187 million of premiums written in 2006. In March 2007, The Travelers Companies, Inc., completed the sale of its Mexican surety subsidiary, Afianzadora Insurentes, S.A. de C.V., to Estrainver S.A. de C.V., a closely held Mexican holding company. Afianzadora Insurentes accounted for approximately $79 million of net premiums written in 2006. The impact of these divestitures in 2007 will not be material to Travelers' results of operations or financial condition.

A.M. Best assigns seven distinct ratings to the domestic operations within the Travelers group. The rating assigned to the first rating unit -- Travelers Insurance Companies -- applies to its 35 pool members, led by the Travelers Indemnity Company, and nine reinsured affiliates. The rating is based on the consolidated operating performance and financial condition of these domestic companies, all listed above, as well as seven other separately rated domestic affiliates within the Travelers group of companies.

A second distinct rating is assigned to Travelers Casualty and Surety Company of America (TCSA) and its affiliate, Travelers Casualty and Surety Company of Europe Limited. TCSA has a leadership position in the surety, fidelity and professional liability segments of the property/casualty industry. A third rating applies to Travelers of New Jersey Group, a group comprised of First Trenton Indemnity Company and a reinsured affiliate, which specializes in personal automobile and homeowners insurance in New Jersey only. A fourth rating is assigned to The Premier Insurance Company of Massachusetts, an exclusive writer of private passenger automobile policies in the Massachusetts marketplace. A fifth rating is assigned to First Floridian Auto and Home Insurance Company. Formed in 1996, First Floridian acts as a special purpose personal lines carrier dedicated to Florida only. Two additional ratings apply to Commercial Guaranty Casualty Insurance Company and Commercial Guaranty Insurance Company, which are in run-off.

In addition, A.M. Best assigns ratings to St. Paul Travelers Insurance Company Limited and St. Paul Reinsurance Company Limited in London and Travelers Guarantee Company of Canada (formerly known as St. Paul Guarantee Insurance Company).

CORPORATE STRUCTURE

AMB#	COMPANY NAME	DOMICILE	%OWN
58470	*Travelers Companies, Inc.*	MN	
02452	St. Paul Fire & Marine Ins Co	MN	100.00
72882	Captiva Ltd	Bermuda	81.10
11763	Discover Specialty Ins Co	IL	100.00
73548	MMedica Insurance Limited	Ireland	100.00
51754	*Northbrook Holdings, Inc.*	DE	100.00
03792	Discover Prop & Cas Ins Co	IL	100.00
02016	St Paul Protective Ins Co	IL	100.00
01701	St. Paul Fire & Casualty Ins	WI	100.00
04311	St. Paul Guardian Ins Co	MN	100.00
02453	St. Paul Mercury Insurance Co	MN	100.00
50243	*St. Paul Specialty Undrg Inc*	DE	100.00
01704	Athena Assurance Company	MN	100.00
01705	St. Paul Medical Liab Ins Co	MN	100.00
03592	St. Paul Surplus Lines Ins Co	DE	100.00
00823	Seaboard Surety Company	NY	100.00
50238	*Unionamerica Holdings*	United Kingdom	100.00
50557	*Unionamerica Acq Co Ltd*	United Kingdom	100.00
51755	*Unionamerica Combined Invt Co*	United Kingdom	100.00
51756	*Jago Dedicated, Ltd.*	United Kingdom	100.00
51757	*Jago Capital Limited*	United Kingdom	100.00
47808	Lloyd's Syndicate 205	United Kingdom	100.00
85594	Unionamerica Insurance Co Ltd	United Kingdom	100.00
02539	United States Fid & Guar Co	MD	100.00
03762	Fidelity & Guaranty Ins Co	IA	100.00
02538	Fidelity & Guaranty Ins Undrs	WI	100.00
58165	*Travelers Prop Cas Corp*	CT	100.00
58501	*Travelers Ins Group Holdings*	DE	100.00
02002	Standard Fire Insurance Co	CT	100.00
04046	Auto Ins Co of Hartford	CT	100.00
11026	Travelers Personal Security	CT	100.00
11027	Travelers Prop Cas Ins Co	CT	100.00
11020	Travelers Personal Ins Co	CT	100.00
02520	Travelers Indemnity Company	CT	100.00
02220	Atlantic Insurance Company	TX	100.00
02516	Charter Oak Fire Ins Co	CT	100.00
11872	First Floridian Auto & Home	FL	100.00
11299	First Trenton Indemnity Co	NJ	100.00
12031	Travelers Auto Ins Co of NJ	NJ	100.00
50285	*Gulf Insurance UK Holdings Ltd*	United Kingdom	100.00
51761	*Gulf Underwriting Holdings Ltd*	United Kingdom	100.00
78471	Gulf Underwriting Ltd	United Kingdom	100.00

87376	Travelers Cas & Sur Co Europe	United Kingdom	100.00
11208	Gulf Underwriters Ins Co	CT	100.00
50277	*Northland Company*	MN	100.00
02061	Commercial Guaranty Cas Ins	IN	100.00
02712	Commercial Guaranty Ins Co	DE	100.00
50278	*Jupiter Holdings Inc*	MN	100.00
11134	American Equity Insurance Co	AZ	100.00
12061	American Equity Specialty	CT	100.00
00712	Northland Insurance Company	MN	100.00
04869	Northfield Insurance Co	IA	100.00
04025	Northland Casualty Company	MN	100.00
02518	Phoenix Insurance Company	CT	100.00
04003	Travelers Indem Co of Amer	CT	100.00
02517	Travelers Indemnity Co of CT	CT	100.00
04461	Travelers Prop Cas Co of Amer	CT	100.00
11421	Premier Insurance Co of MA	MA	100.00
02222	Select Insurance Company	TX	100.00
11300	TravCo Insurance Company	CT	100.00
11767	Travelers Commercial Cas Co	CT	100.00
11302	Travelers Home and Marine	CT	100.00
03297	Travelers Lloyds Ins Co	TX	
86988	Travelers (Bermuda) Limited	Bermuda	100.00
02001	Travelers Casualty & Surety Co	CT	100.00
01744	Farmington Casualty Company	CT	100.00
86417	Travelers Guarantee Co Canada	Canada	100.00
85736	Coronation Insurance Co Ltd	Canada	100.00
03609	Travelers Cas & Surety of Amer	CT	100.00
04465	Travelers Casualty Ins Co Amer	CT	100.00
11024	Travelers Casualty Co of CT	CT	100.00
11025	Travelers Commercial Insurance	CT	100.00
00241	Travelers Excess & Surp Lines	CT	100.00
01743	Travelers Lloyds of Texas Ins	TX	
72450	Mountain Ridge Insurance Co	VT	100.00
51758	*St. Paul Multinational Hldgs*	DE	100.00
77177	St. Paul Insurance Co SA Ltd	South Africa	100.00
85363	St. Paul Travelers Ins Co Ltd	United Kingdom	100.00
85545	St. Paul Reinsurance Co Ltd	United Kingdom	100.00
51759	*St. Paul Bermuda Holdings*	DE	100.00
72734	St. Paul (Bermuda) Ltd	Bermuda	100.00
72735	St. Paul Re (Bermuda) Ltd	Bermuda	100.00
51760	*Aprilgrange Limited*	United States	100.00
49236	Lloyd's Syndicate 5000	United Kingdom	100.00

BUSINESS REVIEW

On July 13, 2005, The Travelers Companies, Inc. announced that it had combined the St. Paul and Travelers pools, forming a new pool effective July 1, 2005, retroactive to January 1, 2005, and merged Gulf Insurance Company, the lead company of the former Gulf Insurance Group, with and into The Travelers Indemnity Company, the lead company of the new pool, effective July 1, 2005, retroactive to January 1, 2005.

As a result of a series of affiliated transactions entered into by The Travelers Companies, Inc. in 2007, designed to further consolidate the intercompany pooling agreements of its various subsidiaries, the five remaining members of TNC Insurance Group following the sale of Mendota Insurance Company and Mendakota Insurance Company in April -- Northland Insurance Company, Northfield Insurance Company, Northland Casualty Company, American Equity Specialty Insurance Company and American Equity Insurance Company -- became members of Travelers Insurance Companies, the first four as group members and American Equity Insurance Company, as a reinsured member. Travelers' affiliated transactions were effective October 1, 2007, retroactive to January 1, 2007. Also, effective October 1, 2007, Discover Reinsurance Company was merged with and into Travelers Indemnity Company. As a result, the ratings for TNC Insurance Group and Discover Reinsurance Company were withdrawn.

Travelers Insurance Companies is now comprised of 35 pool participants and nine reinsured affiliates. The rating of Travelers Insurance Companies is based on A.M. Best's consolidation of the operating performance and financial condition of these domestic companies as well as seven other separately rated domestic affiliates within the Travelers group of companies.

Travelers Insurance Companies offers a wide range of commercial and personal property / casualty insurance products and services to businesses, government units, associations and individuals. In addition to independent agencies and brokers, the group utilizes alternate distribution platforms including affinity group marketing, joint marketing and the Internet. The alternative platforms provide Travelers with additional growth opportunities. Principally U.S. oriented, Travelers also provides commercial underwriting service facilities to policyholders abroad.

In August 2006, Travelers announced a realignment of two of its three reportable segments. The former Commercial and Specialty segments were realigned into two new reportable segments: the Business Insurance segment and the Financial, Professional & International Insurance segment. The Personal segment was renamed Personal Insurance. The changes were designed to reflect the manner in which the company's businesses are currently managed and represent an aggregation of the products and services based on type of customer, how the business is marketed, and the manner in which risks are underwritten.

BUSINESS INSURANCE --

The Business Insurance segment, which accounted for approximately 52% of Travelers' total net premiums written in 2006, is organized into six groups, which collectively comprise Business Insurance Core operations. These groups include Select Accounts, Commercial Accounts, National Accounts, Industry--Focused Underwriting, Target Risk Underwriting and Specialized Distribution, each of which focuses on a particular client base. These groups accounted for approximately 24%, 22%, 10%, 20%, 15% and 9% of Travelers' Business Insurance's net premiums written in 2006, respectively.

Select Accounts serves small businesses for property and casualty products, including commercial multi-peril, property, general liability, commercial auto and workers' compensation insurance.

Commercial Accounts serves primarily mid-sized businesses for property and casualty products, including property, general liability, commercial multi-peril, commercial auto and workers' compensation insurance.

National Accounts comprises three business units, the largest of which provides casualty products and services to large companies, with a particular emphasis on workers' compensation, general liability and automobile liability. National Accounts also includes Discover Re, which provides property and casualty insurance products on an unbundled basis using third-party administrators for insureds who utilize programs such as collateralized deductibles, captive reinsurers and self-insurance. In addition, national accounts includes the commercial residual market business, which primarily offers workers' compensation products and services to the involuntary market.

Industry--Focused Underwriting serves targeted industries with unique combinations of insurance coverage, risk management, claims handling and other services through five business units -- Construction, Technology, Public Sector Services, Oil & Gas and Agribusiness.

-- Construction serves a broad range of construction businesses, offering guaranteed cost products for small to mid-sized policyholders and loss sensitive programs for larger accounts. Products offered include workers' compensation, general liability and commercial auto coverages, and other risk management solutions.

-- Technology serves companies of all sizes involved in telecommunications, information technology, medical technology and electronics manufacturing, offering a well-balanced comprehensive portfolio of products and services. These products include property, commercial auto, general liability, workers' compensation, umbrella, internet liability, technology errors and omissions coverages and global companion products.

-- Public Sector Services markets insurance products and services to public entities including municipalities, counties, Indian Nation gaming and selected special government districts such as water and sewer utilities. The policies written by this unit typically cover property, commercial auto, general liability and errors and omissions exposures.

-- Oil & Gas provides specialized property and liability products and services for customer involved in the exploration and production of oil and natural gas, including operators and drilling contractors, as well as various service and supply companies and manufacturers that support upstream operations. The policies written insure drilling rigs, natural gas facilities, and production and gathering platforms, and cover risks including physical damage, liability and business interruption.

-- Agribusiness serves small to medium-sized agricultural businesses, including farms, ranches, wineries and related operations, offering property and liability coverages other than workers' compensation.

Target Risk Underwriting serves commercial businesses requiring specialized product underwriting, claims handling and risk management services through six business units -- National Property, Inland Marine, Ocean Marine, Excess Casualty, Boiler & Machinery and Global Accounts.

-- National Property serves large and mid-sized customers, including retailers, hospitals, colleges and universities, and owners of industrial parks, office buildings, apartments and amusements parks, covering losses on buildings, business assets and business interruption exposures.

-- Inland Marine provides insurance for goods in transit and movable objects for customers such as jewelers, museums, contractors and the transportation industry. Builders' risk of insurance is also offered to customers during the construction, renovation or repair of buildings and other structures.

-- Ocean Marine serves the marine transportation industry and related services, as well as other business involved in international trade. This unit's product offerings fall under six main coverage categories: marine liability, cargo, hull and machinery, protection and indemnity, pleasure craft, and marine property and liability.

-- Excess Casualty serves small to mid-sized commercial businesses, offering mono-line umbrella and excess coverage where it does not write the primary casualty coverage, or where other business units within Travelers prefer to outsource the underwriting of umbrella and excess business based on the expertise and/or limit capacity of Excess Casualty.

-- Boiler & Machinery serves customers ranging form small commercial firms to Fortune 100 companies, offering comprehensive breakdown coverages for equipment, including property and business interruption coverages. Through the BoilerRe unit, Boiler & Machinery also serves other property / casualty carriers that do not have in-house expertise with reinsurance, underwriting, engineering, claims handling and risk management services for this type of coverage.

-- Global Accounts provides insurance to U.S. companies with foreign property and liability exposures ("home-foreign"), and foreign organizations with property and liability exposures in the U.S. ("reverse-flow"), as part of a global program.

Specialized Distribution markets and underwrites their products through three business units to customers predominantly through licensed wholesale, general and program agents that manage customers' unique insurance requirements. These business units include Northland, National Programs and Underwriting Facilities.

-- Northland provides insurance coverage for the commercial transportation industry, and commercial liability and package policies for small difficult to place specialty classes of commercial business on an admitted or excess and surplus lines basis.

-- National Programs offers tailored property / casualty programs on an admitted basis for customers with common risk characteristics or coverage requirements. Programs available include entertainment, architects and engineers, equipment rental and golf services.

-- Underwriting Facilities serves small commercial businesses, offering general liability, property and commercial auto physical damage coverages on an admitted or excess and surplus lines basis.

The Business Insurance segment also includes the Special Liability Group (which manages Travelers' asbestos and environmental liabilities); the assumed reinsurance, health care, and certain international and other runoff operations; policies written by Travelers' Gulf operation, which was placed into runoff during the second quarter of 2005, and Travelers Personal Catastrophe Risk operation, which was sold in November 2005. These operations are collectively referred to as Business Insurance Other and accounted for approximately 0.2% Travelers' Business Insurance net premiums written in 2006.

Business Insurance distributes its products through approximately 7,100 independent agents and brokers located throughout the U.S. that are serviced by approximately 90 field offices and three customer service centers. In recent years, the Business Insurance segment has made significant investments in enhanced technology utilizing internet-based applications to provide real-time interface capabilities with independent agents and brokers. Business Insurance has developed underwriting and pricing methodology that incorporates underwriting, claims, engineering, actuarial and product development disciplines for particular industries. This approach is designed to maintain high quality underwriting and pricing discipline.

FINANCIAL, PROFESSIONAL & INTERNATIONAL INSURANCE --

The Financial, Professional & International Insurance segment, which accounted for approximately 16% of Travelers' total net premiums written in 2006, includes surety and financial liability coverages, which require a primarily credit-based underwriting process, as well as property / casualty products that are primarily marketed on an international basis. The segment includes two groups: Bond & Financial Products and International and Lloyd's, which accounted for approximately 67% and 33% of Travelers' Financial, Professional & International Insurance's net premiums written in 2006.

Bond & Financial Products provides a wide range of customers with bond and insurance products and risk management services. The range of coverages includes surety and fidelity bonds for construction and general commercial enterprises, professional liability and management liability for public corporations, private companies and not-for-profit organizations for losses caused by negligence or misconduct of named directors and officers; professional liability for a variety of professionals, such as lawyers, design professionals and real estate agents for liability from errors and omissions committed in the course of professional conduct or practice, and a full range of property, auto, liability, fidelity and professional / management liability insurance for financial institutions. Bond & Financial Products distributes the majority of its products in the U.S. through approximately 6,400 of the same independent agencies and brokers that distribute the Business Insurance segment's products. These brokers and independent agencies are located throughout the U.S. Bond & Financial Products, in conjunction with the Business Insurance segment, is making significant investments in enhanced technology utilizing internet-based applications to provide real-time interface capabilities with its independent agents and brokers.

International and Lloyd's includes coverages marketed to and underwritten for several customer groups within the United Kingdom, Canada and the Republic of Ireland and business written as a Corporate Member at Lloyd's. International offers specialized insurance and risk management services to several customer groups, including those in technology, public services, and financial and professional services industry sectors. International primarily underwrites employers' liability (similar to workers' compensation in the U.S.), public and product liability (the equivalent of general liability), professional indemnity (similar to professional liability coverage), motor (similar to automobile coverage in the U.S.) and property exposures. Travelers underwrites four principal lines of business -- aviation, marine, global property, and accident and special risks -- through its Lloyd's syndicate (Syndicate 5000), for which Travelers provides 100% of the capital. The International and Lloyd's market distributes its products through brokers in the domestic markets of each of the three countries in which it operates, the United Kingdom, Canada and the Republic of Ireland. It also writes business at Lloyd's, where its products are distributed through Lloyd's wholesale and retail brokers. By virtue of Lloyd's worldwide licenses, Financial Professional & International Insurance has access to international markets around the world.

The Financial, Professional & International Insurance segment has developed an underwriting and pricing methodology that incorporates disciplines similar to those of the Business Insurance segment. The approach also is designed to maintain high quality underwriting and pricing discipline.

PERSONAL INSURANCE --

Personal Insurance, which accounted for approximately 32% of Travelers' total net premiums written in 2006, writes virtually all types of property / casualty insurance covering personal risks. The primary coverages in Personal Insurance are automobile and homeowners insurance sold to individuals. In 2006, personal automobile business represented approximately 55% of Personal Insurance's net premiums written; homeowners and other approximately 45%. The products are distributed through independent agents, sponsoring organizations such as employee and affinity groups, and joint marketing arrangements with other insurers.

Personal Insurance products are distributed primarily through approximately 8,700 independent agents located throughout the U.S., supported by personnel in eleven marketing regions, three single state companies and six service centers. While the principal markets for Personal Insurance's insurance products are in states along the East Coast, in the South and Texas, Personal Insurance is expanding it geographic presence across the U.S.

Personal Insurance operates four single state companies -- The Premier Insurance Company of Massachusetts in Massachusetts; First Trenton Indemnity Company and Travelers Auto Insurance Co. of New Jersey in New Jersey; and First Floridian Auto & Home Insurance Company in Florida with products marketed primarily through independent agents. These states represented approximately 19% of Personal Insurance direct written premiums in 2006. The companies were established to manage complex markets in Massachusetts and New Jersey and property catastrophe exposure in Florida. Each company has dedicated resources in underwriting, claim, finance, legal and service functions.

Personal Insurance uses a consistent operating model with agents outside of the single state companies that provides technological alternatives to agents to maximize their ease of doing business. Personal Insurance agents quote and issue approximately 99% of Personal Insurance's policies directly from their agencies by leveraging either their own agency management system or using Personal Insurance's proprietary quote and issuance systems which allows agents to rate, quote and issue policies on line. All of these quote and issue platforms interface with Personal Insurance's underwriting and rating systems, which edit transactions for compliance with Personal Insurance's underwriting and pricing programs. Personal Insurance continues to develop functionality to provide its agents with a comprehensive array of online service capabilities packaged together in an easy to use agency service portal, including customer service, marketing and claim functionality.

Personal Insurance also markets through additional distribution channels, including sponsoring organizations such as employers and consumer associations, and joint marketing arrangements with other insurers. A number of well-known corporations make Travelers' product offerings available to their employees primarily through a payroll deduction payment process. Travelers has significant relationships with the majority of the American Automobile Association (AAA) clubs in the United States and other affinity groups that make available Personal Insurance's product offerings to their members. Since 1995, Travelers has had a marketing agreement with GEICO to underwrite homeowners business for their auto customers.

The 35 members of the Travelers' pool operate under an intercompany reinsurance arrangement whereby substantially all business is pooled, third party reinsurance is transacted and the net combined premiums, losses and expenses are retroceded to the pool participants based on the pool participation percentages. Currently business is distributed to the participants approximately as follows: St. Paul Fire and Marine Insurance Company (24.79%), The Travelers Indemnity Company (23.29%), Travelers Casualty and Surety Company (20.36%), The Phoenix Insurance Company (5.00%), The Standard Fire Insurance Company (4.84%), United States Fidelity and Guaranty Company (4.41%), Travelers Casualty Insurance Company of America (2.73%), Farmington Casualty Company (1.48%), The Automobile Insurance Company of Hartford, Connecticut (1.37%), The Travelers Indemnity Company of Connecticut (1.37%), The Charter Oak Fire Insurance Company (1.27%), Northland Insurance Company (1.22%), St. Paul Surplus Lines Insurance Company (0.88%), The Travelers Indemnity Company of America (0.77%), St. Paul Protective Insurance Company (0.58%), Northfield Insurance Company (0.52%), St. Paul Mercury Insurance Company (0.40%), Travelers Casualty Company of Connecticut (0.47%), Travelers Commercial Casualty Company (0.47%), Travelers Commercial Insurance Company (0.47%), Travelers Property Casualty Company of America (0.36%), Travelers Property Casualty Insurance Company (0.30%), Athena Assurance Company (0.29%), St. Paul Medical Liability Insurance Company (0.29%), TravCo Insurance Company (0.27%), Travelers Excess and Surplus Lines Company (0.27%), The Travelers Home and Marine Insurance Company (0.27%), Travelers Personal Insurance Company (0.27%), Travelers Personal Security Insurance Company (0.27%), Discover Property & Casualty Insurance Company (0.14%), Discover Specialty Insurance Company (0.14%), Northland Casualty Company (0.14%), Fidelity and Guaranty Insurance Underwriters, Inc. (0.10%), St. Paul Guardian Insurance Company (0.10%) and American Equity Specialty Insurance Company (0.10%).

While the vast majority of the group's property and casualty business is underwritten and retained by this pool, other existing commercial and personal lines business is being renewed and retained by other affiliates. These include Travelers Casualty and Surety Company of America, which is a leading writer of bond and certain other specialty lines business; First Trenton Indemnity Company and Travelers Auto Insurance Co. of New Jersey, personal lines carriers dedicated to New Jersey business (discussed above); The Premier Insurance Company of Massachusetts, a private passenger automobile carrier dedicated to Massachusetts business (discussed above); and First Floridian Auto and Home Insurance Company, a personal lines carrier dedicated to Florida business (discussed above).

2006 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Reserves
Com'l MultiPeril	3,224,355	2,975,497	14.8	32.9	4,058,343
Homeowners	2,660,259	2,572,754	12.8	33.2	764,537
Priv Pass Auto Liab	2,190,611	2,325,204	11.6	53.2	2,430,892
Workers' Comp	2,798,473	2,150,990	10.7	68.7	10,367,168
Auto Physical	1,736,140	1,823,047	9.1	50.3	199,429
Oth Liab Occur	2,222,297	1,799,855	9.0	79.4	9,068,045
Comm'l Auto Liab	1,636,026	1,616,992	8.1	43.3	2,554,917
Oth Liab Cl-Made	1,207,865	1,039,561	5.2	60.2	2,241,908
Inland Marine	890,503	839,330	4.2	30.6	414,089
Surety	940,806	789,777	3.9	24.0	961,422
Fire	775,597	582,484	2.9	55.6	354,063
Allied Lines	670,668	465,764	2.3	22.2	321,911
All Other	1,089,326	1,080,485	5.4	8.3	6,302,792
Totals	22,042,925	20,061,741	100.0	45.8	40,039,516

Major 2006 Direct Premium Writings By State ($000): New York, $2,281,056 (10.3%); California, $2,058,848 (9.3%); Texas, $1,496,157 (6.8%); Florida, $1,301,658 (5.9%); Pennsylvania, $1,074,288 (4.9%); 49 other jurisdictions, $13,487,362 (61.2%); Canada, $260,067 (1.2%); Aggregate Alien, $83,488 (0.4%).

FINANCIAL PERFORMANCE

On February 26, 2007, The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc. As a result, A.M. Best Company changed the name of the rating unit St. Paul Travelers Insurance Companies to Travelers Insurance Companies.

The text contained in the Financial Performance, Capitalization and Liquidity sections of this report focuses on Travelers Insurance Companies' operating performance in 2005 and 2006, the first two years of operations of the combined St. Paul and Travelers pools. As appropriate, reference is made to the group's proforma operating performance in years prior to 2005 to provide insights as to its operating trends as well as the relative performance of the former St. Paul and Travelers pools. The financial data for Travelers Insurance Companies presented in the text and tables of this report -- unless noted otherwise -- is a consolidation of the domestic business of its current 28 pool members, 11 reinsured affiliates as well as 15 other affiliates, and does not reflect the sale by Jupiter Holdings, Inc. on April 1, 2007 of its subsidiaries, Mendota Insurance Company and Mendakota Insurance Company, to Kingsway America, Inc., noted in the Corporate Overview section above. The sale of these subsidiaries will not be material to Travelers' results of operations or financial condition, nor were they of material impact historically. Also, it should be noted when reading this report that the former Travelers pool accounted for roughly 60% to 65% of Travelers Insurance Companies' historical net premiums written, total admitted assets and policyholders' surplus, while the former St. Paul pool accounted for 35% to 40% of these historical measures.

Travelers Insurance Companies' net premiums written rose 4% in 2006 reflecting more competitive property / casualty markets, as well as a higher level of premiums ceded for the cost of property catastrophe reinsurance, whereas in 2005 net writings were reduced by catastrophe-related reinstatement premiums. Relatively flat net writings in Business Insurance in 2006 resulted from strong increases in Target Risk Underwriting -- due to significant renewal price increases for Southeastern U.S. catastrophe-prone exposures -- and in Industry-Focused Underwriting -- due to growth in several industry sectors -- that growth largely offset by a reduction in premium volume for operations in runoff, primarily due to the sale of the Personal Catastrophe Risk operation in the fourth quarter of 2005. Business Insurance retention rates remained strong in 2006 and new business volume increased. In Financial, Professional & International Insurance, written premium growth approximating 7% in 2006 reflected strong business volume through out the segment, and the absence of catastrophe-related reinstatement premiums. The Personal Insurance segment's net writings growth of approximately 8% in 2006 reflected growth in new business volume, renewal price increases and continued strong retention rates, partially offset by the impact of transitioning to six-month policy terms in the second half of the year for a large portion of the group's multivariate pricing automobile product and an increase in ceded premiums for catastrophe reinsurance.

The group's pretax operating income rose $2.5 billion in 2006 to a record level of $5.6 billion, resulting in an exceptionally strong pretax return on net premiums earned of 28.5% for the year. This extraordinary profitability in 2006 reflected just $360 million of pretax catastrophe losses for the year as compared with $2.2 billion of losses in 2005 (which were largely attributable to hurricanes Katrina, Rita and Wilma); net favorable prior year loss reserve of $564 million -- occurring primarily in personal lines -- as compared with adverse development of $479 million in 2005 -- largely due to asbestos reserve strengthening in the fourth quarter following the group's internal annual asbestos liability review; and continued strong accident year underwriting results, excluding the effects of catastrophe losses. Partially offsetting $2.9 billion of improved pretax underwriting profitability in 2006 was a $183 million (5.5%) decline in net investment income to $3.1 billion. This decline reflected, in part, a change in accounting at St. Paul Fire and Marine Insurance Company whereby venture capital gains were reported as unrealized gains in 2006, whereas previously they had been reported as net investment income. In addition, Travelers Indemnity Company received large non-recurring dividends in 2005 that did not occur in 2006. Also, the group emphasized lower yielding tax exempt fixed income investment in 2005 and 2006. Notwithstanding, the group's net investment income equated to 15.8% of net premiums earned in 2006, a ratio that continues to compare favorably with its peers, and attests to the earnings power of the group's invested assets. Also offsetting the group's substantially improved underwriting income in 2006 was a $173 million decline in other income.

The group's pretax operating income increased $1.4 billion in 2005 to $3.1 billion resulting in a strong pretax return on net premiums earned of 16.2% for the year. This level of profitability occurred despite the group's $2.2 billion of pretax catastrophe losses largely attributable to hurricanes Katrina, Rita and Wilma noted above. Pretax catastrophe losses in 2004 totaled $817 million largely due to the four hurricanes that struck the southeastern United States in the third quarter. The group's strong profitability in 2005 was primarily due to an 8.3% increase in net investment income to $3.3 billion, which was largely driven by continued strong operating cash flows, an increase in invested assets and the favorable effects of a higher interest rate environment. The $3.3 billion of net investment income in 2005 equated to 17.1% of net premiums earned. The group reported a net underwriting loss of $316 million in 2005 -- primarily attributable its catastrophe losses, which resulted in a combined ratio of 101.7. Excluding its catastrophe losses, the group's combined ratio was 90.4 in 2005. The group reported $479 million of adverse prior year loss reserve development in 2005 largely due to $830 million to asbestos reserve strengthening in the fourth quarter following its internal annual asbestos liability review, which was partially off set by other non-asbestos related favorable reserve development.

The group's proforma pretax operating income in 2004 declined to $1.8 billion from $2.9 billion in 2003. The lower level of profitability in 2004 primarily reflected $2.4 billion of adverse prior year loss reserve development during the year and the $817 million of pretax catastrophe losses noted above. The adverse prior year loss reserve development in 2004 was largely driven by $1.6 billion of reserve strengthening at St. Paul in the second quarter of the year -- primarily in its continuing construction and surety lines; $546 million of adverse asbestos and environmental (A&E) reserve development (largely asbestos related) at St. Paul and $630 million of A&E reserve development (again, largely asbestos related) at Travelers. The group's adverse reserve development in 2004 was partially mitigated by substantial favorable reserve development in personal lines at Travelers and, to a lesser degree, in other lines. The group reported a net underwriting loss of $1.4 billion for 2004, which resulted in a combined ratio of 107.4. Excluding its catastrophe losses, the group's combined ratio was 103.5 in 2004. The group's net investment income rose 7.6% in 2004, which was driven by a substantial 18% increase at Travelers (primarily attributable to strong operating cash flows and growth invested assets and substantially higher returns on private equity and other alternative investments), largely mitigated by a 10% decline at St. Paul (primarily reflecting a decline in invested assets in 2003, the continued low interest rate environment in which to invest new funds and lower venture capital income.

In 2003, the group's proforma pretax operating income of $2.9 billion was significant, resulting in a pretax return on revenues of 15.5%. Both Travelers and St. Paul contributed significantly to this level of profitability with pretax returns of 16.3% and 14.0%, respectively. This level of pretax operating income for the combined groups largely reflected a relatively modest underwriting profitability of $48 million and a 2% increase in net investment income to $2.8 billion. For the year, the group's current accident year underwriting results were strong, more than offsetting $989 million of prior year loss reserve development. About two-thirds of the development occurred at St. Paul -- primarily in its health care and, to a lesser degree, surety, workers' compensation and property lines, and about one-third of the development at Travelers -- the majority of development occurring at its Gulf and American Equities subsidiaries.

The group's pretax operating loss of $577 million in 2002 largely reflected significant prior year loss reserve development of $3.0 billion at Travelers and $736 million at St. Paul. Travelers reserve development was primarily due to approximately $2.7 billion of A&E reserve strengthening, while St. Paul's development was largely due to an asbestos settlement with Western MacArthur totaling $472 million, and additional development in its surety, health care, workers' compensation and commercial auto liability lines. For further discussion of Travelers' and St. Paul's prior year reserve development for years 2002-2006, refer to the Reserve Quality section below.

PROFITABILITY ANALYSIS

	Company				Industry Composite			
Period Ending	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2002	-3.4	-6.6	118.2	102.0	1.8	-4.2	108.4	95.9
2003	15.5	20.1	97.8	82.6	5.0	12.8	104.2	92.1
2004	8.9	10.9	107.4	92.1	6.9	12.2	103.2	92.0
2005	16.2	14.0	101.7	84.6	9.4	9.0	103.4	90.0
2006	28.5	27.1	86.6	70.8	19.4	19.2	93.1	79.5
5-Yr Avg	13.5	14.5	101.9	86.0	8.9	10.8	102.1	89.5
09/2006	28.2	XX	87.2	70.9	XX	XX	XX	XX
09/2007	28.5	XX	87.8	71.3	XX	XX	XX	XX

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios				
Year	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb Ratio
2002	-3,276,315	80.4	11.2	91.6	14.5	12.0	26.5	0.1	118.2
2003	48,450	60.0	11.1	71.1	15.1	11.5	26.6	0.1	97.8
2004	-1,373,743	65.1	14.4	79.5	15.0	12.9	27.9	0.0	107.4
2005	-315,780	60.0	13.1	73.1	15.1	13.3	28.4	0.1	101.7
2006	2,536,862	45.8	11.8	57.6	15.5	13.4	28.9	0.1	86.6
5-Yr Avg	…	61.8	12.4	74.2	15.1	12.6	27.7	0.1	101.9
09/2006	1,792,739	46.6	11.8	58.5	XX	XX	28.6	0.1	87.2
09/2007	1,798,718	44.5	12.6	57.0	XX	XX	30.6	0.2	87.8

INVESTMENT INCOME ANALYSIS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2002	2,762,086	202,362	-402,953
2003	2,829,332	123,995	-164,138
2004	3,045,518	589,647	-184,403
2005	3,298,702	178,322	-683,618
2006	3,115,787	-269,948	999,973
09/2006	2,379,211	-125,726	210,752
09/2007	2,500,585	61,946	249,937

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2002	-8.7	5.4	5.0	-0.1	5.1
2003	2.4	5.3	5.2	6.2	4.9
2004	7.6	5.5	6.3	2.0	4.4
2005	8.3	5.6	4.7	20.8	4.8
2006	-5.5	5.0	6.2	6.3	4.6
5-Yr Avg	0.6	5.3	5.5	7.1	4.7
09/2006	XX	XX	4.0	XX	XX
09/2007	XX	XX	4.4	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2006 Inv Assets ($000)	% of Invested Assets 2006	% of Invested Assets 2005	Annual % Chg
Long-Term bonds	57,121,961	87.5	86.5	5.8
Stocks	607,172	0.9	1.1	-15.0
Affiliated Investments	2,349,290	3.6	3.7	0.7
Other Inv Assets	5,231,751	8.0	8.6	-2.9
Total	65,310,175	100.0	100.0	4.7

2006 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	8.4	-1.5	5.6	99.2	0.8	…	…
States, terr & poss	63.6	1.6	10.7	99.9	0.1	0.1	0.2
Corporates	28.0	0.1	6.0	90.7	9.3	13.0	10.8
Total all bonds	100.0	0.9	8.9	97.3	2.7	3.7	10.9

CAPITALIZATION

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2002	-577,702	-200,591	910,509
2003	2,884,681	-40,142	-1,236,163
2004	1,767,331	405,244	-1,011,604
2005	3,121,826	-505,296	458,376
2006	5,618,965	730,025	-1,412,605
5-Yr Total	12,815,101	389,240	-2,291,487
09/2006	4,117,376	85,027	-1,104,829
09/2007	4,324,413	311,883	-2,195,000

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
2002	333,479	465,696	3.9
2003	-284,888	1,323,488	10.8
2004	-354,716	806,255	5.9
2005	-264,595	2,810,310	19.5
2006	-2,001,628	2,934,757	17.0
5-Yr Total	-2,572,348	8,340,505	…
09/2006	-1,084,754	2,012,820	11.7
09/2007	-1,290,037	1,151,259	5.7

Overall Capitalization: Based on Best's Capital Adequacy Ratio (BCAR), Travelers Insurance Companies' risk-adjusted capitalization is strong, and comfortably supports the current rating. The group's capitalization has benefited from the repositioning and strategic initiatives taken by management since the merger of The St. Paul Companies, Inc. and Travelers Property Casualty Corp. in April 2004 and improved earnings prospects for the longer term.

In 2005, and particularly in 2006, Travelers Insurance Companies' capitalization benefited substantially from strong earnings which significantly increased surplus. In addition, in 2005, the $1.2 billion of capital contributions the group received from its parent holding company, The Travelers Companies, Inc., that was made possible by the parent's divestiture of Nuveen Investments, Inc., also significantly benefited surplus. Concurrent with modest changes in net premiums written, loss reserves and ceded reinsurance in 2005 and 2006, underwriting leverage measures improved substantially. Somewhat mitigating the favorable effects of group's improved underwriting leverage measures has been the substantial volatility of the group's reserves prior to 2006, particularly related to the former St. Paul run-off and ongoing businesses, as well as asbestos and environmental (A&E) reserve development at both the former St. Paul and Travelers operations. Of some concern in 2006, as is true at other companies in the property / casualty industry, was the significant release of recent accident year reserves while older accident years continued to develop adversely.

The group's capitalization also has been enhanced by the parent company's improved financial leverage and liquidity. Travelers Companies, Inc.'s debt to total capital was 18.9% at year-end 2006, down from 21.0% at year-end 2005 and 24.5 % at year-end 2004, primarily due to debt reduction and the group's significant earnings. In addition, liquid funds at the parent holding company grew to $1.6 billion at year-end 2005 from just $0.2 billion at year-end 2004, where the group's significant earnings again played a significant role, as well as proceeds from the parent's divestiture of Nuveen. At year-end 2006, $1.4 billion of liquid funds remained at the holding company despite the repurchase of $1.1 billion of its common stock during the year as part of a $2.0 billion share repurchase program, announced in the second quarter of 2006. In January 2007, Travelers Companies, Inc.'s board authorized an increase of $3.0 billion, or the equivalent of 11% of its outstanding shares at the time. In the first quarter ending March 31, 2007, the company repurchased $725 million, or 13.9 million of its shares under its share repurchase program and had $3.2 billion of capacity remaining under its share repurchase program at quarter end. In 2007 and 2008, Travelers Companies, Inc. expects to continue repurchasing shares of its common stock. A.M. Best believes the holding company will maintain liquid funds in excess of $1.0 billion in 2007. Its debt to total capital of 18.9% at year-end 2006 should be relatively unaffected by year-end 2007, although it may rise modestly higher during the year.

QUALITY OF SURPLUS ($000)

		% of PHS			Dividend Requirements		
Year	Year-End PHS	Cap Stk/ Contrib. Cap.	Other	Un-assigned Surplus	Stock-holder Divs	Div to POI (%)	Div to Net Inc. (%)
2002	12,286,480	64.6	0.0	35.4	-1,108,410	-99.9	-99.9
2003	13,609,968	58.7	0.0	41.2	-1,776,294	61.6	64.3
2004	14,416,223	60.7	0.4	38.9	-1,815,300	102.7	106.0
2005	17,226,533	57.9	0.4	41.7	-766,600	24.6	26.4
2006	20,161,290	49.5	0.4	50.1	-1,417,500	25.2	34.8
09/2006	19,239,353	51.9	0.4	47.8	-1,100,000	26.7	35.8
09/2007	21,312,549	46.8	0.4	52.7	-2,195,000	50.8	63.4

LEVERAGE ANALYSIS

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev
2002	1.4	2.9	5.7	7.3	1.4	2.0	4.6	6.5
2003	1.5	2.6	5.3	6.8	1.3	1.9	4.3	6.1
2004	1.4	2.7	5.1	6.4	1.2	1.9	4.2	5.6
2005	1.1	2.4	4.3	5.4	1.1	1.9	3.9	5.3
2006	1.0	2.0	3.7	4.5	1.0	1.6	3.5	4.6
09/2006	1.0	2.1	3.8	XX	XX	XX	XX	XX
09/2007	1.0	1.9	3.5	XX	XX	XX	XX	XX

Current BCAR: 245.0

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		GPW	
Ending	($000)	(% Chg)	($000)	(% Chg)
2002	20,033,938	10.6	21,429,117	7.0
2003	22,205,233	10.8	23,303,674	8.7
2004	22,277,342	0.3	22,938,186	-1.6
2005	21,495,050	-3.5	22,227,894	-3.1
2006	22,042,925	2.5	22,691,792	2.1
5-Yr CAGR	…	4.0	…	2.5
5-Yr Change	…	21.7	…	13.3
09/2006	16,464,187	2.3	41,009,989	0.8
09/2007	16,900,138	2.6	41,951,366	2.3

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2002	17,686,183	7.0	17,054,659	8.2
2003	19,930,602	12.7	18,587,311	9.0
2004	19,593,089	-1.7	19,950,193	7.3
2005	19,289,916	-1.5	19,306,241	-3.2
2006	20,061,741	4.0	19,699,572	2.0
5-Yr CAGR	…	3.9	…	4.6
5-Yr Change	…	21.3	…	25.0
09/2006	14,883,902	3.8	14,604,893	1.4
09/2007	15,361,501	3.2	15,169,709	3.9

Reserve Quality: Travelers utilizes a variety of reinsurance agreements with non-affiliated reinsurers to control its exposure to large losses both with respect to losses under individual policies and with respect to accumulations of losses under a large number of policies resulting from a single occurrence.

The descriptions below relate to the company's reinsurance arrangements in effect at January 1, 2007. For third party liability, Business Insurance generally limits its net retention to a maximum of $13 million per insured, per occurrence after reinsurance. The net retained amount per risk for property exposures is generally limited to $15 million, after reinsurance. For third party liability, including but not limited to umbrella liability, professional liability, directors' and officers' liability, and employment practices liability, Financial, Professional & International Insurance generally limits the net retentions up to $11.5 million per policy after reinsurance. For surety protection, the company generally retains up to $24.5 million probable maximum loss (PML) per principal but may retain higher amounts based on the type of obligation, credit quality and other credit risk factors. Personal Insurance retains the first $5 million of umbrella policies for limits over $5 million. For personal property insurance, there is a $6 million maximum retention per risk. The company also utilizes facultative reinsurance to provide additional limits capacity or to reduce retentions on an individual risk basis. The company may also retain amounts greater than those described herein based upon the individual characteristics of the risk.

The company utilizes a reinsurance agreement with nonaffiliated reinsurers to control its exposure to losses resulting from one occurrence. For the accumulation of net property losses arising out of one occurrence, the General Catastrophe agreement covers 46% or $ 575 million of total losses between $ 1 billion and $2.25 billion. This agreement excludes nuclear, chemical, biochemical and radiological losses and all terrorism losses as defined by the Terrorism Risk Insurance Act of 2002 and the Terrorism Risk Insurance Extension Act of 2005. This agreement covers all of the company's exposures in the United States and Canada and their possessions and waters contiguous thereto, the Caribbean and Mexico. The company conducts an ongoing review of its risk and catastrophe coverages and makes changes as it deems appropriate.

In May 2007, the Company announced the establishment of a multi-year catastrophe bond program to provide reinsurance protection for losses resulting from hurricanes and certain other catastrophes in the Northeast United States (from New Jersey to Maine). The Company may obtain reinsurance under the program by entering into one or more reinsurance agreements with Longpoint Re Ltd. (Longpoint Re), a newly formed independent Cayman Islands insurance company. Longpoint Re successfully completed an offering to unrelated investors under the program of $500 million aggregate principal amount of catastrophe bonds on May 8, 2007. In connection with the offering, the Company and Longpoint Re entered into a three-year reinsurance agreement providing up to $500 million of reinsurance from losses resulting from certain hurricane events in the Northeastern United States. The reinsurance agreement entered into by the Company and Longpoint Re utilizes a dual trigger that is based upon the Company's covered losses incurred and an index that is created by applying predetermined percentages to insured industry losses in each state in the covered area as reported by Property Claim Services, a division of Insurance Services Offices, Inc. Amounts payable to the Company under the reinsurance agreement will be determined by the index-based losses, which are designed to approximate the Company's actual losses from any covered event. The principal amount of the catastrophe bonds will be reduced by any amounts paid to the Company under the reinsurance agreement. The Company will be entitled to begin recovering amounts under the reinsurance agreement if the index-based losses in the covered area for a single occurrence reach an initial attachment amount of $2.25 billion. The full coverage amount of $500 million is available on a proportional basis until index-based losses reach a maximum $3.0 billion limit. The index-based losses attachment point and maximum limit will be reset annually to maintain a probability of loss on the catastrophe bonds equal to the initial modeled probability of loss.

In addition to its General Catastrophe treaty and its multi-year catastrophe bond program, the Company also is party to a Northeast General Catastrophe treaty providing up to $250 million of coverage, subject to a $2.25 billion retention, for losses arising from hurricanes, earthquakes and winter storm or freeze losses from Virginia to Maine. Cat Bond recoveries inure to the benefit of this treaty. Losses from a covered event (occurring over several days) anywhere in the United States may be used to satisfy the retention.

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2006	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2006	Unpaid Resrv. to Dev.(%)
2001	32,231,098	42,560,340	32.0	87.4	270.0	17,405,104	40.9
2002	34,676,820	40,917,661	18.0	50.8	239.9	19,719,598	48.2
2003	34,538,908	39,376,961	14.0	35.5	211.8	22,513,131	57.2
2004	38,617,682	39,562,675	2.4	6.6	204.1	26,468,659	66.9
2005	40,120,607	39,556,819	-1.4	-3.3	204.9	31,889,969	80.6
2006	39,204,098	39,204,098	…	…	199.0	39,204,098	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2006	Develop. to Orig.(%)	Unpaid Reserves @12/2006	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
2001	8,611,229	9,457,371	9.8	2,088,371	88.4	116.7
2002	7,916,310	7,611,775	-3.8	2,314,494	67.7	94.2
2003	7,945,899	7,532,199	-5.2	2,793,533	62.5	89.3
2004	9,021,668	7,482,048	-17.1	3,955,528	60.3	88.2
2005	9,052,144	8,022,162	-11.4	5,421,310	64.3	92.8
2006	7,314,129	7,314,129	…	7,314,129	59.7	88.8

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
2002	4,827,795	78.8	79.2
2003	3,778,483	80.9	82.5
2004	4,478,881	85.2	81.5
2005	4,777,811	87.8	84.3
2006	4,467,001	87.1	85.4

Year	Company: Survival Ratio (3 yr)	Company: Comb Ratio Impact (1 yr)	Company: Comb Ratio Impact (3 yr)	Industry Composite: Survival Ratio (3 yr)	Industry Composite: Comb Ratio Impact (1 yr)	Industry Composite: Comb Ratio Impact (3 yr)
2002	…	21.0	…	…	2.2	…
2003	…	1.0	…	…	1.7	…
2004	5.3	5.9	8.9	8.3	1.4	1.7
2005	6.1	4.9	4.0	8.4	1.0	1.4
2006	7.8	1.4	4.1	7.9	0.5	0.9

CEDED REINSURANCE ANALYSIS ($000)

Year	Company: Ceded Reins Total	Company: Business Retention (%)	Company: Rein Rec to PHS (%)	Company: Ceded Reins to PHS (%)	Industry Composite: Business Retention (%)	Industry Composite: Rein Rec to PHS (%)	Industry Composite: Ceded Reins to PHS(%)
2002	20,207,764	81.9	131.7	164.5	71.2	139.1	195.8
2003	20,479,666	82.6	119.7	150.5	72.3	122.5	175.0
2004	18,993,868	84.9	107.5	131.8	76.2	108.3	148.4
2005	18,662,468	86.5	90.8	108.3	76.7	105.1	139.7
2006	16,807,047	88.4	70.2	83.4	76.6	81.4	110.4

2006 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	29,624,212	41,335,533	14,498,952	818,570	86,277,263
Foreign Affiliates	34,703	27,361	5,706	-114	67,658
US Insurers	3,737,422	3,439,839	513,872	-34,173	7,656,962
Pools/Associations	2,145,398	1,427,416	300,285	-3	3,873,093
Other Non-US	1,093,789	1,546,608	283,385	-359,123	2,564,662
Total (ex US Affils)	7,011,312	6,441,224	1,103,248	-393,413	14,162,375
Grand Total	36,635,523	47,776,757	15,602,202	425,158	100,439,636

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company: Class 3-6 Bonds	Company: Real Estate/ Mtg.	Company: Other Invested Assets	Company: Common Stocks	Company: Non-Affl Inv. Lev.	Company: Affil Inv.	Industry Composite: Class 3-6 Bonds	Industry Composite: Common Stocks
2002	16.0	7.6	17.3	5.4	46.2	20.9	10.4	18.0
2003	13.9	6.2	16.8	3.6	40.5	18.3	8.6	19.3
2004	10.0	5.6	14.3	1.4	31.2	18.5	6.9	19.8
2005	8.8	4.2	12.3	1.1	26.5	13.5	7.0	18.7
2006	8.1	3.4	9.6	0.8	21.8	11.7	6.1	18.5

LIQUIDITY

Due to its significant position in intermediate term fixed income securities, Travelers Insurance Companies' quick liquidity is below the commercial casualty composite norm. This was true at year-end 2006 when its short-term investments and cash position remained low. However, the group's current and overall liquidity ratios compare more favorably. The group's operating cash flows have been strong since 2002 reflecting improved underwriting results and above average levels of investment income, which continued to exceed 15% of net premiums earned. Prior to the merger in April 2004, the operating cash flows were substantially stronger at Travelers than at St. Paul -- where operating cash flows were negative in years 1999 through 2001 and again in 2003 -- primarily due to Travelers superior underwriting performance and higher levels of net investment income. The overall quality of the group's bond portfolio is high, with over 91% invested in investment grade issues. Except for a mega-catastrophe event, the risk of premature losses on fixed income securities is minimal.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2002	21.5	99.5	124.1	14.6	23.9	98.8	133.2	18.7
2003	15.1	98.8	126.9	13.4	26.0	102.1	134.5	14.9
2004	15.7	102.4	127.6	8.9	23.7	104.3	135.2	14.6
2005	12.8	108.8	132.5	6.6	21.8	106.8	136.7	13.1
2006	11.8	115.5	138.2	5.9	23.4	113.5	140.9	11.9
09/2006	XX	112.7	136.6	6.0	XX	XX	XX	XX
09/2007	XX	118.4	140.6	5.4	XX	XX	XX	XX

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2002	-778,005	2,321,581	2,236,519	95.8	112.5	102.6	114.7
2003	415,166	3,101,447	-3,219,515	102.2	116.1	113.2	123.7
2004	2,902,634	5,634,197	1,043,802	117.2	132.2	128.6	137.2
2005	1,431,529	3,767,977	-1,213,508	108.0	119.8	116.6	127.1
2006	2,041,751	4,264,862	36,587	111.4	122.6	117.0	127.5
09/2006	1,152,365	2,890,910	356,828	108.4	120.0	XX	XX
09/2007	2,457,924	4,067,209	-73,654	118.7	128.5	XX	XX

HISTORY

Overall financial control of the Travelers Insurance Companies is held by The Travelers Companies, Inc., a widely held publicly traded holding company (NYSE: TRV). The Travelers Companies, Inc. was formed by the merging of the former The St. Paul Companies, Inc. with Travelers Property Casualty Corp. on April 1, 2004. As a result of the merger of these companies, St. Paul Fire and Marine Insurance Company -- the lead company within the former St. Paul Companies -- and all its subsidiaries are a sister organization with Travelers Property Casualty Corp. and all its subsidiaries under the parent holding company, The Travelers Companies, Inc. (see Corporate Overview section above). Prior to the merging of The St. Paul Companies, Inc. with Travelers Property Casualty Corp., each of these holding companies had its own distinct and significant history. In the paragraphs that follow, the histories of Travelers Property Casualty Corp. and The St. Paul Companies, Inc. are each presented separately, followed by the history of The Travelers Companies, Inc. since the merger in April 2004.

TRAVELERS PROPERTY CASUALTY CORP. --

The Travelers Indemnity Company, Hartford based, was the lead property / casualty underwriting member of the former Travelers Property Casualty Pool. Formed in 1903 and sponsored by The Travelers Insurance Company (which was incorporated in 1863), The Travelers Indemnity Company absorbed by merger a wholly-owned affiliate, The Travelers Fire Insurance Company in 1956. Other members of the Travelers Group included The Charter Oak Fire Insurance Company, formed in 1931 by Travelers Indemnity, and The Phoenix Insurance Company, formed in 1850 as the Connecticut Fire Insurance Company and subsequently acquired by The Travelers Indemnity Company in 1966. Both The Travelers Indemnity Company of America, formed in 1946, and The Travelers Indemnity Company of Rhode Island, formed in 1859 as the Equitable Fire & Marine Insurance Company and now known as The Travelers Indemnity Company of Connecticut, entered the Travelers Group in 1966 as subsidiaries of The Phoenix Insurance Company.

The Travelers Corporation was formed in 1965 as a holding company for the various entities that make up the Travelers Group. In 1971, The Travelers Indemnity Company of Illinois was formed by The Travelers Corporation. In 1991, ownership of The Travelers Indemnity Company of Illinois was transferred to The Phoenix Insurance Company. In 1979, The Constitution State Insurance Company (renamed The Travelers Insurance Group Inc. in 1993) was formed to handle excess and surplus lines. In 1981, Travelers Indemnity Group formed The Travelers Lloyds Insurance Company. In 1984, it acquired Bankers and Shippers Insurance Company, which was sold in 1994. In 1990, The Travelers Reinsurance Company of Bermuda, Ltd. was merged into its parent, The Travelers Indemnity Company.

The lead company of the former Gulf Insurance Pool, Gulf Insurance Company, was incorporated as the Washington Fire & Marine Insurance Company on January 22, 1940 under the laws of Missouri and began business on January 29, 1940. The present title was adopted on December 31, 1968, concurrent with the reinsurance of all liabilities of the former Gulf Insurance Company, Dallas, Texas. On July 1, 2005 Gulf Insurance Company was merged into Travelers Indemnity Company.

A former affiliate, Gulf Atlantic Life Insurance Company (formed in 1962), was sold on December 28, 1972, to Nationwide Corporation, Columbus, Ohio. Other former affiliates, the Cavalier Insurance Corporation (organized in 1941) was sold on September 29, 1985, to Clarendon America Insurance Company (Delaware), New York, New York, and the Insurance Company of the Pacific Coast was sold in March 1986 to the Colonial Penn Group, Philadelphia, Pennsylvania.

From March 5, 1976 until November 5, 1986, control of the Gulf Insurance Company was held, indirectly, by Control Data Corporation (Delaware), Minneapolis, Minnesota. Control Data acquired its interest when Commercial Credit Company, at that time a wholly owned subsidiary, purchased all outstanding shares of Gulf Insurance Company from the Wyly Corporation, Dallas, Texas. On November 5, 1986, Commercial Credit Company became a publicly owned company with Control Data Corporation retaining slightly less than 20% ownership. On September 22, 1987, Commercial Credit Company purchased all of the remaining shares of its stock held by Control Data Corporation. In March 1988, Commercial Credit Group, Inc. was formed in conjunction with a reorganization undertaken to form a two tiered structure by which Commercial Credit Company became a wholly owned, indirect subsidiary of Commercial Credit Group, Inc.

On December 15, 1988, Primerica Corporation was merged into a wholly owned subsidiary of Commercial Credit Group, Inc., and the name of Commercial Credit Group, Inc. was changed to Primerica Corporation. Primerica Corporation was principally engaged in financial services including consumer finance, investment banking and securities brokerage, mutual funds and asset management, property / casualty insurance and life insurance.

On December 30, 1992, in conjunction with the acquisition by Primerica Corporation of a 27% ownership interest in The Travelers Corporation, The Travelers Corporation acquired a 50% ownership interest in Commercial Insurance Resources, Inc., the holding company for the Gulf Insurance Company, the lead company of the Gulf Insurance Group. On December 31, 1993, Primerica acquired the remaining 73% of old Travelers common stock. Old Travelers was merged into Primerica, and concurrently, Primerica changed its name to Travelers Inc. and the 50% ownership interest in Gulf's parent company, Commercial Insurance Resources, Inc. was contributed downstream from The Travelers Corporation to The Travelers Indemnity Company, the lead company of the Travelers Indemnity Pool. On December 30, 1994, the 50% ownership interest in Gulf's parent company, Commercial Insurance Resources, Inc. was purchased from Commercial Credit Company by The Travelers Indemnity Company. As of December 30, 1994, Travelers Indemnity Company owned 100% of Commercial Insurance Resources, Inc. On April 8, 2005 Commercial Insurance Resources, Inc was dissolved.

The Travelers Corporation surrendered its charter on December 30, 1993 and merged with and into Primerica Corporation, renamed The Travelers Inc., on December 31, 1993. As a result of these actions, all assets and liabilities of The Travelers Corporation were transferred either to its former subsidiary, The Travelers Insurance Group Inc., or to its successor, The Travelers Inc. (which changed its name to Travelers Group Inc.)

In January 1996, Travelers Property Casualty Corp. (TPC) was formed to hold the property/casualty insurance subsidiaries of The Travelers Insurance Group Inc. (TIGI), an indirect wholly owned subsidiary of Travelers Group Inc. Effective April 2, 1996, TPC acquired the domestic property and casualty insurance subsidiaries of Aetna Life and Casualty Company for approximately $4 billion in cash. Funding activities included: $1.1 billion capital contribution by TIGI; $540 million from the purchase of preferred stock by Travelers Group Inc.; $525 million from the purchase of Class A common stock by private investors, $2.65 billion from borrowings by TPC under a bank credit facility and proceeds from an initial public offering of approximately 39 million shares of Class A common stock. Nearly $900 million in IPO proceeds were used by TPC to repay a portion of the borrowings under the credit agreement. In addition, TPC issued approximately $700 million in senior debt, $725 million in commercial paper and $900 million in preferred stock to repay the preferred stock purchased by Travelers Group Inc. and the remaining balance under the credit agreement. In 1997, TPC announced that it would repurchase 6.6 million of common shares held by four private investors totaling $240.8 million. Following the repurchase, Travelers Group Inc. owned 83% of TPC.

Effective June 30, 1996, TIGI relinquished its insurance licenses but remained the intermediate holding company for Travelers Group's interest in TPC. Accordingly, TIGI is no longer listed as a rating unit in A.M. Best publications. In March 1997, TPC changed its name to Travelers Property Casualty Corp.

In 1997, Travelers Group Inc. acquired Salomon Inc. in a stock for stock transaction valued at roughly $9 billion. Upon closing, Travelers merged Salomon into its investment banking subsidiary, Smith Barney, Inc., creating Salomon Smith Barney Holdings, Inc. -- one of the leading investment banking organizations in the U.S. Earlier in the year, Travelers also purchased BankAmerica's Security Pacific consumer finance unit for $1.6 billion.

On April 6, 1998, Travelers Group announced an agreement to merge with Citicorp, forming the global leader in financial services. This stock-for-stock transaction was later completed on October 8, 1998 and accounted for on a pooling of interest basis. Based on market capitalization, this transaction represents one of the largest mergers in U.S. history, valued at approximately $140 billion. On completion of the merger, Travelers Group (the surviving entity) was converted to a bank holding company and renamed Citigroup, Inc. This transaction received regulatory approvals, including shareholders and the Federal Reserve Board. In November 1999, the Gramm-Leach-Bliley Act was signed into law, which allows bank holding companies such as Citigroup to engage in a broader spectrum of activities including insurance underwriting and brokerage.

On March 21, 2000, Citigroup consummated a cash tender offer for all the publicly-held shares of TPC it did not already own -- approximately 15% of outstanding common stock. As a result, TPC became a wholly owned subsidiary of Citigroup and its stock, which had traded on the New York Stock Exchange, was delisted.

On May 31, 2000, TPC acquired the surety business of Reliance Group Holdings for $580 million. Reliance Surety recorded net premiums written of $213 million in 1999, and at year end had statutory surplus of approximately $105 million. The acquisition was financed with internally generated funds within the Travelers Property Casualty Pool. The assets, liabilities and surplus of the acquired operations were contributed to Travelers Casualty and Surety Company of America.

On November 30, 2000, Citigroup completed the acquisition of Associates First Capital Corporation in a stock transaction valued at $31 billion. The group's property and casualty insurance products were distributed through Associates Insurance Group and TNC Insurance Group. On October 1, 2001, Travelers Indemnity Company, the lead company of the Travelers Property Casualty Pool, paid Associates First Capital Corporation $329 million for the companies comprising the TNC Insurance Group. On October 3, 2001, the companies within the Associates Insurance Group, having a GAAP book value of $356 million, were contributed by Citigroup to Travelers Indemnity Company.

On March 21, 2002, Citigroup spun off 23% of its ownership interest in TPC in an initial public offering of shares. On August 20, 2002, Citigroup spun off the majority of its remaining TAP ownership through a pro-rata, tax free distribution of TPC shares to Citigroup's shareholders, reducing its common equity and voting power in the company to less than 10%. This divestiture included all of TPC's subsidiaries, encompassing all of Travelers / Citigroup's property / casualty operating subsidiaries with the exceptions of Triton Insurance Company, Citicorp Assurance Co. and Citicorp International Trade Indemnity, Inc. It also did not include CitiInsurance International Holdings Inc. and Travelers' life insurance subsidiaries.

On April 1, 2004, the former The St. Paul Companies, Inc. merged with TPC. As a result of the merger, TPC and all its subsidiaries (including the Travelers Property Casualty Pool) operate as a sister organization with St. Paul Fire and Marine Insurance Company -- the lead company within the St. Paul Companies -- and all its subsidiaries under the parent holding company, The St. Paul Travelers Companies, Inc., whose name was changed to The Travelers Companies, Inc. on February 26, 2007.

THE ST. PAUL COMPANIES, INC. --

The St. Paul Companies, Inc. (which was renamed The St. Paul Travelers Companies, Inc. upon its merger with Travelers Property Casualty Corp. and subsequently changed to The Travelers Companies, Inc on February 26, 2007) altered its corporate status on December 31, 1967 from that of an insurance company to that of a management holding company. The original insurance entity was organized on March 5, 1853 under the title St. Paul Fire and Marine Insurance Company. Concurrent with the aforementioned corporate status change, the former St. Paul Mercury Insurance Company adopted the St. Paul Fire and Marine Insurance Company title. With this development, the historical name of St. Paul Fire and Marine Insurance Company was not allowed to expire. The title St. Paul Mercury Insurance Company now resides with another affiliate of the group, formerly called The St. Paul Insurance Company.

St. Paul Fire and Marine acquired financial control of The St. Paul Insurance Company (formerly known as the Western General Insurance Company) in 1970. Seaboard Surety Company was acquired by The St. Paul Companies, Inc. from The Home Insurance Company (New York) on January 15, 1982 and was subsequently transferred to St. Paul Fire and Marine at year-end 1984. St. Paul Guardian Insurance Company was formed in 1970 while two other affiliates, The St. Paul Insurance Company of Illinois and St. Paul Surplus Lines Insurance Company, were formed in 1972 and 1974, respectively. The six remaining property / casualty subsidiaries (Athena Assurance, St. Paul Medical Liability (formerly Ramsey Insurance Company), St. Paul Fire and Casualty, St. Paul Indemnity, St. Paul Insurance Company of North Dakota and St. Paul Property and Casualty) were all formed during 1982. The following insurance companies have been merged into St. Paul Fire and Marine Insurance Company: St. Paul Indemnity Insurance Company (1/1/2001), The St. Paul Insurance Company (1/1/2002), The St. Paul Insurance Company of Illinois (1/1/2003), St. Paul Property and Casualty Insurance Company (1/1/2003), and St. Paul Insurance Company of North Dakota (1/1/2004).

On August 31, 1993, The St. Paul Companies completed its acquisition of the Economy Fire & Casualty Group from Kemper Corporation. The acquisition involved Economy Fire & Casualty Company and its two wholly-owned subsidiaries, Economy Preferred Insurance Company and Economy Premier Assurance Company.

On July 31, 1996, St. Paul Fire and Marine completed its acquisition of Northbrook Holdings, Inc. and its three wholly-owned insurance subsidiaries (Northbrook), Northbrook Property and Casualty Insurance Company (now St. Paul Protective Insurance Company), Northbrook Indemnity Company and Northbrook National Insurance Company (now Discover Property & Casualty Insurance Company). While owned by Allstate, Northbrook was reinsured by Allstate pursuant to a 100% quota share reinsurance agreement. On July 31, 1996, Allstate and Northbrook entered into a commutation agreement and a retrocession agreement which unwound certain business subject to the 100% reinsurance related to the business to be acquired, and restored this business net of certain business retained by Allstate, to Northbrook. Concurrent with the acquisition, St. Paul made a capital contribution to Northbrook. St. Paul then entered into a reinsurance agreement with Northbrook to reinsure 100% of its net business for a consideration equal to the carrying value of the net liabilities transferred.

In April 1997, St. Paul Companies sold Minet Group, its London-based insurance brokerage operation, including its well-regarded wholesale brokerage company, Swett & Crawford, to Aon Corporation.

In April 1998, St. Paul acquired USF&G Corporation for stock and assumed debt valued at $3.7 billion, financed with St. Paul common stock. Effective January 1, 1999, USF&G Corporation was merged with and into St. Paul Fire and Marine Insurance Company. As a result, United States Fidelity and Guaranty Company and its subsidiaries became subsidiaries of St. Paul Fire and Marine. In September 1999, St. Paul sold its standard personal lines operations, including its three-company group, Economy Fire & Casualty Group, to Metropolitan.

In 2000, St. Paul completed several acquisitions and sales of insurance companies. On January 31, 2000, St. Paul sold Northbrook Indemnity Company as a shell to Allstate. On February 23, 2000, it acquired Pacific Select Property Insurance Company, which along with GeoVera Insurance Company, which wrote residential and commercial earthquake insurance in California. On April 18, 2000, St. Paul acquired MMI Companies, Inc., a provider of insurance products and consulting services to the healthcare industry. This transaction created, when combined with the group's existing operations, a globally integrated provider for the healthcare industry. MMI's insurance subsidiaries include American Continental Insurance Company in the U.S. and Unionamerica Insurance Company Limited in the U.K. Also, on May 2, 2000, St. Paul completed the sale of its non-standard auto business, including seven companies in the Victoria and Titan groups, to Prudential, thus concluding the disposition of all its personal lines operations.

In March 2002, St. Paul acquired London Guarantee Insurance Company, Toronto, Canada from London Insurance Group. This acquisition, subsequently renamed St. Paul Guarantee Insurance Company, combined with St. Paul's Northern Indemnity , Inc. operations in Canada, has established St. Paul as the largest surety provider and second largest underwriter of corporate risk insurance in Canada.

In May 2003, St. Paul also purchased the right to seek renewal of certain existing commercial insurance business written by Kemper Insurance Companies in the U.S. Under the agreement, St. Paul obtained the right to seek to renew a broad portfolio of property / casualty business. St. Paul did not assume any past liabilities on this transaction either. The transaction included renewal rights for small commercial, middle market commercial, inland and ocean marine, and architects' and engineers' professional liability.

THE TRAVELERS COMPANIES, INC.--

On March 25, 2005, The St. Paul Companies, Inc. and Nuveen Investments, Inc., jointly announced that Travelers Companies, Inc., was implementing a program to divest its 79% equity interest in Nuveen Investment which constituted Travelers Companies' asset management segment. Accordingly, Nuveen Investments was reported as a discontinued operation beginning in the first quarter of 2005. This divestiture was completed by the end of the third quarter of 2005.

Effective November 1, 2005, Travelers Companies, Inc. sold GeoVera Insurance Company, Pacific Select Property Insurance Company and USF&G Specialty Insurance Company to an affiliate of private equity investors, Friedman Fleischer,& Lowe, LLC and Hellman & Friedman, LLC. These entities formally underwrote personal property coverages in certain states exposed to earthquakes and hurricanes, a specialty Travelers has discontinued.

In January 2007, Jupiter Holdings, Inc. entered into a definitive agreement to sell its wholly-owned subsidiary, Mendota Insurance Company, and Mendota's wholly-owned subsidiary, Mendakota Insurance Company, to Kingsway America, Inc., a Delaware corporation. On April 1, 2007, the sale was completed. In April, Mendota and Mendakota were de-pooled from the TNC Insurance Group intercompany pooling arrangement effective January 1, 2007. These companies had previously represented the TNC's retail personal lines operations.

In March 2007, The Travelers Companies, Inc., completed the sale of its Mexican surety subsidiary, Afianzadora Insurentes, S.A. de C.V., to Estrainver S.A. de C.V., a closely held Mexican holding company.

MANAGEMENT

The Travelers Companies, Inc., (formerly known as The St. Paul Travelers Companies, Inc., until February 26, 2007, and The St. Paul Companies, Inc., before its merger with Travelers Property Casualty Corp. on April 1, 2004), is a publicly owned holding company which trades on the NYSE under the symbol TRV.

Jay S. Fishman serves as chairman, president and chief executive officer of The Travelers Companies, Inc. Prior to the merger of St. Paul with Travelers, the management team was headed by Jay S. Fishman, chairman, president and chief executive officer. Mr. Fishman joined the company in October 2001 having previously served as chairman and chief executive officer of Travelers Insurance Group and chief operating officer / Finance and Risk at Citigroup, the parent corporation of Travelers Insurance. He had served Citigroup and its predecessor companies since 1989, and was named chief financial officer of Travelers in 1993. Mr. Fishman became president and chief executive officer of Travelers in 1998 and chairman in 2000. Prior to 1989, he was with Shearson Lehman Brothers, where he was Senior Vice President of Merchant Banking. Previously, he was a principal in a private investment and leveraged buyout firm, and director of mergers and acquisitions at American Can Company.

Post closing of the merger, The Travelers Companies, Inc., board of directors increased from 12 to 23, of whom 11 were former St. Paul directors and 12 were former Travelers directors.

TERRITORY

The individual member companies of the group collectively operate in all U.S. States. In addition, operations are also conducted in all Canadian provinces.

REINSURANCE PROGRAMS

Travelers utilizes a variety of reinsurance agreements with non-affiliated reinsurers to control its exposure to large losses both with respect to losses under individual policies and with respect to accumulations of losses under a large number of policies resulting from a single occurrence.

The descriptions below relate to the company's reinsurance arrangements in effect at January 1, 2007. For third party liability, Business Insurance generally limits its net retention to a maximum of $13 million per insured, per occurrence after reinsurance. The net retained amount per risk for property exposures is generally limited to $15 million, after reinsurance. For third party liability, including but not limited to umbrella liability, professional liability, directors' and officers' liability, and employment practices liability, Financial, Professional & International Insurance generally limits the net retentions up to $11.5 million per policy after reinsurance. For surety protection, the company generally retains up to $24.5 million probable maximum loss (PML) per principal but may retain higher amounts based on the type of obligation, credit quality and other credit risk factors. Personal Insurance retains the first $5 million of umbrella policies for limits over $5 million. For personal property insurance, there is a $6 million maximum retention per risk. The company also utilizes facultative reinsurance to provide additional limits capacity or to reduce retentions on an individual risk basis. The company may also retain amounts greater than those described herein based upon the individual characteristics of the risk.

The company utilizes a reinsurance agreement with nonaffiliated reinsurers to control its exposure to losses resulting from one occurrence. For the accumulation of net property losses arising out of one occurrence, the General Catastrophe agreement covers 46% or $575 million of total losses between $1 billion and $2.25 billion. This agreement excludes nuclear, chemical, biochemical and radiological losses and all terrorism losses as defined by the Terrorism Risk Insurance Act of 2002 and the Terrorism Risk Insurance Extension Act of 2005. This agreement covers all of the company's exposures in the United States and Canada and their possessions and waters contiguous thereto, the Caribbean and Mexico. The company conducts an ongoing review of its risk and catastrophe coverages and makes changes as it deems appropriate.

In May 2007, the Company announced the establishment of a multi-year catastrophe bond program to provide reinsurance protection for losses resulting from hurricanes and certain other catastrophes in the Northeast United States (from New Jersey to Maine). The Company may obtain reinsurance under the program by entering into one or more reinsurance agreements with Longpoint Re Ltd. (Longpoint Re), a newly formed independent Cayman Islands insurance company. Longpoint Re successfully completed an offering to unrelated investors under the program of $500 million aggregate principal amount of catastrophe bonds on May 8, 2007. In connection with the offering, the Company and Longpoint Re entered into a three-year reinsurance agreement providing up to $500 million of reinsurance from losses resulting from certain hurricane events in the Northeastern United States. The reinsurance agreement entered into by the Company and Longpoint Re utilizes a dual trigger that is based upon the Company's covered losses incurred and an index that is created by applying predetermined percentages to insured industry losses in each state in the covered area as reported by Property Claim Services, a division of Insurance Services Offices, Inc. Amounts payable to the Company under the reinsurance agreement will be determined by the index-based losses, which are designed to approximate the Company's actual losses from any covered event. The principal amount of the catastrophe bonds will be reduced by any amounts paid to the Company under the reinsurance agreement. The Company will be entitled to begin recovering amounts under the reinsurance agreement if the index-based losses in the covered area for a single occurrence reach an initial attachment amount of $2.25 billion. The full coverage amount of $500 million is available on a proportional basis until index-based losses reach a maximum $3.0 billion limit. The index-based losses attachment point and maximum limit will be reset annually to maintain a probability of loss on the catastrophe bonds equal to the initial modeled probability of loss.

In addition to its General Catastrophe treaty and its multi-year catastrophe bond program, the Company also is party to a Northeast General Catastrophe treaty providing up to $250 million of coverage, subject to a $2.25 billion retention, for losses arising from hurricanes, earthquakes and winter storm or freeze losses from Virginia to Maine. Cat Bond recoveries inure to the benefit of this treaty. Losses from a covered event (occurring over several days) anywhere in the United States may be used to satisfy the retention.

CONSOLIDATED BALANCE SHEET ($000)

ADMITTED ASSETS	12/31/2006	12/31/2005	2006 %	2005 %
Bonds	57,121,961	53,968,784	76.1	74.3
Preferred stock	445,153	521,814	0.6	0.7
Common stock	162,019	192,700	0.2	0.3
Cash & short-term invest	1,882,775	1,849,939	2.5	2.5
Real estate, investment	623,211	579,640	0.8	0.8
Other non-affil inv asset	1,981,442	2,267,938	2.6	3.1
Investments in affiliates	2,095,533	2,072,866	2.8	2.9
Real estate, offices	253,758	260,244	0.3	0.4
Total invested assets	64,565,853	61,713,926	86.1	84.9
Premium balances	5,981,912	5,860,355	8.0	8.1
Accrued interest	744,322	690,278	1.0	0.9
All other assets	3,730,958	4,406,886	5.0	6.1
Total assets	75,023,044	72,671,445	100.0	100.0

LIABILITIES & SURPLUS	12/31/2006	12/31/2005	2006 %	2005 %
Loss & LAE reserves	40,039,516	40,975,247	53.4	56.4
Unearned premiums	9,261,075	8,951,517	12.3	12.3
Conditional reserve funds	589,012	605,822	0.8	0.8
All other liabilities	4,972,150	4,912,327	6.6	6.8
Total liabilities	54,861,754	55,444,913	73.1	76.3
Total policyholders' surplus	20,161,290	17,226,533	26.9	23.7
Total liabilities & surplus	75,023,044	72,671,445	100.0	100.0

CONSOLIDATED SUMMARY OF 2006 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2006
Premiums earned	19,699,572
Losses incurred	9,020,856
LAE incurred	2,318,489
Undrw expenses incurred	5,797,515
Div to policyholders	25,851
Net underwriting income	2,536,862
Net investment income	3,115,787
Other income/expense	-33,684
Pre-tax oper income	5,618,965
Realized capital gains	-269,948
Income taxes incurred	1,277,567
Net income	4,071,449

FUNDS PROVIDED FROM OPERATIONS	12/31/2006
Premiums collected	19,897,617
Benefit & loss related pmts	9,740,823
LAE & undrw expenses paid	8,087,678
Div to policyholders	27,365
Undrw cash flow	2,041,751
Investment income	3,294,279
Other income/expense	-34,897
Pre-tax cash operations	5,301,133
Income taxes pd (recov)	1,036,271
Net oper cash flow	4,264,862

INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2007	06/30/2007	09/30/2007
Cash & short term invest	1,750,596	890,474	1,799,175
Bonds	57,614,240	58,650,890	58,309,832
Preferred stock	433,926	402,270	382,681
Common stock	1,479,370	1,504,980	1,371,296
Other investments	3,835,657	3,631,066	3,989,162
Total investments	65,113,789	65,079,681	65,852,146
Premium balances	5,841,241	6,151,430	5,811,696
Reinsurance funds	1,372,619	1,284,272	1,177,401
Accrued interest	714,646	756,104	732,335
All other assets	2,084,726	2,377,790	2,316,571
Total assets	75,127,021	75,649,276	75,890,149

LIABILITIES & SURPLUS	03/31/2007	06/30/2007	09/30/2007
Loss & LAE reserves	40,107,851	40,131,640	40,112,346
Unearned premiums	9,113,490	9,435,928	9,421,252
Conditional reserve funds	589,012	589,012	589,012
All other liabilities	4,922,298	4,514,026	4,454,990
Total liabilities	54,732,651	54,670,606	54,577,600
Capital & assigned surp	10,056,096	10,080,645	10,070,204
Unassigned surplus	10,338,273	10,898,025	11,242,344
Policyholders' surplus	20,394,370	20,978,670	21,312,549
Total liabilities & surplus	75,127,021	75,649,276	75,890,149

INTERIM INCOME STATEMENT

	Period Ended 09/30/2007	Period Ended 09/30/2006	Increase/ Decrease
Premiums earned	15,169,709	14,604,893	564,816
Losses incurred	6,746,746	6,808,269	-61,523
LAE incurred	1,905,794	1,729,929	175,865
Underwriters expenses incurred	4,694,670	4,254,102	440,568
Div to policyholders	23,781	19,855	3,927
Net underwriting income	1,798,718	1,792,739	5,979
Net investment income	2,500,585	2,379,211	121,375
Other income/expenses	25,109	-54,574	79,683
Pre-tax operating income	4,324,413	4,117,376	207,037
Realized capital gains	61,946	-125,726	187,672
Income taxes incurred	923,716	920,409	3,307
Net income	3,462,643	3,071,241	391,402

INTERIM CASH FLOW

	Period Ended 09/30/2007	Period Ended 09/30/2006	Increase/ Decrease
Premiums collected	15,623,842	14,898,160	725,682
Benefit & loss related pmts	6,561,763	7,578,682	-1,016,919
Undrw expenses paid	6,594,368	6,150,493	443,876
Div to policyholders	9,787	16,621	-6,834
Underwriting cash flow	2,457,924	1,152,365	1,305,559
Investment income	2,684,377	2,530,471	153,907
Other income/expense	25,109	-54,574	79,683
Pre-tax cash operations	5,167,411	3,628,262	1,539,149
Income taxes pd (recov)	1,100,202	737,352	362,850
Net oper cash flow	4,067,209	2,890,910	1,176,299