TRAVELERS COMPANIES, INC.
Form DEF 14A
April 03, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

The Travelers Companies, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

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485 Lexington Avenue

New York, New York 10017

April 3, 2015

Dear Shareholders:

Please join us for The Travelers Companies, Inc. Annual Meeting of Shareholders on Wednesday, May 20, 2015, at 1:30 p.m. (Eastern Daylight Time) at the Hartford Marriott Downtown, 200 Columbus Boulevard, Hartford, Connecticut 06103.

Attached to this letter are a Notice of Annual Meeting of Shareholders and Proxy Statement, which describe the business to be conducted at the meeting. We also will report on matters of current interest to our shareholders.

At this year s meeting, you will be asked to:

(1) elect the 12 director nominees listed in the Proxy Statement;

(2) ratify the appointment of our independent registered public accounting firm for 2015;

(3) consider a non-binding vote to approve executive compensation; and

(4) consider a shareholder proposal on political contributions and expenditures, if presented at the meeting.

The Board of Directors recommends that you vote FOR each of the nominees listed in item 1, FOR items 2 and 3 and AGAINST item 4.

Your vote is important. Whether you own a few shares or many, and whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented and voted at the meeting. You may vote your shares by proxy on the Internet, by telephone, or by completing, signing and promptly returning a proxy card, or you may vote in person at the Annual Meeting.

Thank you for your continued support of Travelers.

Sincerely,

Jay S. Fishman
Chairman of the Board and Chief Executive Officer

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PROXY VOTING METHODS

If, at the close of business on March 23, 2015, you were a shareholder of record or held shares through Travelers 401(k) Savings Plan or through a broker or nominee, you may vote your shares by proxy on the Internet, by telephone or by mail. For shares held of record or through a broker or nominee, you may also vote in person at the Annual Meeting. For shares held through a broker or nominee, you may vote by submitting voting instructions to your broker or nominee. To reduce our administrative and postage costs, we ask that you vote on the Internet or by telephone, both of which are available 24 hours a day. You may revoke your proxies or change your vote at the times and as described on page 4 of this Proxy Statement.

If you are a shareholder of record or hold shares through a broker or bank and are voting by proxy, your vote must be *received* by 11:59 p.m. (Eastern Daylight Time) on May 19, 2015 to be counted.

If you hold shares through Travelers 401(k) Savings Plan, your vote must be *received* by 11:59 p.m. (Eastern Daylight Time) on May 18, 2015 to be counted. Those votes cannot be changed or revoked after that time, and those shares cannot be voted in person at the Annual Meeting.

To vote by proxy:

BY INTERNET

- Go to the website *www.proxyvote.com* and follow the instructions, 24 hours a day, seven days a week.
- You will need the 12-digit number included on your Notice of Internet Availability of Proxy Materials or on your proxy card.

BY TELEPHONE

- From a touch-tone telephone, dial (800) 690-6903 and follow the recorded instructions, 24 hours a day, seven days a week.
- You will need the 12-digit number included on your Notice of Internet Availability of Proxy Materials or on your proxy card.

BY MAIL

- If you have not already received a proxy card, you may request a proxy card from us by following the instructions on your Notice of Internet Availability of Proxy Materials.
- When you receive the proxy card, mark your selections on the proxy card.
- Date and sign your name exactly as it appears on your proxy card.
- Mail the proxy card in the postage-paid envelope that will be provided to you.

YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 20, 2015

1:30 p.m. Eastern Daylight Time

Hartford Marriott Downtown, 200 Columbus Boulevard, Hartford, Connecticut 06103.

ITEMS OF BUSINESS

1. Elect the 12 director nominees listed herein.
2. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2015.
3. Consider a non-binding vote to approve executive compensation.
4. Consider a shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting.
5. Consider such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

RECORD DATE

You may vote at the Annual Meeting if you were a shareholder of record at the close of business on March 23, 2015.

VOTING BY PROXY

To ensure your shares are voted, you may vote your shares on the Internet, by telephone or by completing a paper proxy card and returning it by mail. Internet and telephone voting procedures are described on the preceding page, in the General Information section beginning on page 1 of the Proxy Statement and on the proxy card.

By Order of the Board of Directors,

Wendy C. Skjerven
Corporate Secretary

This Notice of Annual Meeting and Proxy Statement are being distributed

or made available, as the case may be, on or about April 3, 2015.

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PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 20, 2015

1:30 p.m. Eastern Daylight Time

Hartford Marriott Downtown, 200 Columbus Boulevard, Hartford, Connecticut 06103.

GENERAL INFORMATION

Why am I being provided with these materials?

We are providing this Proxy Statement to you in connection with the solicitation by the Board of Directors (the Board) of The Travelers Companies, Inc. (the Company or Travelers) of proxies to be voted at our Annual Meeting of Shareholders to be held on May 20, 2015 (the Annual Meeting), and at any postponements or adjournments of the Annual Meeting. We have either (1) delivered to you a Notice of Internet Availability of Proxy Materials (the Notice) and made these proxy materials available to you on the Internet or (2) delivered printed versions of these materials, including a proxy card, to you by mail.

What am I voting on?

There are four items scheduled to be voted on at the meeting:

- **Item 1:** Election of the 12 director nominees listed in this Proxy Statement;
- **Item 2:** Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015;
- **Item 3:** Non-binding vote to approve executive compensation; and
- **Item 4:** Shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting.

Who is entitled to vote?

Shareholders as of the close of business on March 23, 2015 (the Record Date) may vote at the Annual Meeting. You have one vote for each share of common stock held by you as of the Record Date, including shares:

- Held directly in your name as shareholder of record (also referred to as registered shareholder);
- Held for you in an account with a broker, bank or other nominee (shares held in street name) street name holders generally cannot vote their shares directly and instead must instruct the broker, bank or nominee how to vote their shares; and
- Credited to your account in the Company s 401(k) Savings Plan.

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What constitutes a quorum?

A majority of the shares of common stock entitled to vote must be present or represented by proxy to constitute a quorum at the Annual Meeting. Abstentions and shares represented by broker non-votes, as described below, are counted as present and entitled to vote for purposes of determining a quorum. On the Record Date, 318,958,021 shares of the Company s common stock were outstanding, and each share is entitled to one vote at the Annual Meeting.

How many votes are required to approve each item?

Each director is elected at the Annual Meeting by the affirmative vote of a majority of the votes cast with respect to the director, which means that, of the votes cast by the holders of all the then outstanding shares of voting stock of the Company, those votes cast FOR a director must exceed the votes cast AGAINST that director. In an uncontested election of directors at which a quorum is present, if any nominee for director receives a greater number of votes AGAINST his or her election than votes FOR such election, our Governance Guidelines require that such person must promptly tender his or her resignation to the Board following certification of the shareholder vote. Our Governance Guidelines further provide that the Nominating and Governance Committee will then consider the tendered resignation and make a recommendation to the Board as to whether to accept or reject the tendered resignation or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Nominating and Governance Committee s recommendation, and publicly disclose its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. Cumulative voting in the election of directors is not permitted.

Shareholder approval of each of the other proposals, including the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015, the non-binding vote to approve executive compensation and the shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting, requires an affirmative vote equal to the greater of (1) a majority of the votes represented in person or by proxy at the Annual Meeting that are entitled to vote on the item and (2) a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting.

What is a broker non-vote and how does it affect voting on each item?

A broker non-vote occurs if you hold your shares in street name and do not provide voting instructions to your broker on a proposal and your broker does not have discretionary authority to vote on such proposal. Under current New York Stock Exchange Statement), Item 3 (non-binding vote to approve executive compensation) and Item 4 (shareholder proposal on political contributions and expenditures), if presented at the Annual Meeting. Your broker will have discretion to vote your

(NYSE) rules, your broker will not have discretion to vote your uninstructed shares with respect to Item 1 (election of the 12 director nominees listed in this Proxy

uninstructed shares on Item 2 (ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015).

How are votes counted?

With respect to the election of directors, you may vote FOR or AGAINST each of the nominees for the Board, or you may WITHHOLD authority to vote for one or more nominees. A WITHHOLD vote and a broker non-vote will have the same effect as an abstention and will not count as a vote FOR or AGAINST a director.

With respect to the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015, the non-binding vote to approve executive compensation and the shareholder proposal relating to political contributions and expenditures, if presented at the Annual Meeting, you may vote FOR , AGAINST or ABSTAIN . An

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abstention will have the same effect as a vote against these items, and a broker non-vote will have no effect in determining whether these items are approved unless a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting is required in order to approve, in which case, a broker non-vote will have the same effect as a vote against.

Who will count the vote?

Representatives of Broadridge Financial Solutions, Inc. will tabulate the votes. Representatives of American Election Services, LLC will act as inspectors of election.

How does the Board recommend that I vote?

Our Board recommends that you vote your shares:

- FOR each of the nominees to the Board set forth in this Proxy Statement;
- FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015;
- FOR the non-binding approval of executive compensation; and
- AGAINST the shareholder proposal relating to political contributions and expenditures.

If you are a registered holder and you sign and submit your proxy card without indicating your voting instructions, your shares will be voted in accordance with the Board s recommendations.

How do I vote my shares without attending the Annual Meeting?

If you are a shareholder of record or hold shares through our 401(k) Savings Plan, you may vote by granting a proxy. Specifically, you may vote:

If you hold your shares in street name, you may vote by submitting voting instructions to your bank, broker or other nominee. In most instances, you will be able to do this on the Internet, by telephone or by mail as indicated above. Please refer to information from your bank, broker or other nominee on how to submit voting instructions.

- *By Internet* You may submit your proxy by going to *www.proxyvote.com* and following the instructions on how to complete an electronic proxy card. You will need the 12-digit number included on your Notice or proxy card in order to vote by Internet.

Internet and telephone voting facilities will close at 11:59 p.m. (Eastern Daylight Time) on May 19, 2015 for the voting of shares held by shareholders of record or held in street name and at 11:59 p.m. (Eastern Daylight Time) on May 18, 2015 for the voting of shares held by current and former employees through the Company s 401(k) Savings Plan.

- *By Telephone* You may submit your proxy by using a touch-tone telephone to dial (800) 690-6903 and following the recorded instructions. You will need the 12-digit number included on your Notice or proxy card in order to vote by telephone.

Mailed proxy cards with respect to shares held of record or in street name must be *received* no later than May 19, 2015.

- *By Mail* You may vote by mail by requesting a proxy card from us, indicating your vote by completing, signing and dating the card where indicated and by mailing or otherwise returning the card in the envelope that will be provided to you. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney or officer of a corporation), indicate your name and title or capacity.

Mailed proxy cards with respect to shares held by current and former employees through the Company s 401(k) Savings Plan must be *received* no later than May 18, 2015.

How do I vote my shares in person at the Annual Meeting?

First, as discussed below, you must satisfy the requirements for admission to the Annual Meeting. Then, if you are a shareholder of record and prefer to vote your shares at the Annual Meeting, you must bring proof of identification along with your Notice, proxy card or proof of ownership. You may vote shares held in street name at the Annual Meeting only if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we encourage you to vote in advance by Internet, telephone or proxy card so that your vote will be counted if you later decide not to attend the Annual Meeting.

Shares held by current and former employees through the Company s 401(k) Savings Plan cannot be voted in person at the Annual Meeting.

What does it mean if I receive more than one Notice or Proxy Card on or about the same time?

It generally means you hold shares registered in more than one account. To ensure that all your shares are voted, please sign and return each proxy card, or, if you vote by Internet or telephone, vote once for each Notice or proxy card you receive.

May I revoke my proxy or change my vote?

Yes. Whether you have voted by Internet, telephone or mail, if you are a shareholder of record, you may revoke your proxy or change your vote by:

- Sending a written statement to that effect to our Corporate Secretary or to any corporate officer of the Company, provided such statement is *received* no later than May 19, 2015;

If you are a current or former employee and hold shares through Travelers 401(k) Savings Plan, you may change your vote and revoke your proxy by any of the first three methods listed if you do so no later than 11:59 p.m. (Eastern Daylight Time) on May 18, 2015. You cannot, however, revoke or change your proxy with respect to shares held through the Company s 401(k) Savings Plan after that date, and you cannot vote those shares in person at the Annual Meeting.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also change your vote or revoke your proxy in person at

- Voting again by Internet or telephone at a later time before the closing of those voting facilities at 11:59 p.m. (Eastern Daylight Time) on May 19, 2015;
- Submitting a properly signed proxy card with a later date that is *received* no later than May 19, 2015; or
- Attending the Annual Meeting, revoking your proxy and voting in person.

the Annual Meeting if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

What do I need to be admitted to the Annual Meeting?

You will need ***a form of personal identification (such as a driver s license) along with either your Notice, proxy card or proof of stock ownership*** to enter the Annual Meeting. If your shares are held beneficially in the name of a bank, broker or other holder of record and you wish to be admitted to the Annual Meeting, you must present proof of your ownership of The Travelers Companies, Inc. stock, such as a bank or brokerage account statement.

Are there other things I should know if I intend to attend the Annual Meeting?

Please note that no cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

Could other matters be decided at the Annual Meeting?

At the date this Proxy Statement went to press, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this Proxy Statement.

If other matters are properly presented at the Annual Meeting for consideration and you are a shareholder of record and have submitted a proxy card, the persons named in your proxy card will have the discretion to vote on those matters for you.

Who will pay for the cost of this proxy solicitation?

We will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees (for no additional compensation) in person or by telephone, electronic transmission and facsimile transmission. Brokers and other nominees will be requested to solicit proxies or authorizations from beneficial owners and will be reimbursed for their reasonable expenses. In addition, we have hired Morrow & Co., LLC to solicit proxies. We expect to pay Morrow & Co., LLC a fee of $15,000 plus reasonable expenses for these services.

Where do I send a shareholder proposal for consideration at the Company s 2016 Annual Meeting of Shareholders?

If you wish to propose a matter for consideration at our 2016 Annual Meeting of Shareholders, the proposal should be mailed by certified mail return receipt requested, to our Corporate Secretary, at the Company s principal executive office, 485 Meeting Proxy Statement and form of proxy to be made available in April 2016, a shareholder proposal must be received by our Corporate Secretary at our principal executive office on or before December 5, 2015. Failure to deliver a proposal in accordance

Lexington Avenue, New York, New York 10017. To be eligible under the Securities and Exchange Commission (SEC) shareholder proposal rule (Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act)) for inclusion in our 2016 Annual

with this procedure may result in it not being deemed timely received. For additional requirements, see Shareholder Proposals for 2016 Annual Meeting on page 82 of this Proxy Statement.

ITEM 1 ELECTION OF DIRECTORS

Nominees for Election of Directors

There are currently 12 members of the Board. On February 4, 2015, the Board, upon recommendation of its Nominating and Governance Committee, unanimously nominated the 12 directors listed below for re-election to the Board at the Annual Meeting.

The directors elected at the Annual Meeting will hold office until the 2016 annual meeting of shareholders and until their successors are duly elected and qualified. Unless otherwise instructed, the persons named in the form of proxy card (the proxyholders) attached to this Proxy Statement, as filed with the SEC, intend to vote the proxies held by them for the election of the 12 nominees named below. The proxies cannot be voted for more than 12 candidates for director. The Board of Directors knows of no reason why these nominees should be unable or unwilling to serve, but if that should be the case, proxies received will be voted for the election of such other persons, if any, as the Board of Directors may designate.

Alan L. Beller
Age 65
Director Since 2007

Mr. Beller is Senior Counsel of the law firm of Cleary Gottlieb Steen & Hamilton LLP (Cleary), based in the New York City office. Mr. Beller joined Cleary in 1976 and was a partner in the firm from 1984 through 2001. From 2002 to 2006, he served as the Director of the Division of Corporation Finance of the U.S. Securities and Exchange Commission and as Senior Counselor to the Commission. He returned to Cleary in August 2006 and was a partner in the firm until 2014. Mr. Beller is a member of the Board of Trustees of the IFRS Foundation and a member of the Board of Overseers of the University of Pennsylvania Law School.

John H. Dasburg
Age 72
Director Since 1994

Mr. Dasburg has been Chairman and Chief Executive Officer of ASTAR USA, LLC, a holding company investing in aviation operations, since April 2003. He served as Chief Executive Officer and President of Burger King Corporation from April 2001 through January 2003 and as Chairman of Burger King from April 2001 to March 2003. Mr. Dasburg served as President and Chief Executive Officer of Northwest Airlines from 1989 through March 2001. From 1980 to 1989, he held a number of positions at Marriott Corporation, including President of The Lodging Group, Chief Financial Officer and Chief Real Estate Officer. From 1973 to 1980, Mr. Dasburg was employed by KPMG Peat Marwick, serving as a Tax Partner from 1978 to 1980. Mr. Dasburg is currently a member of the

Advisory Board of Trilantic Capital Partners.

Janet M. Dolan
Age 65
Director Since 2001

Ms. Dolan has been President of Act 3 Enterprises, LLC, a consulting services company, since August 2006. She served as Chief Executive Officer and President of Tennant Company, a manufacturer of nonresidential floor maintenance equipment and products, from April 1999 until her retirement in December 2005, and she had served in a number of senior executive positions with Tennant Company from 1986 until April 1999. Prior to joining Tennant Company, Ms. Dolan was a director of the Minnesota Lawyers Professional Responsibility Board. Ms. Dolan is also a director of Wenger Corporation. Ms. Dolan also served as a director of Donaldson Company, Inc. until November 2014.

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Kenneth M. Duberstein
Age 70
Director Since 1998

Mr. Duberstein has been Chairman and Chief Executive Officer of The Duberstein Group, Inc., a strategic advisory and consulting firm, since 1989. Previously, Mr. Duberstein served as Chief of Staff to President Ronald Reagan from 1988 to 1989 and as Deputy Chief of Staff during 1987. From 1984 to 1986, Mr. Duberstein was Vice President of Timmons & Company in Washington, D.C. Prior to that, he held the White House position as Assistant to the President, Legislative Affairs from 1981 to 1983. From 1977 to 1980, Mr. Duberstein was Vice President of the Committee for Economic Development. He serves as Chairman of the Harvard Institute of Politics at the Kennedy School of Government, is a director of the Brookings Institution and the National Alliance to End Homelessness and is a lifetime trustee for the Kennedy Center for the Performing Arts. Mr. Duberstein is also a director of The Boeing Company and Mack-Cali Realty Corp. Mr. Duberstein also served as a director of ConocoPhillips until April 2012 and Dell Inc. until October 2013.

Jay S. Fishman
Age 62
Director Since 2001

Mr. Fishman is Chairman and Chief Executive Officer of Travelers. He has served as the Company s Chief Executive Officer since the April 1, 2004 merger of The St. Paul Companies, Inc. with Travelers Property Casualty Corp. that formed the Company, and he assumed the additional role of Chairman in September 2005. He held the additional title of President from October 2001 until June 2008. From October 2001 until April 2004, Mr. Fishman had been Chairman, Chief Executive Officer and President of The St. Paul Companies, Inc. Mr. Fishman held several key executive posts at Citigroup Inc. or its subsidiaries from 1998 to October 2001, including Chairman, Chief Executive Officer and President of the Travelers insurance business. Starting in 1989, Mr. Fishman worked as an executive for Primerica, which became part of Citigroup. Mr. Fishman is a director of Exxon Mobil Corporation and Carlyle Group Management L.L.C. He also serves as Chairman of the Board of the New York City Ballet, a trustee of the University of Pennsylvania and a member and trustee of New York-Presbyterian Hospital.

Patricia L. Higgins
Age 65
Director Since 2007

Ms. Higgins served as President and Chief Executive Officer of Switch and Data Facilities, Inc., a provider of neutral interconnection and collocation services, from September 2000 until her retirement in February 2004. In 1999 and 2000, Ms. Higgins served as Executive Vice President of the Gartner Group and Chairman and Chief Executive Officer of the Research Board, a segment of the Gartner Group. From 1997 to 1999, she served as Corporate Vice President and Chief Information Officer of Alcoa Inc., and from 1995 to 1997, she served as Vice President and President (Communications Market Business Unit) of Unisys Corporation. From 1977 to 1995, she served in various managerial positions, including as Corporate Vice President and Group Vice President (State of New York) for Verizon (NYNEX) and Vice President, International Sales Operations (Lucent) for AT&T Corporation/Lucent. Ms. Higgins currently serves on the Board of Directors of Barnes & Noble, Inc., Internap Corporation and Dycom Industries. Ms. Higgins also served as a director of Visteon Corporation until October 2010.

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Thomas R. Hodgson
Age 73
Director Since 1997

Mr. Hodgson served as President and Chief Operating Officer of Abbott Laboratories, a global diversified health care company, from 1990 until his retirement in 1998. Prior to that, he had been President of the Abbott International Division from 1983 to 1990 and President of the Hospital Products Division from 1978 to 1983. Mr. Hodgson held various other management positions with Abbott from 1972 to 1978. Mr. Hodgson served as a director of Idenix Pharmaceuticals until August 2014.

William J. Kane
Age 64
Director Since 2012

Mr. Kane served as an audit partner with Ernst & Young for 25 years until his retirement in 2010, during which time he specialized in providing accounting, auditing and consulting services to the insurance and financial services industries. Prior to that he served in various auditing roles with Ernst & Young. Mr. Kane is currently a director of AIG Life Holdings, Inc.

Cleve L. Killingsworth Jr.
Age 62
Director Since 2007

Mr. Killingsworth served as the President and Chief Executive Officer of Blue Cross Blue Shield of Massachusetts, Inc. from July 2005 until March 2010. He served as Chairman from January 2008 to March 2010. He joined the company in February 2004 as President and Chief Operating Officer. Before joining Blue Cross Blue Shield of Massachusetts, Mr. Killingsworth served the Henry Ford Health System as Senior Vice President of Insurance and Managed Care, as well as President and Chief Executive Officer of the Health Alliance Plan. He joined Henry Ford Health Systems in January 1998 after holding senior management positions with: the Kaiser Foundation Health Plan; Blue Cross Blue Shield of Rochester, NY; Group Health Cooperative of Puget Sound; The American Hospital Association; and the Hospital of the University of Pennsylvania. Mr. Killingsworth is currently a member of the Board of Trustees of The MITRE Corporation and the Board of Overseers of the Teachers Insurance and Annuity Association of America (TIAA) and the College Retirement Equities Fund (CREF).

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Philip T. (Pete) Ruegger III
Age 65
Director Since 2014

Mr. Ruegger served as Chairman of the Executive Committee of the law firm Simpson Thacher & Bartlett LLP (Simpson Thacher) from 2004 until his retirement in 2013. He was a member of the firm s executive committee from 1993 through June 2013. Mr. Ruegger joined Simpson Thacher in 1974 and became a partner in 1981. At Simpson Thacher, he advised clients on mergers and acquisitions, corporate governance, investigations, corporate finance and general corporate and securities law matters. Mr. Ruegger is Chairman of the Board of the Henry Street Settlement House.

Donald J. Shepard
Age 68
Director Since 2009

Mr. Shepard served as Chairman of the Executive Board and Chief Executive Officer of AEGON N.V., an international life insurance and pension company, from April 2002 until his retirement in April 2008. Prior to that, he served as Chief Executive Officer of AEGON USA since 1989, and in 1992, he became a member of the Executive Board of AEGON N.V. Mr. Shepard currently serves as a member of the board of directors of PNC Financial Services Group, Inc. and CSX Corporation.

Laurie J. Thomsen
Age 57
Director Since 2004

Ms. Thomsen served as an Executive Partner of New Profit, Inc., a venture philanthropy firm, from 2006 to 2010, and she served on its board from 2001 to 2006. Prior to that, from 1995 to 2004, she was a co-founder, General Partner and Retiring General Partner of Prism Venture Partners, a venture capital firm investing in healthcare and technology companies. From 1984 until 1995, she worked at the venture capital firm Harbourvest Partners in Boston, where she was a General Partner from 1988 until 1995. Ms. Thomsen was in commercial lending at U.S. Trust Company of New York from 1979 until 1984. Ms. Thomsen is a director of MFS Mutual Funds. She is also a director of KickStart International, Lever and uAspire.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED ABOVE.

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BOARD OF DIRECTORS INFORMATION

Committees of the Board and Meetings

There are six standing committees of the Board: the Audit Committee; the Compensation Committee; the Executive Committee; the Investment and Capital Markets Committee; the Nominating and Governance Committee; and the Risk Committee.

The Board has adopted a written charter for each of these committees, copies of which are posted on our website at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents. Each committee reviews its charter annually and, when appropriate, presents to the Nominating and Governance Committee and the Board any recommended amendments for consideration and approval.

The following table summarizes the current membership of the Board and of each of its committees, as well as the number of times the Board and each committee met during 2014.

	Board	**Audit**	**Compensation**	**Executive**	**Investment and Capital Markets**	**Nominating and Governance**	**Risk**
Mr. Beller	X	X					X
Mr. Dasburg	X	Chair		X			X
Ms. Dolan	X	X					X
Mr. Duberstein	X		X	X	X	Chair	
Mr. Fishman	Chair			Chair			
Ms. Higgins	X	X					X
Mr. Hodgson	X	X		X			Chair
Mr. Kane	X	X					X
Mr. Killingsworth	X		X		X	X	
Mr. Ruegger	X						X
Mr. Shepard	X		Chair	X	X	X	
Ms. Thomsen	X		X	X	Chair	X	
Number of 2014 meetings	5	10	5	0	5	4	4

Each of the directors is independent, other than Mr. Fishman who serves as our Chief Executive Officer. Each committee of the Board, other than the Executive Committee on which Mr. Fishman serves, is comprised solely of independent directors.

Each director attended 75% or more of the total number of meetings of the Board and of the committees on which each such director served during 2014. Directors are encouraged and expected, but not required, to attend each annual meeting of shareholders. All of our directors attended last year s annual meeting.

Audit Committee

All members of the Audit Committee are independent , consistent with our Governance Guidelines and the NYSE listing standards and SEC rules applicable to boards of directors in general and audit committees in particular. In addition, the Board has determined that the members of the Audit Committee meet the financial literacy requirements of

the NYSE. The Board also has determined that Mr. Dasburg s experience with KPMG Peat Marwick from 1973 to 1980, his service as a KPMG Tax Partner from 1978 to 1980, his experience as Chief Financial Officer of Marriott Corporation, as Chief Executive Officer of Northwest Airlines, Burger King Corporation and ASTAR and his service on the audit

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committees of other public companies qualify him as an audit committee financial expert, and he has been so designated. The duties and responsibilities of the Audit Committee are set forth in its charter, which may be found at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Audit Committee Charter; and include the following:

- assist the Board in exercising its oversight of the Company s accounting and financial reporting process and audits of the Company s financial statements;
- select our independent registered public accounting firm and review its qualifications, performance and independence;
- review and pre-approve the audit and permitted non-audit services and proposed fees of the independent registered public accounting firm;
- review reports from management, the internal auditors and the independent registered public accounting firm with respect to the adequacy of the Company s internal controls; and
- review the adequacy of the work performed by our internal audit unit.

With respect to reporting and disclosure matters, the duties and responsibilities of the Audit Committee include reviewing our audited financial statements and recommending to the Board that they be included in our Annual Report on Form 10-K in accordance with applicable rules and regulations of the SEC.

Compensation Committee

All members of the Compensation Committee are independent as defined by our Governance Guidelines and the NYSE listing standards. In addition, all members of the Compensation Committee qualify as non-employee directors for purposes of Rule 16b-3 of the Exchange Act, and as outside directors for purposes of Section 162(m) (Section 162(m)) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). The Compensation Committee has a charter, which may be found at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Compensation Committee Charter.

Duties and Responsibilities

With respect to general compensation matters, the duties and responsibilities of the Compensation Committee include the following:

- set the performance goals and objectives for our Chief Executive Officer (CEO) and those members of our Management Committee who are executive officers or direct reports of the CEO (together with the CEO, the Committee Approved Officers);
- review the performance and approve the salaries and incentive compensation of the Committee Approved Officers;
- approve policies with respect to perquisites of the Committee Approved Officers;
- approve and monitor compliance with stock ownership guidelines applicable to the CEO and other members of management;
- develop our compensation philosophy and objectives and recommend to the Board for approval, compensation and benefit programs determined by the Compensation Committee to be appropriate;
- review the operation of our overall compensation program to evaluate its objectives and execution and recommend to the Board amendments to our compensation programs to better conform them with the established compensation objectives;
- review and approve, and, in certain cases, recommend to the Board for approval, all new equity compensation plans and material amendments to existing plans, and oversee management s administration of such plans;
- review our regulatory compliance with respect to compensation matters;
- review and approve, and, in certain cases, recommend to the Board for approval, any employment and severance contracts for the CEO and other members of management;
- review and approve stock option, restricted stock, restricted stock unit, performance share and similar stock-based grants;

- conduct an independence assessment prior to selecting any compensation consultant, legal counsel or other adviser that will provide advice to the Compensation Committee; and
- evaluate, at least annually, whether any work provided by the Compensation Committee s compensation consultant raised any conflict of interest.

With respect to reporting and disclosure matters, the duties and responsibilities of the Compensation Committee include reviewing and discussing the Compensation Discussion and Analysis with management and authorizing its inclusion in our annual proxy statement and Annual Report on Form 10-K in accordance with applicable rules and regulations of the SEC.

Establishment of Annual Bonus and Equity Award Pools

The Compensation Committee approves the individual salary, annual bonus and equity awards for the Committee Approved Officers. In addition, the Compensation Committee approves the aggregate annual bonuses and all equity awards to employees who are not Committee Approved Officers.

The Compensation Committee considered recommendations from the CEO regarding compensation for each of the other executive officers named in the Summary Compensation Table on page 55 (together with the CEO, the named executive officers) and other officers.

During 2014, the Compensation Committee took those actions required under Section 162(m) in order for performance-based compensation to be fully deductible by the Company for income tax purposes.

Delegation of Authority with Respect to Off-Cycle Equity Grants

The Compensation Committee has delegated limited authority to the CEO to make off-cycle equity grants outside of the annual equity grant process to employees and new hires who are not Committee Approved Officers. The delegation is subject to maximum grant date values of equity that can be granted to any one person. These grants can only be made on the grant dates established by our Governance Guidelines for off-cycle equity awards. Our Governance Guidelines are available on our website at *www.travelers.com* under For Investors:

Corporate Governance: Governance Documents: Governance Guidelines. Any grants made off-cycle are reported to the Compensation Committee at the next regularly scheduled quarterly meeting following such awards.

Compensation Consultant

The Compensation Committee has the authority under its charter to retain outside consultants or advisors, as it deems necessary or advisable. In accordance with this authority, the Compensation Committee has engaged Frederic W. Cook & Co. (F. W. Cook) as its independent outside compensation consultant to provide it with objective and expert analyses, advice and information with respect to executive compensation. All executive compensation services provided by F. W. Cook are conducted under the direction or authority of the Compensation Committee, and all work performed by F. W. Cook must be pre-approved by the Compensation Committee or the Chair of the Compensation Committee. Neither F. W. Cook nor any of its affiliates maintains any other direct or indirect business relationships with the Company or any of its affiliates. In December 2014, the Compensation Committee evaluated whether any work provided by its Compensation Committee consultant raised any conflict of interest and determined that it did not.

F. W. Cook also advises the Nominating and Governance Committee with respect to director compensation.

As requested by the Compensation Committee, in 2014, F. W. Cook s services to the Compensation Committee included, among other things:

- advising with respect to the Compensation Committee meeting materials;
- evaluating potential changes to incentive plans;
- advising with respect to individual compensation for the Committee Approved Officers;
- reviewing and discussing possible aggregate levels of corporate-wide bonus payments and equity awards;
- preparing comparative analyses of executive compensation levels and design at peer group companies;

BOARD OF DIRECTORS INFORMATION

- advising as to how actions taken by the Compensation Committee compare to the pay and performance of our peer group companies; and
- advising in connection with the preparation of certain of the information included in this Proxy Statement.

An F. W. Cook representative participated in each of the five Compensation Committee meetings in 2014.

In 2014 and 2013, we paid F. W. Cook $200,453 and $160,817, respectively, for services to the

Compensation Committee and the Nominating and Governance Committee.

In addition to the independent, outside compensation consultant discussed above, our corporate staff (including Finance, Human Resources and Legal staff members) supports the Compensation Committee in its work. Other than the CEO (with respect to compensation for all other executive officers) and other executive officers (with respect to executive officers who report to them), no executive officer determines or recommends to the Compensation Committee the amount or form of executive compensation paid to another executive officer.

Executive Committee

The Board has granted to the Executive Committee, subject to certain limitations set forth in its charter, the broad responsibility of exercising the authority of the Board in the oversight of our business during the intervals between Board meetings in order to provide a degree of flexibility and ability to respond to time-sensitive business and legal matters. The

Executive Committee meets only as necessary. The duties and responsibilities of the Executive Committee are set forth in its charter, which may be found at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Executive Committee Charter.

Investment and Capital Markets Committee

The Investment and Capital Markets Committee assists the Board in exercising its oversight of the Company s management of its investment portfolios (including credit risk monitoring) and certain financial affairs of the Company (including capital management, such as dividend policy and actions, stock splits, repurchases of stock or other securities, financing arrangements, debt and equity financing and liquidity).

The Investment and Capital Markets Committee also reviews and either approves, or recommends

appropriate Board action with respect to, among other matters, the issuance of securities, the establishment of bank lines of credit and certain purchases and dispositions of real property, capital expenditures and acquisitions and divestitures of assets.

The duties and responsibilities of the Investment and Capital Markets Committee are set forth in its charter, which may be found at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Investment and Capital Markets Committee Charter.

Nominating and Governance Committee

Each member of the Nominating and Governance Committee is independent , consistent with our Governance Guidelines and the NYSE listing standards. The duties and responsibilities of the Nominating and Governance Committee are set forth in its charter, which may be found at *www.travelers.com* under For Investors: Corporate Governance:

Governance Documents: Nominating and Governance Committee Charter, and include the following:

- establish criteria for the selection of candidates to serve on the Board;
- identify and select director candidates for election or re-election to the Board;

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- identify and select directors for appointment to serve on the committees of the Board;
- recommend adjustments, from time to time, to the size of the Board or of any Board committee;
- establish procedures for the evaluation of Board and director performance;
- oversee continuing education of directors in light of the Governance Guidelines;
- periodically review and recommend changes to the Board s director compensation programs and policies;
- establish and periodically review our Governance Guidelines and standards for determining the

  independence of directors and the absence of material relationships between the Company and a director;
- annually review succession plans for our senior management;
- review and approve or ratify all related person transactions under our Related Person Transaction Policy;
- review, at least annually, the Company s public policy initiatives; and
- recommend to the Board any guidelines for the removal of directors, as it determines appropriate.

Risk Committee

The purpose of the Risk Committee is to assist the Board in exercising its oversight of our operational activities and the identification and review of those risks that could have a material impact on us. The duties and responsibilities of the Risk Committee are set forth in its charter, which may be found at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Risk Committee Charter, and include oversight of management s risk management activities in the following areas:

- our enterprise risk management program;
- the underwriting of insurance;
- the settlement of claims;
- the management of catastrophe exposure;
- the retention of insured risk and appropriate levels and types of reinsurance;
- the credit risk in our insurance operations and ceded reinsurance program;
- our information technology operations; and
- the business continuity and executive crisis management for the Company and its business operations.

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GOVERNANCE OF YOUR COMPANY

Our Governance Guidelines, our Code of Business Conduct and Ethics, Board Committee charters and other corporate governance information are available under Governance Documents on the Corporate

Governance page of the For Investors section on our website at *www.travelers.com*. Corporate governance practices that the Board has implemented are described further below.

Governance Guidelines

Our commitment to good corporate governance is reflected in our Governance Guidelines, which describe the Board s views on a wide range of governance topics. These Governance Guidelines are

reviewed annually by the Nominating and Governance Committee and, to the extent deemed appropriate in light of emerging practices, revised accordingly, upon recommendation to and approval by the full Board.

Code of Business Conduct and Ethics

We maintain a Code of Business Conduct and Ethics (the Code of Conduct), which is applicable to all of our directors, officers and employees, including our CEO, Chief Financial Officer, Controller and other senior financial officers. The Code of Conduct sets forth our policies and expectations on a number of topics, including conflicts of interest, compliance with laws, use of our assets and business ethics.

The Code of Conduct may be found on our website at *www.travelers.com* under For Investors: Corporate Governance: Code of Conduct.

Our Chief Compliance Officer is responsible for overseeing compliance with the Code of Conduct as part of fulfilling her responsibility for overseeing our compliance functions throughout the organization. Our Chief Compliance Officer also assists in the communication of the Code of Conduct and oversees employee education regarding its requirements through the use of global, computer-based training, supplemented with focused in person sessions where appropriate. All employees and directors are required to certify annually that they have reviewed, understand and agree to comply with the contents of the Code of Conduct.

Ethics Helpline

We maintain an Ethics Helpline through which employees can report integrity concerns or seek guidance regarding a policy or procedure. The Ethics Helpline is serviced by an independent company, is available seven days a week, 24 hours a day and can be accessed by individuals through a toll-free number. Employees may also access the helpline system and report integrity concerns via the Internet. In either case, employees can report concerns anonymously. We maintain a formal no retaliation policy that prohibits retaliation against, or discipline of, an employee who raises an ethical concern in good faith. Once a complaint is alleged, the report is forwarded to our Chief Compliance Officer who is responsible for

oversight of the helpline. Our Chief Compliance Officer coordinates with management and outside resources, as appropriate, to investigate the matter, and any ethical or compliance-related issues will not be closed until they have been addressed to her satisfaction. The Audit Committee receives quarterly summaries of matters reported through the Ethics Helpline. In addition, any matter reported to the Chief Compliance Officer that involves accounting, internal control or audit matters, or any fraud involving persons with a significant role in our internal controls, is required to be reported promptly to the Audit Committee.

Compliance Policy Review

Under the oversight of the Audit Committee, we have established a Company- wide compliance function, with a view to ensuring compliance with evolving laws, regulations and policies and to encourage and

reinforce ongoing ethical and lawful business conduct. Our Chief Compliance Officer meets regularly with members of senior management to oversee the implementation of various compliance initiatives and

functions in each of the business units and to promote better coordination and effectiveness through

corporate compliance policies and initiatives, program design and promotion of a culture of compliance.

Director Stock Ownership

The Board believes its non-management directors should accumulate and retain a level of ownership of our equity securities to align the interests of the non-management directors and the shareholders. Accordingly, the Board has established an ownership target for each non-management director equal to four times the director s most recent annual deferred stock award. Each new director is expected to meet or exceed this target within four years of his or her initial election to the Board, provided that, if the annual deferred stock award for any of such four years is less than the most recent annual deferred stock award,

such director is expected to meet or exceed the target within five years of his or her election to the Board. All of our current non-management directors have achieved stock ownership levels in excess of the amount required. Directors receive over 50% of their annual compensation in the form of deferred stock units. The shares underlying these units are not distributed to a director until at least six months after the director leaves the Board. Accordingly, all of our non-management directors hold equity interests that they cannot sell for so long as they serve on the Board and at least six months afterwards.

Director Age Limit

The Governance Guidelines provide that no person who will have reached the age of 74 on or before the date of the next annual shareholders meeting will be nominated for election at that meeting without an express waiver by the Board.

The Board believes that waivers of this policy should not be automatic and should be based upon the needs of the Company and the individual attributes of the director.

Director Nominations

Process and Criteria Generally

Pursuant to our Governance Guidelines, the Nominating and Governance Committee is responsible for recommending to the Board nominees for election for director, and the Board is responsible for selecting nominees for election.

As required by our Governance Guidelines, the Board, based on the Nominating and Governance Committee s recommendation, selects nominees after considering the following criteria:

- personal qualities and characteristics, accomplishments and reputation in the business community;

- current knowledge and contacts in the communities in which the Company does business and in the Company s industry or other industries relevant to the Company s business;

- ability and willingness to commit adequate time to Board and committee matters;

- the fit of the individual s skill and personality with those of other directors and potential directors in

building a Board that is effective, collegial and responsive to the needs of the Company; and

- diversity of viewpoints, background, experience and other demographics.

The evaluation of these criteria involves the exercise of careful business judgment. Accordingly, although the Nominating and Governance Committee and the Board at a minimum assess each candidate s ability to satisfy any applicable legal requirements or listing standards, his or her strength of character, judgment, working style, specific areas of expertise and his or her ability and willingness to commit adequate time to Board and committee matters, they do not have specific minimum qualifications that are applicable to all director candidates. The Board seeks to ensure that the Board is composed of members whose particular expertise, qualifications, attributes and skills, when taken together, allow the Board to satisfy its oversight responsibilities effectively.

As mentioned above, the Nominating and Governance Committee and the Board include diversity of viewpoints, background, experience and other demographics as one of several criteria that they

consider in connection with selecting candidates for the Board. While neither the Board nor the Nominating and Governance Committee has a formal diversity policy, one of many factors that the Board and the Nominating and Governance Committee carefully considers is the importance to the Company of racial and gender diversity in board composition. Moreover, when considering director candidates, the Nominating and Governance Committee and the Board seek individuals with backgrounds and qualities that, when combined with those of our incumbent directors, enhance the Board s effectiveness and, as required by the Governance Guidelines, result in the Board having a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company s business . As part of its annual self-evaluation, the Board assesses and confirms compliance with this Governance Guideline.

In identifying prospective director candidates for the Board, the Nominating and Governance Committee may seek referrals from other members of the Board, management, shareholders and other sources. The Nominating and Governance Committee also may, but need not, retain a professional search firm in order to assist it in these efforts. The Nominating and Governance Committee and the Board utilize the same criteria for evaluating candidates regardless of the source of the referral.

The Nominating and Governance Committee will consider director candidates recommended by shareholders. Shareholders wishing to propose a candidate for consideration may do so by submitting the proposed candidate s full name and address, résumé and biographical information to the attention of the Corporate Secretary, The Travelers Companies, Inc., 485 Lexington Avenue, New York, New York 10017. All recommendations for nomination received by the Corporate Secretary that satisfy our bylaw requirements relating to such director nominations will be presented to the Nominating and Governance Committee for its consideration.

Specific Considerations Regarding 2015 Directors and Nominees

In considering the 12 director nominees named in this Proxy Statement and proposed for election by you at the Annual Meeting, the Nominating and Governance Committee and the Board evaluated and considered, among other factors:

- each nominee s experiences, qualifications, attributes and skills, in light of the Governance Guidelines criteria for nomination discussed above, including the specific skills identified by the Board as relevant to the Company;

- the contributions of those directors recommended for re-election in the context of the Board self-evaluation process and other needs of the Board;

- the tenure of individual directors;

- the mix of long-serving and new directors on the Board; and

- the specific needs of the Company given its business and industry.

With respect to the individual and overall tenure of Board members, the Board and Nominating and Governance Committee:

- noted that the Company s industry is one where a long-term perspective is critical and a historical perspective on risk is important, and, accordingly, the Company benefits from having longstanding directors serve on the Board, including in leadership positions;

- considered the years of experience directors have had working together on the Board; and

- considered that more than 50% of the independent directors have joined the Board since mid-2007, including two new directors in the last three years.

In light of the foregoing, the Board and the Nominating and Governance Committee concluded that there was an appropriate mix of long-serving and new directors.

The Board and the Nominating and Governance Committee, in considering each nominee, principally focused on the background and experiences of the nominee, as described in the biographies appearing on pages 6 through 9 of this Proxy Statement. The Board and the Nominating and Governance Committee considered that each nominee has experience serving in senior positions with significant responsibility, where each has gained valuable expertise in a number of areas relevant to the Company and its business. The Board and the Nominating and Governance Committee also considered that a number of directors

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have gained valuable experience and skills through serving as a director of other public and private companies. Specifically, among other things:

- With respect to Mr. Beller, the Board and the Nominating and Governance Committee considered in particular his senior-level public service and his significant experience and expertise in the areas of law, corporate governance and financial, accounting and auditing regulation.

- With respect to Mr. Dasburg, the Board and the Nominating and Governance Committee considered in particular his experience as a public company CEO and his significant experience and expertise in areas of management, accounting and finance.

- With respect to Ms. Dolan, the Board and the Nominating and Governance Committee considered in particular her experience as a public company CEO and her significant experience and expertise in management and in legal and compliance matters.

- With respect to Mr. Duberstein, the Board and the Nominating and Governance Committee considered in particular his experience both in the highest levels of the U.S. government and as an outside strategic corporate advisor and his significant experience and expertise in public policy, public affairs, government relations and corporate governance.

- With respect to Mr. Fishman, the Board and the Nominating and Governance Committee considered his experience as CEO of the Company and his significant experience and expertise in property and casualty insurance, management and finance.

- With respect to Ms. Higgins, the Board and the Nominating and Governance Committee considered in particular her experience as a public company Chief Information Officer and her significant experience and expertise in management as well as information technology strategy and operations.

- With respect to Mr. Hodgson, the Board and the Nominating and Governance Committee considered his experience as a public company President and COO and his significant experience and expertise in management, business operations and finance.

- With respect to Mr. Kane, the Board and the Nominating and Governance Committee considered in particular his experience as an audit partner of a registered public accounting firm and his significant experience and expertise in financial controls, financial reporting, management and the insurance industry.

- With respect to Mr. Killingsworth, the Board and the Nominating and Governance Committee considered in particular his experience as a health insurance CEO and his significant experience and expertise in management, insurance and regulation.

- With respect to Mr. Ruegger, the Board and the Nominating and Governance Committee considered in particular his experience as the leader of a large international corporate law firm and his significant experience and expertise in mergers and acquisitions and other corporate transactional matters, as well as risk management.

- With respect to Mr. Shepard, the Board and the Nominating and Governance Committee considered in particular his experience as a public insurance company CEO and his significant experience and expertise in management and international business.

- With respect to Ms. Thomsen, the Board and the Nominating and Governance Committee considered in particular her experience as a General Partner of a venture capital firm and her significant experience and expertise in investments, finance and the development of emerging businesses.

Director Independence and Independence Determinations

Under our Governance Guidelines and NYSE rules, a director is not independent unless the Board affirmatively determines that he or she does not have a direct or indirect material relationship with the Company. In addition, the director must meet the bright-line test for independence set forth by the NYSE rules.

The Board has established categorical standards of director independence to assist it in making independence determinations. These standards, which are included in our Governance Guidelines and may be found on our website at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Governance Guidelines, set forth certain relationships between the Company and the directors

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and their immediate family members, or entities with which they are affiliated, that the Board, in its judgment, has determined to be material or immaterial in assessing a director s independence. The Nominating and Governance Committee annually reviews the independence of all directors and reports its determinations to the full Board.

In the event a director has a relationship with the Company that is relevant to his or her independence and is not addressed by the categorical independence standards, the independent members of the Board determine in their judgment whether such relationship is material.

Our Governance Guidelines require that: (1) all members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee be independent; and (2) no more than two members of the Board may concurrently serve as officers of the Company.

The Board has determined that all of its directors and all of the persons proposed for election at the Annual Meeting are independent, other than our Chairman and Chief Executive Officer, Mr. Jay Fishman, who is an employee of the Company. Consequently, approximately 92% of the directors on the Board are independent.

In making its independence determinations, the Board considered and reviewed the various commercial, charitable and employment transactions and relationships known to the Board (including those

identified through annual directors questionnaires) that exist between us and our subsidiaries and the entities with which certain of our directors or members of their immediate families are, or have been, affiliated. Specifically, the Board s independence determinations included reviewing membership dues, contributions and research fees paid to a trade association and affiliated entities where Mr. Donald Shepard serves as a director (but not as an executive officer or employee). Payments to the organization constituted less than 1% of such organization s consolidated gross revenues during its last completed fiscal year and were below the thresholds set forth under our categorical standards of director independence. Additionally, the Board reviewed the amount paid by the Company to Simpson Thacher, the law firm in which Mr. Pete Ruegger previously was a partner and served as Chairman until his retirement in 2013. In particular, the Board considered that Mr. Ruegger is no longer a partner of, or employed by, Simpson Thacher and had not worked on Company matters for several years prior to leaving Simpson Thacher. In addition, payments by the Company to Simpson Thacher in 2014 represented less than 2% of the consolidated gross revenues of Simpson Thacher during its last completed fiscal year and were below the thresholds set forth under our categorical standards of director independence.

The Board determined that the transactions identified were not material and did not affect the independence of such director under either the Company s Governance Guidelines or the applicable NYSE rules.

Dating and Pricing of Equity Grants

The Board has adopted a Governance Guideline establishing fixed grant dates for the award of off-cycle equity grants, so as to avoid the appearance that equity grant dates have been established with a view to benefiting grantees due to the timing of material public announcements. Our Governance Guidelines are available on our website at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Governance Guidelines.

In addition, to further ensure the integrity of our equity awards process, the Compensation Committee

requires that the exercise price of all stock options granted, and the fair value of all equity awards made, must be determined by reference to the closing price for a share of our common stock on the NYSE on the date of any such grant or award. Under the Company s stock plans, the Compensation Committee may not take any action with respect to any stock option that would be treated as a repricing of such stock option, unless such action is approved by the Company s shareholders in accordance with applicable rules of the NYSE.

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Transactions with Related Persons and Certain Control Persons

Related Person Transaction Approval

The Board has adopted a written Related Person Transaction Policy to assist it in reviewing, approving and ratifying related person transactions and to assist us in the preparation of related disclosures required by the SEC. This Related Person Transaction Policy supplements our other policies that may apply to transactions with related persons, such as the Board s Governance Guidelines and our Code of Conduct.

The Related Person Transaction Policy provides that all related person transactions covered by the policy are prohibited, unless approved or ratified by the Board or by the Nominating and Governance Committee. Our directors and executive officers are required to provide prompt and detailed notice of any potential Related Person Transaction (as defined in the policy) to the Corporate Secretary, who in turn must promptly forward such notice and information to the Chairperson of the Nominating and Governance Committee and to our counsel for analysis, to determine whether the particular transaction constitutes a Related Person Transaction requiring compliance with the policy. The analysis and recommendation of counsel are then presented to the Nominating and Governance Committee for consideration at its next regular meeting.

In reviewing Related Person Transactions for approval or ratification, the Nominating and Governance Committee will consider the relevant facts and circumstances, including:

- the commercial reasonableness of the terms;

- the benefit (or lack thereof) to us;

- opportunity costs of alternate transactions;

- the materiality and character of the related person s interest, including any actual or perceived conflicts of interest; and

- with respect to a non-employee director or nominee, whether the transaction would compromise the director s (1) independence under the Board s Governance Guidelines, the NYSE rules (including those applicable to committee service) and Rule 10A-3 of the Exchange Act, if such non- employee director serves on the Audit Committee, (2) status as an outside director under Section 162(m), if such non- employee director serves on the Compensation Committee, or (3) status as a non-employee director under Rule 16b-3 of the Exchange Act, if such non-employee director serves on the Compensation Committee.

The Nominating and Governance Committee will not approve or ratify a Related Person Transaction unless, after considering all relevant information, it has determined that the transaction is in, or is not inconsistent with, the best interests of the Company and our shareholders.

Generally, the Related Person Transaction Policy applies to any current or proposed transaction in which:

- the Company was or is to be a participant;

- the amount involved exceeds $120,000; and

- any related person had or will have a direct or indirect material interest.

A copy of our Related Person Transaction Policy is available on our website at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents: Related Person Transaction Policy.

Employment Relationships

We employ approximately 30,200 employees, approximately 7,300 of whom work in and around Hartford, Connecticut. We employ several employees in the Hartford area who are related to the executive officers identified below:

- Mr. Brian MacLean is President and Chief Operating Officer of the Company. His daughter,

Ms. Erin Cha, and his son-in-law, Mr. Junghwan Cha, have been employed by the Company since 2005 and 2009, respectively. In 2014, their combined total compensation, including salary, bonuses, equity awards and other benefits, totaled approximately $279,000. Their compensation is commensurate with that of their peers.

- Mr. William Cunningham was Executive Vice President Business Insurance until July 2014. His brother, Gregg T. Cunningham, has been employed by the Company since 2001. In 2014, his total

compensation, including salary, bonus, equity awards and other benefits, totaled approximately $518,000. His compensation is commensurate with that of his peers.

Third-Party Transactions

We engage several thousand law firms, nationally and internationally, to represent us and/or our insureds in connection with, among other things, corporate, litigation, regulatory, insurance coverage and claim matters. In 2014, we engaged several law firms with partners or former partners related to the executive officers identified below:

- Mr. Alan Schnitzer is Vice Chairman and Chief Executive Officer, Business and International Insurance. Mr. Schnitzer s brother-in-law, Mr. Joseph Berman, is of counsel and a former partner in the law firm Looney & Grossman. In 2014, the Company paid approximately $309,000 in legal fees and disbursements to Looney & Grossman. We engage this firm from time to time in the ordinary course of our business and on an arm s-length basis. Mr. Schnitzer has explicitly recused himself from any involvement with respect to our retention of, or payments to, this law firm.

- Ms. Doreen Spadorcia is Vice Chairman and Chief Executive Officer, Personal Insurance and Bond & Specialty Insurance. Her husband, Mr. Richard Cavo, is a partner in the law firm Litchfield Cavo LLP. In 2014, we paid this firm approximately $17.8 million in legal fees and disbursements for work performed by the firm. Litchfield Cavo LLP has been an approved firm of the Company for more than ten years and is retained by the Company from time to time in the ordinary course of business and on an arm s-length basis. Ms. Spadorcia has explicitly recused herself from any involvement with respect to our retention of, or payments to, this law firm.

From time to time, institutional investors, such as large investment management firms, mutual fund management organizations and other financial organizations become beneficial owners (through aggregation of holdings of their affiliates) of 5% or more of a class of voting securities of the Company and, as a result, are considered a related person under the Related Person Transaction Policy. These organizations may provide services to the Company or its benefit plans. In addition, the Company may provide insurance coverage to these organizations. In

2014, the following transactions occurred with investors who reported beneficial ownership of 5% or more of the Company s voting securities:

- In 2014, the Company had investments of approximately $634,000 in funds sponsored by an affiliate of BlackRock, Inc. (BlackRock). Separately, the Company s pension plan had investments of approximately $46,000 in a fund sponsored by BlackRock, which investment was made in 2005. The investments were entered into on an arm s-length basis. In 2014, BlackRock paid premiums of approximately $1.7 million for insurance policies with Travelers in the ordinary course of business and on substantially the same terms as those offered to other customers.

- An affiliate of State Street Corporation (State Street) provides investment management services to the Company s 401(k) Savings Plan. The participants in the 401(k) Savings Plan paid approximately $329,000 in management fees to State Street in 2014. The investment management agreement was entered into on an arm s-length basis. In 2014, State Street paid premiums of approximately $561,000 for insurance policies with Travelers in the ordinary course of business and on substantially the same terms as those offered to other customers.

- An affiliate of The Vanguard Group (Vanguard) provides investment management services to the Company s 401(k) Savings Plan and the qualified and non-qualified pension plans. The participants in the 401(k) Savings Plan and the Company paid approximately $1.0 million and $866,000, respectively, in management fees to Vanguard in 2014. The investment management agreements were entered into on an arm s-length basis. In 2014, Vanguard paid premiums of approximately $2.0 million for insurance policies with Travelers in the ordinary course of business and on substantially the same terms as those offered to other customers.

In addition to the Related Person Transaction Policy, our Code of Conduct requires that all employees, officers and directors avoid any situation that involves

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or appears to involve a conflict of interest between their personal and professional relationships. Our Audit Committee provides oversight regarding compliance with our Code of Conduct and discusses any apparent conflicts of interest with senior

management. The Code of Conduct also requires that all employees seek approval from both our General Counsel and our Chief Compliance Officer prior to accepting a position as a director or officer of any unaffiliated for-profit company or organization.

Governance Structure of the Board Lead Director

Our Governance Guidelines provide for the position of Lead Director whenever the Chairman of the Board is also the Chief Executive Officer or is a director who does not otherwise qualify as an independent director. Mr. Fishman serves as Chairman of the Board as well as Chief Executive Officer, and Mr. Dasburg currently serves as our Lead Director. The position of Lead Director has been in place since 2006. In accordance with our Governance Guidelines, the Lead Director is responsible for coordinating the efforts of the independent and non-management directors in the interest of ensuring that objective judgment is brought to bear on sensitive issues involving the management of the Company and, in particular, the performance of senior management . Among other things, the Lead Director has the authority to:

- convene, set the agendas for and chair regular executive sessions of the independent directors;
- convene meetings of the independent directors as he deems necessary;
- provide direction to the Chairman regarding the meeting schedules, information to be sent to the Board and input regarding meeting agenda items;
- act as a liaison between and among directors, committee chairs, the Chairman and senior management;
- receive and review correspondence sent to the Company s office addressed to the Board and to determine appropriate responses if any; and
- recommend to the Board the retention of consultants and advisors who directly report to the Board, without consulting or obtaining the advance authorization of any officer of the Company.

The independent directors elect the Lead Director from among the independent directors. A more complete description of the role of the Lead Director is set forth in our Governance Guidelines, which are available on our website at *www.travelers.com*. The Board believes that its current leadership structure is appropriate for the Company at this time. The Board

believes that the responsibilities of the Lead Director help to assure appropriate oversight of Company management by the Board and optimal functioning of the Board. The effectiveness of the Lead Director is enhanced by the Board s independent character. The Board annually reviews the independence of our directors and has determined that 11 of the 12 director nominees are independent. See Director Independence and Independence Determinations on page 18 of this Proxy Statement. Each of the Compensation Committee, Audit Committee, Risk Committee, Nominating and Governance Committee and Investment and Capital Markets Committee is comprised solely of independent directors. In addition, at each in-person Board meeting, the non-employee directors are scheduled to meet in executive session with the Lead Director presiding at such meetings.

Finally, as described in more detail under Director Nominations Specific Considerations Regarding 2015 Directors and Nominees , the Lead Director and the independent directors have substantial experience with public company management and governance, in general, and the Company, in particular. At the same time, the combined role of Chairman and Chief Executive Officer, in the case of the Company, means that the Chair of the Board has longstanding experience with property and casualty insurance and ongoing executive responsibility for the Company. In the Board s view, this enables the Board to better understand the Company and work with management to enhance shareholder value. In the

Board s view, this also enables it to better fulfill its risk oversight responsibilities, as described below. In addition, this enables the Chief Executive Officer to effectively communicate the Board s view to management, thereby ensuring a common purpose.

In summary, the Board believes the appropriate leadership structure depends on the opportunities and challenges facing a company at a given time and that a one-size-fits-all approach to corporate governance, with a mandated independent Chair, would deprive the Company of the benefits of its current leadership structure and would not result in better governance or oversight.

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Executive Session

Non-employee members of the Board regularly meet in executive session with no members of management

present. Each of the committees also meets regularly in executive session.

Board and Committee Evaluations

Every year, the Board and each of its committees evaluate and discuss their respective performance and effectiveness, as required by the Governance Guidelines. These evaluations cover a wide range of topics, including but not limited to, the fulfillment of

the Board and committee responsibilities identified in the Governance Guidelines and committee charters, which are posted on our website at *www.travelers.com* under For Investors: Corporate Governance: Governance Documents.

Communications with the Board and Shareholder Engagement

As described on our website at *www.travelers.com*, interested parties, including shareholders, who wish to communicate with a member or members of the Board, including the Chairman of the Nominating and Governance Committee, the non-employee directors as a group, the Lead Director or the Audit Committee, may do so by addressing their correspondence as follows: if intended for the full Board or one or more non-employee directors, to the Lead Director; if intended for the Lead Director, to Mr. John Dasburg; and if intended for the Audit Committee, to the Chairman of the Audit Committee. All such correspondence should be sent to the following address: c/o Corporate Secretary, The Travelers Companies, Inc., 385 Washington Street, Saint Paul, Minnesota 55102. The office of the Corporate Secretary will forward such correspondence as appropriate.

In addition to the general correspondence process above, the Nominating and Governance Committee oversees a shareholder engagement program relating to the Company s governance and compensation practices. Under this program, which started more

than four years ago, at the direction of the Nominating and Governance Committee, management reaches out to the Company s largest shareholders at least once each year to facilitate a dialogue regarding governance and compensation matters. Management reports on the resulting conversations with those investors to the Nominating and Governance Committee and also, as appropriate, to the Compensation Committee. As noted under 2014 Shareholder Advisory Vote on Executive Compensation in the Compensation Discussion and Analysis (CD&A) section of this proxy statement, in 2014, the Company received feedback from shareholders representing in excess of 35% of the Company s outstanding shares. In a number of cases, the shareholder engagement program has encouraged changes to the Company s practices. For example last year, as discussed on page 47, based in part on investor input, the Compensation Committee raised the Return on Equity thresholds for vesting of performance shares and enhanced the disclosure in the CD&A. In addition, our CEO voluntarily agreed to relinquish certain rights under his employment agreement.

Board s Role in Risk Management

Enterprise Risk Management is a company-wide initiative that involves the Board and management identifying, assessing and managing risks that could affect our ability to fulfill our business objectives or execute our corporate strategy. Our Enterprise Risk Management activities involve the identification and assessment of a broad range of risks and the development of plans to mitigate their effects. The Risk Committee and the other committees of the Board, as well as our separate management-level enterprise risk and underwriting risk committees, are key elements of our enterprise risk management

structure and help to establish and reinforce our strong culture of risk management. For example, having both a Board Risk Committee that oversees operational risks and the Company s Enterprise Risk Management activities, and a management-level enterprise risk committee that reports regularly to the Board Risk Committee, enables a high degree of coordination between management and the Board. We describe our Enterprise Risk Management function in more detail in our Annual Report on Form 10-K, under Business Enterprise Risk Management . We also discuss the alignment of our executive

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compensation with our risk management below under Risk Management and Compensation .

While the Risk Committee has oversight responsibility generally for our Enterprise Risk Management activities, the Board has allocated and delegated risk oversight responsibility to various committees of the Board in accordance with the following principles:

- The Audit Committee is responsible for oversight of risks related to integrity of financial statements, including oversight of financial reporting principles and policies and internal controls, and oversight of the process for establishing insurance reserves.

- The Risk Committee is responsible for oversight of risks related to business operations, including insurance underwriting and claims, reinsurance, catastrophe risk, credit risk in insurance operations, information technology and business continuity plans.

- The Compensation Committee is responsible for oversight of risks related to compensation programs, including formulation, administration and regulatory compliance with respect to compensation matters.

- The Investment and Capital Markets Committee is responsible for oversight of risks in the Company s investment portfolio (including valuation and credit risks), capital structure, financing arrangements and liquidity.

- The Nominating and Governance Committee is responsible for oversight of risks related to

corporate governance matters, including succession planning, director independence and related person transactions.

- Each committee is responsible for monitoring reputational risk to the extent arising out of its allocated subject matter.

As a result, each committee charter contains specific risk oversight functions delegated by the Board, consistent with the principles set forth above. In that way, risk oversight responsibilities are shared by all committees of the Board and do not rest entirely with the Risk Committee. Further, we believe that allocating responsibility to a committee with relevant knowledge and experience improves the oversight of risk.

The allocation of risk oversight responsibility may change, from time to time, based on the evolving needs of the Company. On at least an annual basis, the Board reviews significant risks that management, through its Enterprise Risk Management efforts, has identified. The Board then evaluates, and may change, the allocation among the various committees of oversight responsibility for each identified risk. Further, each committee periodically reports to the Board on its risk oversight activities. In addition, at least annually, the Company s chief risk officer conducts a review of the interrelationships of risks and reports the results to the Risk Committee and the Board. These reports and reviews are intended to inform the Board s annual evaluation of the allocation of risk oversight responsibility.

Risk Management and Compensation

Our compensation structure is intended to encourage a careful balance of risk and reward, both on an individual risk basis and in the aggregate on a Company-wide basis, and promote a long-term perspective.

As discussed in more detail under Compensation Discussion and Analysis in this Proxy Statement, consistent with our goal of achieving a return on equity in the mid-teens over time, the Compensation Committee selected adjusted operating return on equity as the quantitative performance measure for the performance share portion of our stock-based long-term incentive program and as a material factor in determining amounts paid under our annual bonus

program. Because operating return on equity is a function of both operating income and shareholders equity, it encourages senior executives, as well as other employees with management responsibility, to focus on a variety of performance objectives that are important for creating shareholder value, including the quality and profitability of our underwriting and investing activities and capital management.

In addition, the long-term nature of our stock-based incentive awards (which generally do not vest until three years after the award), our significant executive stock ownership requirements and the fact that more than 40% of our named executive officers compensation in the aggregate was in the form of

long-term, stock-based incentives in each of the last five years, including 2014, all encourage prudent enterprise risk management and discourage excessive risk taking to achieve short-term gains. Moreover, neither the long-term incentive awards nor annual bonuses require growth in revenues or earnings in order for our executives to be rewarded, and none of our executives are paid based on a formulaic percentage of revenues or profits. As a result of this and the mix of short- and long-term performance criteria, we believe that our executives are not

incentivized to employ disproportionately risky growth strategies.

Furthermore, the Compensation Committee s independent compensation consultant evaluates and advises the Compensation Committee as to the design and risk implications of our incentive plans and other aspects of our compensation programs to ensure that the mix of compensation, the balance of performance metrics and the overall compensation framework all support our short- and long-term objectives.

ITEM 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to audit the Company s financial statements. The Audit Committee has selected KPMG LLP (KPMG) to serve as our independent registered public accounting firm for 2015.

Although ratification is not required by our bylaws or otherwise, the Board is submitting the selection of KPMG to our shareholders for ratification because we value our shareholders views on the Company s independent registered public accounting firm. If our shareholders fail to ratify the selection, it will be considered notice to the Board and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

KPMG has continuously served as the independent registered public accounting firm of the Company (including The St. Paul Companies, Inc. (St. Paul)

and its subsidiaries prior to its merger with Travelers Property Casualty Corp. (TPC) that formed the Company (the Merger)) since 1968 and of TPC and its predecessors from December 1993 until the Merger.

As part of the evaluation of its independent registered public accounting firm, the Audit Committee periodically considers whether there should be a regular rotation of the independent registered public accounting firm. In addition, in conjunction with the mandated rotation of the independent registered public accounting firm s lead engagement partner, the Audit Committee and the Audit Committee Chairman are directly involved in the selection of KPMG s lead engagement partner. The Audit Committee and the Board of Directors believe that the continued retention of KPMG to serve as the Company s independent registered public accounting firm is in the best interests of the Company and its shareholders.

Representatives of KPMG are expected to be present at the Annual Meeting. They also will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Audit and Non-Audit Fees

In connection with the audit of the 2014 financial statements, we entered into an agreement with KPMG which set forth the terms by which KPMG would perform audit services for the Company.

The following table presents fees for professional services rendered by KPMG for the audit of our financial statements for 2014 and 2013 and fees billed for other services rendered by KPMG for those periods:

	2014	**2013**
Audit fees(1)	$8,783,400	$ 8,933,600
Audit-related fees(2)	753,100	935,100
Tax fees(3)	411,600	551,900
All other fees		
Total:	$9,948,100	$10,420,600

(1) Fees paid were for audits of financial statements, reviews of quarterly financial statements and related reports and reviews of registration statements and certain periodic reports filed with the SEC.

(2) Services primarily consisted of audits of employee benefit plans, actuarial attestations and reports on internal controls not required by applicable regulations.

(3) Tax fees related primarily to tax return preparation and assistance services and occasionally to domestic and international tax compliance related services.

The Audit Committee of the Board considered whether providing the non- audit services shown in this table was compatible with maintaining KPMG s independence and concluded that it was.

Consistent with SEC policies regarding auditor independence and the Audit Committee s charter, the Audit Committee has responsibility for appointing, setting compensation for and reviewing the performance of the independent registered public accounting firm. In exercising this responsibility, the Audit Committee preapproves all audit and permitted non-audit services provided by the independent registered public accounting firm. Each year, the Audit

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Committee approves an annual budget for such permitted non-audit services and requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year. The Audit Committee has authorized our Chief Auditor to approve KPMG s commencement of work on such permitted services within that budget, although the Chair of the Audit Committee must approve any such permitted non-audit service within the budget if the expected cost for that service exceeds $100,000. During the year, circumstances may arise that make it necessary to engage the independent registered public

accounting firm for additional services that would exceed the initial budget. The Audit Committee has delegated the authority to the Chair of the Audit Committee to review such circumstances and to grant approval when appropriate. All such approvals are then reported by the Audit Committee Chair to the full Audit Committee at its next meeting.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2015.

Report of the Audit Committee

The Audit Committee operates pursuant to a charter which is reviewed annually by the Audit Committee. Additionally, a brief description of the primary responsibilities of the Audit Committee is included under the heading Board of Directors Information Audit Committee in this Proxy Statement. Under the Audit Committee charter, management is responsible for the preparation, presentation and integrity of the Company s financial statements, the application of accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for auditing the Company s financial statements and expressing an opinion as to their conformity with U.S. generally accepted accounting principles. In addition, the independent registered public accounting firm is responsible for auditing and expressing an opinion on the Company s internal controls over financial reporting.

In the performance of its oversight function, the Audit Committee reviewed and discussed the audited financial statements of the Company with management and with the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public

accounting firm the matters required to be discussed by applicable standards adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence, and discussed with the independent registered public accounting firm their independence.

Based upon the review and discussions described in the preceding paragraph, the Audit Committee recommended to the Board that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC.

Submitted by the Audit Committee of the Company s Board of Directors:

John H. Dasburg (Chair)
Alan L. Beller
Janet M. Dolan
Patricia L. Higgins
Thomas R. Hodgson
William J. Kane

ITEM 3 NON-BINDING VOTE TO APPROVE EXECUTIVE COMPENSATION

The Company is requesting that shareholders vote, on a non-binding basis, to approve the compensation of our named executive officers as disclosed on pages 29 - 72. The Company currently intends to hold such votes annually. The next such vote will be held at the Company s 2016 Annual Meeting of Shareholders. While the Board intends to consider carefully the results of this vote, the final vote is advisory only and is not binding on the Company or the Board.

The language of the resolution is as follows:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and related narrative discussion, is hereby APPROVED.

As described in this Proxy Statement, our executive compensation programs are structured consistent with our longstanding pay-for-performance philosophy and utilize performance measures that are intended to align compensation with the creation of shareholder value and to reinforce a long- term perspective. Among other things:

***A substantial majority of named executive officer compensation is performance-based, where vesting or the realization of value depends on operational results and/or changes in shareholder value over time*.**	
• For the 2014 performance year, approximately 95% of total direct compensation (salary, bonus and equity) for our CEO was performance-based, compared to the average for Compensation Comparison Group CEOs of 85% for the most recent year data was available (as shown in the chart on page 39).	
• Our compensation program de-emphasizes other non-performance- based elements of compensation like pension benefits and perquisites.	

***Consistent with our pay-for-performance philosophy, while our compensation structure has been consistent over time, actual compensation has varied from year to year, based on results*.**	
• Increases or decreases in total direct compensation generally correlate with changes in operating return on equity over the past six performance years and in some years compensation varied significantly from prior years (as shown in the chart on page 34).	
• 2014 financial performance was generally consistent with 2013 financial performance and, as a result, the Compensation Committee awarded bonuses for the named executive officers that were generally consistent with 2013 bonuses and equity awards that were consistent with 2013 awards.	

We have generated top tier results for our shareholders over time.	
• The 2014 Overview in the Compensation Discussion and Analysis highlights the Company s strong absolute and relative results in 2014 and over time that the Compensation Committee considered in making its compensation decisions.	

• The performance of the Company over the past seven years (that is, from before the financial crisis through 2014) compares favorably to our Compensation Comparison Group based on a number of financial measures (as shown in the chart on page 36).	
• For that seven-year period, our total shareholder return was greater than every member of the Compensation Comparison Group (as shown in the chart on page 36).	

We believe that our strong performance in 2014 and over time has been the result of the continued successful execution of our long-term strategy, including proactive steps taken in the past several years to improve profitability. Further, we believe that our executive compensation program supports this strategy by encouraging our CEO and other named executive officers to focus on appropriate drivers of long-term, sustainable shareholder value.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF NAMED EXECUTIVE OFFICER COMPENSATION.

COMPENSATION DISCUSSION AND ANALYSIS

2014 Overview

The following section summarizes a number of the key performance highlights in 2014 and how that performance impacted the amount of variable compensation awarded in February 2015 to the named executive officers with respect to the 2014 performance year.

Highlights of 2014 Achievements

In 2014, the Company again substantially increased its underwriting profits and, for the second consecutive year, achieved both record net and operating income per share* and a return on equity of 14.6% and an operating return on equity* of 15.5%. Net and operating income per share, as well as operating return on equity, significantly exceeded the goals in the Company s 2014 financial plan, which was approved by the Board prior to the start of the year. In addition, notwithstanding catastrophe losses that exceeded catastrophe losses in 2013 by over $100 million (pre-tax), net income of approximately $3.7 billion and operating income* of approximately $3.6 billion produced per share income that, in each case, increased approximately 10% or more from 2013 results.

These strong results reflected, in significant part, the continued successful execution of the Company s long-term strategy to improve profitability and earn superior returns. Beginning in 2010 and continuing through 2014, the Company has taken a number of actions in response to the persistent low interest rate environment and the risk of continued high levels of severe weather in the United States. These actions have included: using the Company s advanced data and analytics to selectively and actively increase premium rates on accounts up for renewal, particularly those not meeting our profitability thresholds, while at the same time retaining our most profitable business; improving terms and conditions; and tightening underwriting guidelines. As described further below, these actions have resulted in significantly improved underlying underwriting margin*, with 2014 after-tax underlying underwriting margin of $1.430 billion, twice what it was in 2010.

The Company achieved these 2014 results in spite of the difficult interest rate environment in which it continued to operate. Ten-year treasury rates declined throughout 2014 and, consistent with recent periods,

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* For a definition of these terms and a reconciliation to GAAP measures, see Reconciliation of Non-GAAP Measures to GAAP Measures and Selected Definitions on page 83.

were at or near historically low levels, resulting in a further reduction in interest income from the reinvestment of the Company s maturing fixed income investments. Nevertheless, the Company s success in increasing its underlying underwriting margin more than made up for this shortfall.

In assessing the Company s performance, the Compensation Committee took into account the following strategic and operational achievements, among others:

- the Company s highly coordinated and effective execution of its business strategy, resulting in strong underwriting performance;

- the Company s strategic actions to respond to competitive changes in the personal auto insurance market, particularly the introduction and marketplace success of a new private passenger automobile product, Quantum Auto 2.0;

- continued strong investment performance, especially in light of very low interest rates;

- further implementation of a strategy seeking to selectively and thoughtfully improve the performance of the Company s international business, including through the integration of the Company s newly-acquired operations in Canada and the increased use of advanced data and analytics in the U.K.; and

- continued effective and disciplined expense management and underwriting risk management.

In particular, the Committee noted that many of these strategic and operational achievements significantly contributed to the financial performance highlights described below.

Highlights of 2014 Financial Performance

The Company s consistent and articulated financial strategy has been to create shareholder value and to earn a top tier operating return on equity by: (1) generating significant earnings; and (2) maintaining a balanced approach to capital management, including growing book value per share over time and returning to shareholders capital not needed to support the Company s business. The Company strives to generate earnings from both its insurance operations and its investments, leveraging what it believes are its competitive advantages.

The Company continued to successfully execute its long-term financial strategy in 2014, as demonstrated by the following financial metrics.

- **Achieved Significantly Improved Profitability Through Active Use of Data and Analytics.** In 2014, the Company continued its strategy in its commercial insurance businesses of analyzing its business on an account-by-account or class-by-class basis using highly granular data and analytics with the objective of retaining its best performing business while seeking rate increases where needed. As a result, the Company continued to achieve significant rate increases, particularly on accounts not meeting profitability thresholds, and at the same time maintained strong retention levels. The execution of this strategy, which started in 2010, has resulted in improved pricing and underwriting profitability, as illustrated by the chart below of the most recent five years of our after-tax (1) underwriting margin or underwriting gain (loss) and (2) underlying underwriting margin, which is our underwriting margin excluding the impact of catastrophes and net favorable prior year reserve development.

- **Achieved a Superior Return on Equity.** In 2014, the Company produced a return on equity of 14.6% and an operating return on equity of 15.5%, the second consecutive year in which returns were at a mid-teens level. The Company s 2014 return on equity exceeded approximately two-thirds of the property and casualty companies in our Compensation Comparison Group (described on pages 38 and 39 of this proxy statement). In addition, in contrast to the Company s 2014 return on equity of 14.6%, the average return on equity for the domestic property and casualty industry in 2014 was approximately 7%, as estimated by the Insurance Information Institute. This outperformance continues a consistent trend for the Company, which started before the financial crisis. As demonstrated by the following chart, the Company s return on equity has meaningfully exceeded the estimated average return for the industry in each of the past nine years.

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- **Increased Book Value Per Share and Returned Significant Excess Capital to Our Shareholders.** During 2014, the Company increased book value per share by 10% and adjusted book value per share, which excludes unrealized gains and losses on investments, by 7%. Over the last decade, the compound annual growth rate of the Company s book value per share was over 9%. The Company was able to achieve this significant book value growth while, at the same time, returning substantial capital to shareholders. Since the repurchase program was first authorized in 2006, the Company has returned $30.7 billion of capital to shareholders through share repurchases and dividends, an amount that (1) exceeds the Company s market capitalization at the time the repurchase program was first authorized in 2006 and (2) is greater than the capital returned by any other member of the Compensation Comparison Group. During 2014, the Company returned to shareholders over $4 billion through approximately $3.3 billion of share repurchases and $735 million of dividends.

- **Achieved Superior Total Return to Shareholders Over Time.** Strong financial results have led to superior returns, including total return to shareholders over time (measured as the change in stock price plus the cumulative amount of dividends, assuming dividend reinvestment).

- For the seven-year period beginning just prior to the financial crisis and ending on December 31, 2014, our total shareholder return was greater than every member of our Compensation Comparison Group.

- For the one-year period ended December 31, 2014, our total shareholder return was 20%, which placed the Company above the 75th percentile of the Compensation Comparison Group.

Moreover, in each of the periods mentioned above, the Company s total shareholder return exceeded the return on the Dow Jones Industrial Average (the Dow 30 Index, of which the Company is a member) and the S&P 500 Index.

The chart below shows total shareholder return for the period beginning January 1, 2007 and ending on December 31, 2014. For each year on the chart, total return is calculated with January 1, 2007 as the starting point and December 31 of the relevant year as the ending point.

In contrast to many other membvners of the Compensation Comparison Group, the Company s absolute level of shareholder returns over recent years reflected consistent strong performance rather than a recovery from a significant decline during the financial crisis. One-third of the Compensation Comparison Group members still had stock prices at the end of 2014 that were below what they were prior to the financial crisis. For example, as of year-end 2014, the stock price of one company in our Compensation Comparison Group had increased more than 1000% from its financial crisis low but was still more than 50% *below* its high at the end of 2007. In contrast, the Company s stock price, by the end of 2014, was almost 97% *higher* than its level at the end of 2007.

In assessing total shareholder return, the Compensation Committee generally gives greater weight to performance over a longer period of time, as a long-term perspective is necessary to execute the Company s strategy, particularly in light of the inherent potential in the property and casualty insurance industry for results to vary significantly year-to-year.

- For the five-year and three-year periods ended December 31, 2014, we generated total shareholder returns of 142% and 93%, respectively, placing the Company at the 55th and 36th percentile, respectively, of our Compensation Comparison Group in each period.

Pay for Performance Philosophy and 2014 Compensation Decisions

Our compensation program, the objectives and structure of which have been stable over time, is designed to reinforce a long-term perspective and to align the interests of our executives with those of our shareholders. A long-term perspective is especially vital in the property and casualty insurance industry, where the periodic occurrence of catastrophes, changes in estimates of costs for claims and other economic conditions have historically produced results that vary significantly when measured year-to-year.

Consistent with the Company s longstanding pay-for-performance philosophy, the Compensation Committee believes that, when we generally exceed our performance goals and the named executive officers individually perform at superior levels in achieving that performance, total compensation for these executive officers should be set at superior levels compared to the compensation levels for equivalent positions in our Compensation Comparison Group. When we do not generally exceed our performance goals or the named executive officers individually do not perform at superior levels, total compensation for these executives should be set at lower levels. In addition, to a greater extent than many of the companies included in our Compensation Comparison Group, a substantial majority of the ultimate value of our named executive officer compensation is driven by performance as measured by operating results and/or changes in shareholder value over time.

With respect to its 2014 compensation decisions, the Compensation Committee concluded that, based on the achievements discussed above, among other factors, the Company and the named executive officers had performed at superior levels on both an absolute and relative-to-peer basis. The Compensation Committee took into account that the Company s strong 2014 results were driven in significant part by the proactive steps taken by management over the past several years to improve profitability. In addition, the Committee noted the Company s strong total return to shareholders, particularly over the long-term, and the Company s performance meaningfully in excess of applicable targets in its 2014 financial plan.

In assessing 2014 results, the Compensation Committee contrasted the Company s financial results in 2014 with those in 2013, years in which overall earnings were generally similar, operating return on

equity was the same and there were no catastrophe losses from hurricanes. The Company s earnings per share in 2014 were significantly higher than in 2013, due in large part to: (1) the favorable impact of the Company s capital management through its share repurchase program; and (2) higher underlying underwriting margin. Based on the foregoing comparisons, the Compensation Committee concluded that the Company s 2014 performance generally equaled or exceeded its performance in 2013.

Considering all of these factors, in February 2015, the Compensation Committee decided to award variable compensation (annual bonus and long-term stock incentives) for the 2014 performance year that was comparable to 2013 compensation. In recognition of our superior comparative performance during 2014 and over time relative to market indices and the Compensation Comparison Group, this was also intended to position total direct compensation for the CEO and the other named executive officers as a group significantly above the median (in the top quartile) of the Compensation Comparison Group (based on 2013 compensation data, the most recent year for which public information was available).

Specifically, the Compensation Committee made the following compensation decisions with respect to the 2014 fiscal year:

- The annual cash bonus paid to the CEO for the 2014 performance year was equal to that paid for the 2013 performance year, and the average annual cash bonus paid to the other named executive officers as a group for the 2014 performance year was slightly higher (1.5%) than 2013.

- The grant date fair value of stock-based long-term incentive compensation awarded to the CEO and the average grant date fair value of stock-based long-term incentive compensation awarded to the other named executive officers for the 2014 performance year was, in each case, equal to the values awarded for 2013.

In addition, the Compensation Committee decided not to increase the base salaries for the named executive officers. The base salary for the CEO has remained unchanged since 2001.

Link Between Pay and Performance Over Time

While the objectives and structure of our compensation program have been stable over time, compensation levels for each performance year have often increased or decreased meaningfully from year to year based on Company performance.

Relationship between CEO Compensation and Operating Return on Equity

The following two charts illustrate the directional relationship between total direct compensation for the CEO and Company performance, as reflected by operating return on equity, with respect to the past six performance years (PY).

As indicated below, compensation levels vary significantly from year to year and correlate with returns.

Further, as explained under Objectives of Our Executive Compensation Program , the Compensation Committee believes that compensation levels should encourage a long-term perspective, and, therefore, while catastrophe losses (CATs) should impact compensation levels, compensation levels should not be as volatile, from year-to-year, as changes in financial results due to catastrophe losses.

(1) The adjustment to the chart is intended to facilitate a year-to-year comparison of recent operating return on equity (ROE) by showing operating ROEs both as reported and as adjusted to reflect a consistent level of catastrophe losses (in this case, $793 million, the average annual catastrophe losses (after tax) for the six-year period presented). Actual catastrophe losses per period are presented on page 85 of this Proxy Statement.

(2) Return on Equity as reported for the six-year period was as follows:

PY2009	PY2010	PY2011	PY2012	PY2013	PY2014
13.5%	12.1%	5.7%	9.8%	14.6%	14.6%

Differences between total direct compensation for each performance year presented above and the information included in the Company s Summary Compensation Table is discussed further below under Total Direct Compensation for 2012-2014 (Supplemental Table) and Differences Between this Supplemental Table and the Summary Compensation Table on page 53.

Use of Operating Return on Equity and Other Metrics

While the Compensation Committee evaluates a broad range of financial and non-financial metrics in awarding performance-based annual cash bonuses, operating return on equity, in particular, is a principal factor in our Compensation Committee s evaluation of the Company s performance. Moreover, as discussed below, the number of performance shares that a named executive officer will receive upon vesting, if any, depends on the Company s attainment of specific financial goals related to operating return on equity.

The Committee believes that operating return on equity should not be viewed as a single metric. Rather, by being a function of both (1) operating income and (2) shareholders equity (excluding unrealized gains and losses on investments), operating return on equity reflects a number of separate areas of financial performance related to both the Company s income statement and balance sheet. Accordingly, senior executives, as well as other employees with management responsibility, are encouraged to focus on multiple performance objectives that are important for creating shareholder value, including the quality and profitability of our underwriting and investment decisions, the pricing of our policies, the effectiveness of our claims management and the efficacy of our capital and risk management.

As noted above, in addition to operating return on equity, the Compensation Committee also reviews a broad range of other financial and non-financial metrics, particularly with respect to the administration of the Company s performance-based annual cash bonus program. As discussed further below, in determining annual cash bonuses to be paid to the named executive officers, the Compensation Committee evaluates the Company s performance with respect to a wide range of metrics included in the financial plan approved by the Board, including, among others, operating income and operating income per share along with other metrics that contribute to those results, such as written and earned premiums, investment income, insurance losses and expense management. In evaluating performance against the objectives, however, the Compensation Committee did not use a formula or pre-determined weighting, and no one objective was individually material other than operating return on equity.

The Compensation Committee believes that a formulaic approach to compensation, particularly in the property and casualty insurance industry, could result in unintended consequences and is not an appropriate substitute for the Compensation Committee s thorough deliberation and business judgment. The Compensation Committee s current approach allows it to appropriately assess the quality of performance results and ensures that executives are not unduly rewarded, or disadvantaged, based purely on mechanical formulas.

In addition to the metrics discussed above, the Compensation Committee also reviews book value per share growth over time in light of the Company s objective, discussed above, to create shareholder value by generating significant earnings and taking a balanced approach to capital management. However, because (1) book value can be volatile due to, among other things, the impact of changing interest rates on the fair value of the Company s fixed-income portfolio and (2) the Company s capital management strategy also emphasizes returning excess capital to shareholders, the Compensation Committee does not set a specific target for book value per share growth. Further, while it evaluates changes in book value per share in the context of overall results, the Company does not believe such changes, by themselves, are always the most meaningful indicators of relative performance.

Relationship between CEO Compensation and Relative Performance over the Last Seven Years of Available Data

The following chart demonstrates the Company s performance as compared to the other companies in its Compensation Comparison Group over the seven-year period ended December 31, 2014 based on a number of different metrics that the Compensation Committee believes are relevant to consider in assessing performance over time. While the Committee considers both absolute and relative performance in respect of all of these metrics, no one metric is conclusive, especially given that differences in industry, business mix and capital structure can impact comparability.

The chart also shows our CEO s total compensation compared to total compensation paid to the CEOs of our Compensation Comparison Group for the seven-year period from 2007 through 2013, the most recent seven years for which comparative compensation information was available when the Compensation Committee approved this report.

The Compensation Committee viewed seven years as a relevant measurement period because the starting point would be prior to the most disruptive year of the financial crisis, and, thus, comparisons would be more meaningful for evaluating sustained performance over the long-term.

For purposes of this chart, total compensation reflects total compensation as reported in the summary compensation tables in the Company s and the peer group s proxy statements prepared for the relevant years. Return of Capital is the cumulative amount of dollars spent on share repurchases and cash dividend payments over the specified time period. For a definition of some of the other terms used in the chart below, see Reconciliation of Non-GAAP Measures to GAAP Measures and Selected Definitions on page 83 of this Proxy Statement.

Objectives of Our Executive Compensation Program

The Compensation Committee has approved the following five primary objectives of our executive compensation program.

1. Link compensation to the achievement of our short- and long-term financial and strategic objectives

The Compensation Committee believes that a properly structured compensation system should measure and reward performance on multiple bases. To ensure an appropriate degree of balance in the program, the compensation system is designed to measure short- and long-term financial and operating performance, the efficiency with which capital is employed in the business, the effective management of risk, the achievement of strategic initiatives and the individual performance of each executive.

The Compensation Committee further believes that an executive s total compensation opportunity should be commensurate with his or her position and level of responsibility. Accordingly, the proportion of total compensation that is performance-based increases with successively higher levels of responsibility. Thus, the senior-most executives, who are responsible for the development and execution of our strategic and financial plans, have the largest portion of their compensation tied to performance-based incentives, including equity-based compensation, the ultimate value of which is completely or partly dependent on changes in stock price and operating return on equity.

In evaluating the Company s overall performance, the Compensation Committee recognizes that our business is subject to events outside of management s control, including natural and man-made catastrophic events, and takes those events into account when awarding compensation. The Compensation Committee believes that, while the impact of catastrophes in any given year can produce significant volatility, management should be focused on achieving the Company s long-term strategic goals. As a result, although the Compensation Committee believes that the impact of catastrophes on the Company s financial results should be reflected in its executive compensation decisions, the Compensation Committee does not believe it is appropriate for compensation levels to be subject to as much volatility year-to-year as may be caused by actual catastrophes.

2. Provide competitive compensation opportunities to attract, retain and motivate high-performing executive talent

Our overall compensation levels are designed to attract and retain the best executives in light of the competition for executive talent. In addition, the Compensation Committee believes that, when we generally exceed our performance goals and the named executive officers individually perform at superior levels in achieving that performance, total compensation for these executive officers should be set at superior levels compared to the compensation levels for equivalent positions in our Compensation Comparison Group. When we do not generally exceed our performance goals or the named executive officers individually do not perform at superior levels, total compensation for these executives should be set at lower levels.

The Compensation Committee may also take into account other relevant facts and circumstances in awarding compensation in order to attract, retain and motivate high-performing talent.

3. Align the interests of management and shareholders by paying a substantial portion of total compensation in equity-based incentives and ensuring that executives accumulate meaningful stock ownership stakes over their tenure

The Compensation Committee believes that the interests of executives and shareholders should be aligned. Accordingly, a significant portion of the total compensation for the named executive officers is in the form of stock-based compensation. The components of stock-based compensation granted to the named executive officers in 2014 and 2015 were stock options and performance shares. In addition, as discussed below, senior executives are expected to achieve specified stock ownership targets prior to selling any stock acquired upon the exercise of stock options or the vesting of performance shares or restricted stock units. Both the portion of total compensation attributable to stock-based programs and the expected level of executive stock ownership increase with successively higher levels of responsibility.

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4. Maximize, to the extent equitable and practicable, the financial efficiency of the overall compensation program from tax, accounting, cash flow and share dilution perspectives

We make reasonable efforts to maximize the tax deductibility of all elements of compensation. Section 162(m) of the Internal Revenue Code prohibits us from deducting compensation in excess of $1 million paid to most of the named executive officers unless specified requirements are met, including that such amounts be considered qualified performance-based compensation under Section 162(m). The Compensation Committee may also approve compensation that does not qualify for a deduction under Section 162(m) if it determines that it is appropriate to do so in light of other competing interests and goals, such as the attraction and retention of key executives.

As part of the process of approving the initial design of incentive plans, or any subsequent modifications made to such plans, and determining awards under the plans, the Compensation Committee also evaluates the aggregate economic costs and dilutive impact to shareholders of such compensation, the expected accounting treatment and the impact on our financial results. The Compensation Committee attempts to balance the various financial implications of each program to ensure that the system is as efficient as possible and that unnecessary costs are avoided.

5. Reflect established and evolving corporate governance standards

The Compensation Committee, with the assistance of our Human Resources Department and the Committee s independent compensation consultant, stays abreast of current and developing corporate governance standards and trends with respect to executive compensation and adjusts the various

elements of our executive compensation program, from time to time, as it deems appropriate. As a result of this process, the Compensation Committee has adopted the following practices, among others:

What We DO:
• Maintain robust share ownership requirement
• Maintain a clawback policy with respect to cash and equity incentive awards to our executive officers
• Prohibit hedging transactions as specified in the Securities Trading Policy
• Prohibit pledging without the consent of the Company (no pledges have been made)
• Engage in outreach and maintain a dialogue with shareholders relating to the Company s governance and compensation practices.
What We DO NOT Do:

• No excise tax gross up payments in the event of a change in control
• No tax gross up payments on perquisites for named executive officers
• No repricing of stock options and no buy-out of underwater options
• No excessive or unusual perquisites
• No dividends or dividend equivalents paid on unvested performance shares
• No above-market returns provided for in deferred compensation plans
• No guaranteed equity or bonuses for named executive officers

For a description of the duties of the Compensation Committee and its use of an independent compensation consultant, see Board of Directors Information Compensation Committee on page 11 of this Proxy Statement.

Compensation Comparison Group

The Compensation Comparison Group includes (1) our key competitors in the property and casualty insurance industry and (2) general financial services and life and health insurance companies that in general are of relatively similar size and complexity. We regard these general financial services and life and health insurance companies as potential competition for executive talent. The Compensation Comparison Group has not changed since 2009; however, the Compensation Committee reviews the composition of

our peer group annually to ensure that the companies constituting the peer group continue to provide meaningful and relevant compensation comparisons.

The Compensation Comparison Group consisted of the following companies in the property and casualty insurance business:

- ACE Ltd.

- Allstate Corporation
- Chubb Corporation
- Hartford Financial Services Group
- Progressive Corporation

The Compensation Comparison Group also included the following general financial services and life and health insurance companies:

- Aetna, Inc.
- American Express
- CIGNA Corporation
- Manulife Financial Corporation
- MetLife Inc.
- Prudential Financial Inc.

As of December 31, 2014, the Company was in approximately the 45th percentile of the Compensation Comparison Group based on assets, the 36th percentile based on revenues and the 55th percentile based on market capitalization.

Compensation Elements

We deliver executive compensation through a combination of base salary and performance-based compensation consisting of an annual cash bonus and stock- based, long-term incentive awards. We also provide benefits and modest perquisites.

Total direct compensation for a performance year consists of base salary, annual cash bonuses earned and long-term stock-based incentive awards granted to our named executive officers in February of each year with respect to their performance in the prior year.

Consistent with recent years, the Compensation Committee has determined that the allocation of compensation between performance-based annual cash bonus and stock-based long-term incentives should be somewhat more heavily weighted towards cash bonus as compared to our Compensation Comparison Group. The Compensation Committee believes that this allocation is appropriate in light of the fact that a higher percentage of the named executive officers total compensation (and total direct compensation) is performance-based as compared to the peer average and peer median of the Compensation Comparison Group. In particular, unlike a number of other companies in our Compensation Comparison Group, equity awards made to the named executive officers are all performance- based. In addition, a smaller portion of our compensation opportunity is delivered through non-performance-based pension benefits and perquisites. Awards of stock-based compensation are in the form of stock options and performance shares. Because our performance shares only vest if adjusted return on equity thresholds are met, and because options provide value only if our stock price appreciates, the Compensation Committee believes that such compensation is all performance-based; that

is, the compensation awarded to our CEO and other named executive officers does not include awards, such as restricted stock, where compensation is earned solely due to the passage of time without regard to performance.

The following chart illustrates the mix of performance-based compensation to non-performance-based compensation of our CEO compared to the CEOs of our Compensation Comparison Group.

(1) Travelers CEO Pay Mix reflects the pay mix of total direct compensation for the 2014 performance year, as reported in the Supplemental Table on page 53 of this Proxy Statement.

(2) Peer Average CEO Pay Mix reflects the pay mix of total direct compensation for our Compensation Comparison Group for their 2013 performance year (the most recent year for which data was publicly available) and was calculated for the Compensation Committee by its independent compensation consultant. As part of that calculation, the independent compensation consultant annualized special non-recurring

long-term incentive grants (for example, new hire, retention and promotion awards) to reflect an estimate of per year value.

Total Direct Compensation

The following table sets forth the composition of total direct compensation for the CEO and our other named executive officers for the 2014 performance year:

Compensation Element	Percentage of Total Direct Compensation of CEO	Percentage of Average Total Direct Compensation of Other NEOs
Current Base Salary	5.1%	11.3%
Performance-Based Annual Cash Bonus	38.5%	49.0%
Performance-Based Long-Term Stock Incentives	56.4%	39.7%

Base Salary

The Compensation Committee generally sets base salary for executive officers at a level that is intended to be on average at, or near, approximately the 50th percentile for equivalent positions in our Compensation Comparison Group. This positioning is targeted because, among other things, it helps us to attract and retain high-quality talent and enables us to grant the substantial majority of our named executive officers compensation in the form of variable performance-based compensation.

Individual salaries may range above or below the median based on a variety of factors, including the potential impact of the executive s role at the Company, the terms of the executive s employment agreement, if any, the experience the executive brings to the position and the performance and potential of the executive in his or her role. Base salaries are reviewed annually, and adjustments are made from time to time as the Compensation Committee deems appropriate to recognize performance, changes in duties and/or changes in the competitive marketplace.

Further, because salaries for executive officers are typically changed infrequently, at the time the

Compensation Committee increases the salaries of executives who have not received an increase in several years, such salaries on average may, initially and for a period of time following such increases, be higher than the 50th percentile of our Compensation Comparison Group indicated by the most recently available data on the basis that over time the average is expected to be at, or near, approximately the 50th percentile.

In February 2015, the Compensation Committee did not make any changes to the base salaries for the named executive officers. The Committee last changed base salaries for Mr. Benet, Mr. Heyman and Mr. Schnitzer in April 2013 and for Mr. MacLean in July 2012. The base salary for the CEO has remained unchanged since 2001. For 2014, the base salaries paid to named executives as a group were at approximately the 70th percentile of our Compensation Comparison Group (but only approximately 6.7% more than the median dollar amount) based on the most recently available data as provided by the independent compensation consultant. The CEO s 2014 base salary of $1,000,000 was at approximately the 10th percentile of our Compensation Comparison Group.

Performance-Based Annual Cash Bonus

The named executive officers are eligible to earn performance-based annual cash bonuses under the Senior Executive Performance Plan, a plan approved by our shareholders in 2002. The annual bonuses are based upon the individual performance of each executive as well as that of the Company as a whole. These bonuses are intended to motivate and promote the achievement of our operating performance objectives and strategic initiatives that are important to our success, as well as individual contributions toward those ends.

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In determining bonuses under the Plan, the Compensation Committee takes the following steps, as described in the various sections below:

1.	Determine maximum pool of bonuses that can be awarded under the Plan as performance-based compensation under Section 162(m) of the Internal Revenue Code, as described below under *Description of Senior Executive Performance Plan and Maximum Pool*; and	
2.	Determine the extent to which the Committee should exercise negative discretion and award amounts less than maximum permitted under the Plan. In exercising this discretion and setting the amount of bonuses, the Committee:	
	•	Considers multiple factors, using its business judgment, as described below under *Factors Considered in Awarding 2014 Bonuses*; and
	•	Focuses on, among other things, the Company s performance in respect of multiple financial metrics that were included as part of the 2014 financial plan, in particular targets relating to operating return on equity. This is described below under *2014 Financial Metrics, Including Operating Return on Equity Target*.

Description of Senior Executive Performance Plan and Maximum Pool

The Senior Executive Performance Plan is designed to comply with the qualified performance-based compensation requirements of Section 162(m) of the Internal Revenue Code so that the annual bonus payments to named executive officers could be fully tax deductible. The Senior Executive Performance Plan contains a multi-metric formula that was approved by shareholders and that is used to determine the maximum amount of the annual bonus pool. The formula in the Senior Executive Performance Plan provides generally that, if our return on equity (determined by dividing (1) after-tax operating earnings, as defined in the Senior Executive Performance Plan, by (2) total common shareholders equity as of the beginning of the fiscal year, adjusted to exclude net unrealized appreciation or depreciation of investments) is greater than 8%, then the pool available to pay as qualified performance-based compensation under Section 162(m) will equal 1.5% of our after-tax operating earnings.

Because the amount of our after-tax operating earnings can generate a larger bonus pool than necessary for awarding bonuses consistent with the Compensation Committee s objectives, the Compensation Committee can exercise (and in the past has always exercised) its discretion to award less than the maximum amount that could have been awarded under the Plan as qualified performance-based compensation.

Performance-Year 2014 Bonuses Payable under the Senior Executive Performance Plan

As it has done in prior years, the Compensation Committee exercised its discretion to award less than the maximum amount that could have been awarded under the Plan as qualified performance-based compensation. As discussed below, the Compensation Committee awarded a total of $21.2 million in bonuses (being approximately 34% of the bonus pool under the Plan) to the named executive officers for the 2014 performance period.

Factors Considered in Awarding 2014 Bonuses

In determining the actual annual bonuses awarded, the Compensation Committee applied its business judgment and considered a number of factors, including:

- Company, business segment and/or investment results relative to the various financial measures set forth in our 2014 business plan that was established and approved by the Board at the end of 2013;
- the performance of the executive;
- compensation market practices as reflected by the Compensation Comparison Group in the most recent publicly available data;
- our performance relative to the companies in our Compensation Comparison Group along with other companies in the property and casualty industry, with a particular emphasis on operating return on equity; and
- past awards to the executive.

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In determining these bonuses, the Compensation Committee also considered additional qualitative factors, such as:

- the strategic positioning of the Company and the applicable business unit;
- the progress made on strategic initiatives, improving underlying underwriting profitability across the business segments and increasing the competitiveness of the Company s personal auto business;
- the effective management of expenses;
- the effective management of risk;
- the demonstration of leadership, teamwork and innovation; and
- the extent of accomplishment of the applicable business unit s business plan.

With regard to CEO performance, the Compensation Committee also considered his development of management depth and succession plans.

The achievement, or inability to achieve, any particular financial or operational measure in a given year neither guarantees nor precludes the payment of an award but is considered by the Compensation Committee as one of several factors in light of the other factors noted and any additional information available to it at the time, including market conditions in general. The Compensation Committee does not use a formula or assign any particular relative weighting to any performance measure. As discussed under Use of Operating Return on Equity and Other Metrics on page 35, the Compensation Committee believes that a formulaic approach to compensation is not appropriate in the property and casualty industry and is not an appropriate substitute for the Committee s thorough deliberation and business judgment as it would not allow the Compensation Committee to assess the quality of the performance results and could result in negative unintended consequences. For example, a formulaic bonus plan tied to revenue growth (common metrics used in formulaic bonus plans) could create an incentive for management to relax the Company s underwriting or investment standards to increase revenue and reported profit on a short-term basis, thereby driving higher short-term bonuses, but create excessive risk for shareholders over the longer term. This is of particular

concern in the property casualty insurance industry due to the fact that the cost of goods sold (i.e., the amount of insured losses) is not known at the time of sale and develops over time, in some cases many years.

However, as discussed below, the Compensation Committee generally weighs financial performance measures (particularly operating return on equity) and comparable compensation information more heavily than other factors. In particular, when assessing results, the Compensation Committee considers the Company s overall financial performance relative to prior years performance, the business plan and the performance of industry peers.

2014 Financial Metrics, Including Operating Return on Equity Target

In evaluating the foregoing factors, the Compensation Committee reviewed management s progress in meeting a broad range of financial and operational metrics included in the 2014 financial plan approved by the Board in December 2013. Of the various financial metrics evaluated by the Compensation Committee, the Committee considered operating return on equity to be the most important metric in its evaluation of the Company s performance, and it reviewed other metrics in light of their contribution to the Company s return on equity goals.

Operating Return on Equity Target. The Compensation Committee established in February 2014 specific targets for both: (1) operating return on equity; and (2) operating return on equity adjusted to exclude catastrophes and prior year reserve development related to asbestos and environmental coverages.

One of management s important responsibilities is to produce an appropriate return on equity for our shareholders and to develop and execute financial and operational plans consistent with our financial goal of achieving a mid- teens operating return on equity over time. The Compensation Committee also recognizes, however, the historic cyclicality of our business and that there may be times when the operating return on equity achievable in a given year is greater than, or less than, a mid-teens level. The targeted returns for 2014 reflected the expectation that interest rates would remain at historically low levels during the next several years. In addition, in evaluating the appropriateness of the targets set for return on equity, the Compensation Committee considers our return on equity relative to the Compensation Comparison Group and to the U.S.

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property and casualty industry generally and relative to our estimated cost of equity capital. This relationship to industry returns, over time, is described in the chart on page 31. As a result, when the Board approved our 2014 business plan, both management and the Board believed the plan to be reasonably difficult to achieve.

Notably, the Company s financial plan and thus its targets does not include any planned reserve development, positive or negative. The Company s actuarial estimates always reflect management s best estimates of ultimate loss as of the relevant date. As a result, when developing financial plans, the Company does not budget for, or target, prior year reserve development. In 2014, this, along with the plan assuming catastrophes at normalized levels, contributed to having targets in the 2014 plan that were somewhat lower than 2013 actual results, which included some positive reserve development and benefitted from a relatively low level of catastrophes. Targets in the 2014 plan, however, were meaningfully higher than targets in the 2013 plan.

In particular, the 2014 financial plan targeted: (1) an operating return on equity of 12.3%; and (2) an operating return on equity, adjusted to exclude catastrophes and prior year reserve development related to asbestos and environmental coverages, of approximately 14.9%. The adjustments to operating return on equity for prior year reserve developments related to asbestos and environmental coverages were made because, to a significant degree, those items relate to policies that were written decades ago and, particularly in the case of asbestos, arise to a significant extent as a result of court decisions and other trends that have attempted to expand insurance coverage far beyond what we believe to be the intent of the original parties. Accordingly, the financial impact is largely beyond the control of current management.

For 2014, our results compared to our targets were as follows:

- Our operating return on equity was 15.5%, which was significantly more than our target of 12.3%.
- Our adjusted operating return on equity, excluding catastrophes and prior year reserve development related to asbestos and environmental coverages, was 18.1%, which was significantly more than our target of 14.9%.

Other Financial Metrics. The Senior Executive Performance Plan is a multiple metric plan. In determining annual cash bonuses to be paid to the named executive officers, the Compensation Committee evaluates the Company s performance with respect to not only operating return on equity, but also a broad range of other financial metrics including, among other things, operating income and operating income per share and other metrics that contribute to those amounts, such as written and earned premiums, investment income, insurance losses and expense management. No one of these other financial metrics was individually material to 2014 compensation decisions.

The relevant targets were consistent with the 2014 financial plan approved by the Board at the end of 2013 and, in general, the Company s performance substantially exceeded those targets. The following table shows 2014 performance compared to a number of the 2014 performance metrics contained in the Company s financial plan and to 2013 actual results.

For all metrics below, 2014 actual results were higher than target and prior year, other than operating return on equity, which was 15.5%, the same as in the prior year.

Metric	2014 Actual	2014 Target	2013 Actual
Operating Return on Equity	15.5%	12.3%	15.5%
Adjusted Operating Return on Equity	18.1%	14.9%	17.7%
Operating Income	$3.64B	$2.80B	$3.57B
Operating Income Per Share	$10.55	$7.97	$9.46

Reasons for Performance in Excess of Financial Targets. The Compensation Committee believes that the Company s performance in 2014, which was substantially in excess of applicable targets, reflected among other things:

- solid underlying underwriting performance and improving profitability, including as the result of the Company s strategic actions, beginning in 2010 and continuing through 2014, to improve that profitability;
- catastrophe losses that were significantly below the historically high levels of a number of recent years and lower than amounts assumed in the 2014 financial plan;

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- favorable prior year reserve development not related to asbestos and environmental matters;
- solid investment performance, especially in light of historically low interest rates; and
- the favorable impact of the Company s capital management, particularly its share repurchase program.

In addition, the Compensation Committee believes the results reflect superior performance relative to the U.S. property and casualty industry as a whole. In particular, the Company s return on equity of 14.6% in 2014 meaningfully exceeded the average return on equity for domestic property and casualty insurance companies, of approximately 7%, as estimated by the Insurance Information Institute.

Amount of 2014 Annual Cash Bonuses

At its February 2015 meeting, the Compensation Committee considered the quantitative and qualitative factors described above and the substantial contributions made by the named executive officers in exceeding the 2014 targets described above. This included the strong absolute and relative performance described under 2014 Overview , including strong total returns to shareholders over time. The Compensation Committee believed that all of the named executive officers individually performed at superior levels and contributed substantially to our results. The Compensation Committee also placed significant weight on the fact that the executive officers, including the named executive officers, were highly effective working as a team. The cash bonus for the CEO in particular recognizes his Company and industry leadership, strategic vision and oversight of the successful implementation of the long-term strategy, his ability to attract, retain and motivate a strong senior management team and, more broadly, his cultivation of an effective corporate culture that prioritizes a proper balance of risk and reward. The cash bonus amounts for the other named executive officers recognize their superior individual performances and the scope of their respective responsibilities, which, in several cases, had significantly increased in recent years.

In light of the foregoing, the Compensation Committee determined in its judgment to award a cash bonus of $7.5 million to the CEO, which was the same as that awarded in 2013. In addition, as set forth in more detail on page 53 under Total Direct

Compensation for 2012-2014 , the Compensation Committee awarded an average cash bonus of $3.425 million to the other named executive officers. The bonuses for the other named executive officers were the same as 2013 except for an increase for one executive officer, who during the year assumed responsibility for the Business and International Insurance segment, the Company s largest business segment. The relative positioning of 2014 compensation versus 2013 compensation and the related rationale are described in more detail under 2014 Overview .

Given the Company s superior performance, the bonuses were also intended to position total direct compensation for the CEO and the named executive officers as a group significantly above the median (in the top quartile) of the Compensation Comparison Group (based on 2013 compensation data, the most recent data publicly available).

Performance-Based Long-Term Stock Incentives

As described below, 2014 performance-based long-term compensation was awarded to the named executive officers in the form of stock options and performance shares. Our stock-based long-term incentive awards are designed to further our goals described under Objectives of Our Executive Compensation Program , including ensuring that our executive officers have a continuing stake in our long-term success and manage the business with a long-term risk-adjusted perspective.

At its February 2014 meeting, the Compensation Committee granted the CEO stock-based long-term incentive awards with a grant date fair value of $11 million in respect of his 2013 performance. At the same meeting, the Compensation Committee granted the named executive officers (other than the CEO) stock-based long-term incentive grants of 3.5 times the base salary for those officers in effect at the end of the year. The Compensation Committee set the amounts of such incentive grants in order to position the total direct compensation of the CEO and other named executive officers as a group at levels that were meaningfully higher than 2012 levels and the same or somewhat higher than 2009 levels (a year in which catastrophe losses and earnings were generally similar to 2013). Given the Company s superior performance, these equity awards were also intended to position total direct compensation for the CEO and the named executive officers as a group significantly above the median (in the top quartile) of the Compensation Comparison Group.

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At its February 2015 meeting, the Compensation Committee granted the CEO stock-based long-term incentive awards with a grant date fair value of $11 million. At the same meeting, the Compensation Committee granted the named executive officers (other than the CEO) stock-based long-term incentive awards ranging from $2.625 million to $3.2375 million. The awards for the named executive officers (other than the CEO) were 3.5 times the base salary for those officers in effect at the end of the year. The Compensation Committee set the amounts of such incentive grants in order to position the total direct compensation of the CEO and other named executive officers as a group at levels that were consistent with 2013 levels. Given the Company s superior performance, these equity awards were also intended to position total direct compensation for the CEO and the named executive officers as a group significantly above the median (in the top quartile) of the Compensation Comparison Group (based on 2013 compensation data, the most recent data publicly available at the time of grant).

The ultimate value of stock-based long-term incentive awards at the time of vesting or, in the case of stock options, exercise may be greater than or less than the grant date fair value, depending upon our operating performance and changes in the value of our stock price. The grant date fair values of long-term incentive awards are computed in accordance with the accounting standards described in footnote (2) to the Summary Compensation Table on page 55.

The Compensation Committee, with advice from its independent compensation consultant, developed guidelines for the allocation of annual grants of equity compensation between performance shares and stock options. These allocations are intended to result in a mix of long-term incentives that is sufficiently performance-based and will result in: (1) a large component of total compensation being tied to the achievement of specific, multi-year operating performance objectives and changes in shareholder value (performance shares); and (2) an appropriate portion being tied solely to changes in shareholder value (options). Under the guidelines, the mix of long-term incentives for the named executive officers is approximately 60% performance shares and 40% stock options, based on the grant date fair value of the awards. The mix of long-term incentive compensation reflects the Compensation Committee s judgment as to the appropriate balance of these incentives to achieve its objectives. While the aggregate grant date fair values of equity awards granted to named

executive officers take into account both individual and Company performance, the mix of equity incentives does not. For details of the equity awards granted in calendar year 2014, refer to the Tabular Executive Compensation Disclosure Grants of Plan-Based Awards in 2014 on page 57.

Performance Shares

Under our program for granting performance shares, we may grant performance shares to certain of our employees who hold positions of vice president (or its equivalent) or above, including the named executive officers. These awards provide the recipient with the right to receive a variable number of shares of our common stock based upon our attainment of specified performance goals discussed below. The performance goals for performance share awards granted in 2014 and 2015 are based upon our attaining various adjusted returns on equity over three-year performance periods commencing January 1, 2014 and ending December 31, 2016 and commencing January 1, 2015 and ending December 31, 2017, respectively (in each case, Performance Period Return on Equity). Performance Period Return on Equity represents the average of the Adjusted Return on Equity for each of the three calendar years in the Performance Period Return on Equity. The Adjusted Return on Equity for each calendar year is determined by dividing Adjusted Operating Income by Adjusted Shareholders Equity for the year, as defined below.

Adjusted Operating Income , as defined in the Performance Share Awards Program, excludes the after-tax effects of:

- specified losses from officially designated catastrophes,
- asbestos and environmental reserve charges or releases,
- net realized investment gains or losses in the fixed maturities and real estate portfolios,
- extraordinary items, and

- restructuring charges and the cumulative effect of accounting changes and federal income tax rate changes, each as defined by GAAP, and each as reported in our financial statements (including accompanying footnotes and in management s discussion and analysis);

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and is then reduced by the after-tax dollar amount for expected normal catastrophe losses. In the first year of the performance period, such expected normal catastrophe losses are represented by a fixed amount set forth in the terms of the performance shares ($654 million for 2014). In the two subsequent years of the performance period, such fixed amount for catastrophes is adjusted up or down by formula to reflect any increases or decreases, as the case may be, in written premiums in certain catastrophe- exposed commercial and personal lines.

Adjusted Operating Income is also reduced by an amount reflecting the historical level of credit losses (on an after-tax basis) associated with our fixed income investments. The Compensation Committee believes this reduction of Adjusted Operating Income is appropriate because credit losses in our fixed income portfolio are part of reported net income but not operating income and thus, absent making this reduction, would not be reflected in Adjusted Operating Income . Specifically, for performance share awards granted in February 2014 and February 2015, the annual reduction is determined by multiplying a fixed factor (expressed as 2.25 basis points) by the amortized cost of the fixed maturity investment portfolio at the beginning of each quarter during the relevant year in the performance period and adding such amounts (on an after-tax basis) for each year in the performance period.

Adjusted Shareholders Equity for each year in the performance period is defined in the Performance Share Awards Program as the sum of our total common shareholders equity, as reported on our balance sheet as of the beginning and end of the year (excluding net unrealized appreciation or depreciation of investments and adjusted as set forth in the immediately following sentence), divided by two. In calculating Adjusted Shareholders Equity, our total common shareholders equity as of the beginning and end of the year is adjusted to remove the cumulative after-tax impact of the following items during the performance period: (1) discontinued operations and (2) the adjustments and reductions made in calculating Adjusted Operating Income.

The Compensation Committee selected Performance Period Return on Equity as the performance measure in the Performance Share Plan because the Compensation Committee believes it is the best measure of return to shareholders and efficient use of capital over a multi-year period, as described further

above under Link Between Pay and Performance Over Time .

The Compensation Committee seeks to establish the Performance Period Return on Equity standards such that 100% vesting requires a level of performance over the performance period that is expected to be in the top tier of the industry. In considering what would constitute such top tier performance over a future three-year period, the Compensation Committee considers recent and historical trends in operating return on equity of the United States property and casualty insurance industry, our Compensation Comparison Group and the Company, as well as current and expected underwriting and investment market conditions, our business plan and the Company s cost of equity capital. For example, the Committee noted in respect of the performance shares granted in 2015 that the Performance Period Return on Equity of 10% that is required for 100% vesting would meaningfully exceed the average return on equity for the domestic property and casualty industry of approximately 7%, as estimated by the Insurance Information Institute for 2014, a year in which there were relatively low catastrophe levels. Accordingly, while the Compensation Committee decided not to implement a formulaic calculation based on relative performance, which it believed could result in over or under compensation, it did set the Performance Period Return on Equity standards after considering the level of historical and expected performance that would constitute superior returns. See the chart on page 31, which shows historical returns on equity for the Company and the United States property and casualty insurance industry. In addition, in establishing the Performance Period Return on Equity standards shown in the chart below, the Compensation Committee also considered our financial goal of achieving an operating return on equity in the mid-teens over time and that such an operating return on equity would, in its view, be reasonably difficult to achieve over the next three-year period. The Committee also considered that, because the Company s actuarial estimates always reflect management s best estimates of ultimate loss as of the relevant date, the Company s future financial plans do not include any prior year reserve development, positive or negative.

For performance shares granted in 2014 and 2015, actual distributions are contingent upon our attaining Performance Period Return on Equity as indicated on the following chart. Performance falling between any of the identified points in the applicable chart below

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will result in an interpolated vesting (for example, a Performance Period Return on Equity of 14% will yield a vesting of 115%).

Performance Shares Granted in 2014 and 2015 (as compared to Performance Shares Granted in 2013): Performance Period Return on Equity Standards

	Vesting Percentage	Performance Period Return on Equity for Performance Shares Granted in 2014 and 2015	Performance Period Return on Equity for Performance Shares Granted in 2013
Maximum	150%	≥16.0%	N/A
	140%	15.5%	N/A
	130%	15.0%	≥14.0%
	120%	14.5%	13.5%
	110%	13.5%	12.5%
	100%	10.0%	9.0%
	75%	8.5%	8.0%
Threshold	50%	8.0%	7.0%
	0%	<8.0%	<7.0%

The performance shares are a long-term incentive intended to align a significant portion of our executives compensation with return on equity objectives over time. The Compensation Committee from time to time makes adjustments to the Performance Period Return on Equity standards for a year s awards when, at the time of grant, it determines that there have been significant changes in the returns that it expects should constitute top tier performance.

In 2014, the Compensation Committee made changes to the Performance Period Return on Equity standards to reflect changes in the operating environment and to better balance potential payouts and relative performance. In particular, the Committee decided that, due to the Company s success in improving underwriting margins and the somewhat improved interest rate environment, it was appropriate to increase Performance Period Return on Equity requirements for vesting at various levels. At the same time, the Committee also determined that operating and investment conditions, including very low interest rates and the higher level of catastrophes experienced in a number of recent years, were likely to continue to impact industry-wide returns adversely in the near to medium term. Consequently, the Compensation Committee believed that returns that would qualify as top tier performance over the following several years would continue to be somewhat lower as compared to longer-term historical levels.

As a result of these factors, for the performance shares granted in 2014, the Compensation Committee balanced its decision to make it more difficult to achieve vesting at 130% and levels below, with an increase in the vesting maximum for exceptionally strong performance. Accordingly, as indicated in the chart above, for the performance shares granted in 2014, the Compensation Committee increased the Performance Period Return on Equity required for 130% or less vesting by 100 basis points for almost each vesting level (for example, shares vest at 100% if Performance Period Return on Equity is 10% instead of 9%). At the same time, the Compensation Committee increased the maximum vesting level from 130% to 150%. This is similar to the maximum vesting level contained in 2010 awards and is in line with or lower than maximum vesting levels in performance shares of a number of our peers. This limit is intended to be set at a level that incentivizes exceptionally strong performance in light of anticipated market conditions but does not unduly reward named executive officers in the event that market conditions turn out to be even more favorable than expected.

For performance shares granted in 2015, the Compensation Committee decided not to make additional changes to the Performance Period Return on Equity standards. This decision reflected the fact that, as in 2014, the Compensation Committee believes that returns that qualify as top tier performance over the next several years will continue to be somewhat lower than longer-term historical levels. As in 2014, the Compensation Committee noted in 2015 that:

- interest rates were at or near historically low levels and, going forward, are expected to remain at very low levels for an extended period of time; and
- the Performance Period Return on Equity required for 100% vesting significantly exceeds the average return on equity for the domestic property and casualty industry for each of the last seven years as estimated by the Insurance Information Institute; it also exceeds the Company s estimated cost of capital.

In granting future awards, the Compensation Committee intends to continue to review Performance Period Return on Equity standards in light of the then current operating environment and will consider further adjustments if, among other reasons, investment yields increase to more normal levels by historical standards.

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To support our recruitment and retention objectives and to encourage a long-term focus on our operations, the performance shares vest subject to the satisfaction of the requisite performance goals and the participant meeting certain service period criteria. The program does not provide for accelerated vesting due to a change in control of the Company. However, the program provides for accelerated vesting and/or waiver of service requirements in the event of death or disability or qualifying retirement , as defined in the awards. Further, the CEO is entitled, under his employment agreement, to accelerated vesting in the event of a voluntary termination for good reason or an involuntary termination without cause (as defined in his employment agreement). These provisions are described in more detail under Tabular Executive Compensation Disclosure Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control Summary of Key Agreements Mr. Fishman s Employment Agreement .

New performance share cycles commence annually and overlap one another, helping to foster retention and reduce the impact of the volatility in compensation associated with changes in our annual return on equity performance. Dividend equivalent shares are paid only when and if performance shares vest and are paid, in shares, at the same vesting percentage as the underlying performance shares.

The Compensation Committee awarded the CEO $6.6 million in performance shares in February 2014

and $6.6 million in performance shares in February 2015. These grant date fair values were determined by multiplying the number of performance shares awarded, assuming 100% vesting, by the closing price of our common stock on the date of grant ($80.35 and $106.04 in 2014 and 2015, respectively). The Compensation Committee also awarded performance shares to each of the named executive officers (other than the CEO) with values ranging from approximately $1.6 million to $1.9 million in each of 2014 and 2015.

Stock Options

All stock options are granted with an exercise price equal to the closing price of the underlying shares on the date of grant. Our annual award of stock options generally vests 100% three years after the date of grant and has a maximum expiration date of ten years from the date of grant. The awards do not accelerate upon a change of control. Under the 2014 Stock Incentive Plan, stock options cannot be repriced unless such repricing is approved by our shareholders.

The Compensation Committee s annual option award to the CEO had a grant date fair value of $4.4 million for the February 2014 award and $4.4 million for the February 2015 award. The Compensation Committee s annual option awards to the other named executive officers had grant date fair values ranging from approximately $1.1 million to $1.3 million for each of the February 2014 and February 2015 awards.

Other Compensation

Pension Plans

The Company provides retirement benefits as part of a competitive pay package to retain its employees. Specifically, we currently offer all of our U.S. employees a tax-qualified defined benefit plan with a cash-balance formula, with some grandfathered participants accruing benefits under a final average pay formula. Also, a number of employees and executives participate or have accrued benefits in other pension plans which are frozen as to new participants and/or new accruals. Under the cash balance formula, each enrolled employee has a hypothetical account balance that grows with interest and pay credits each year.

In addition, we sponsor a non-qualified excess benefit retirement plan that covers all U.S. employees whose tax-qualified plan benefit is limited by the Internal Revenue Code with respect to the amount of

compensation that can be taken into account under a tax-qualified plan. The non-qualified plan makes up for the benefits that cannot be provided by the qualified plan as a result of those Internal Revenue Code limits by using the same cash-balance pension formula that applies under the qualified plan. The purpose of this plan is to ensure that employees who receive retirement benefits only through the qualified cash balance plan and employees whose qualified plan benefit is limited by the Internal Revenue Code are treated substantially the same. The details of the existing plans are described more fully under Tabular Executive Compensation Disclosure Post-Employment Compensation Pension Benefits for 2014 on page 62 of this Proxy Statement.

Deferred Compensation

In the United States, we offer a tax-qualified 401(k) plan to all of our employees and a non-qualified

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deferred compensation plan to employees who hold positions of vice president or above. Both plans are available to the named executive officers.

The non-qualified deferred compensation plan allows an eligible employee to defer receipt of a portion of his or her salary and/or annual bonus until a future date or dates elected by the employee. This plan provides an additional vehicle for employees to save for retirement on a tax deferred basis. The deferred compensation plan is not funded by us and does not provide preferential rates of return. Participants have only an unsecured contractual commitment by us to pay amounts owed under that plan.

For further details, see Tabular Executive Compensation Disclosure Post-Employment Compensation Non-Qualified Deferred Compensation for 2014 on page 65 of this Proxy Statement.

Other Benefits

We also provide specified other benefits described below to our named executive officers, which are not tied to any performance criteria. Rather, these benefits are intended to support objectives related to the attraction and retention of highly skilled executives and to ensure that they remain appropriately focused on their job responsibilities without unnecessary distraction.

Personal Security

We have established a security policy in response to a study prepared by an outside consultant that analyzed security risks to our CEO based on a number of factors, including travel patterns and past security threats. This security policy is periodically reviewed by an outside security consultant. Under this security policy, a Company car and driver or other ground transportation arrangements are provided to the CEO for business and some personal travel. The methodologies that we use to value the personal use of a dedicated Company car and driver and other ground transportation arrangements as a perquisite are described in footnote (6) to the Summary Compensation Table. In 2014, the total incremental cost for personal use of a Company car and driver and other ground transportation provided to the CEO pursuant to our security policy was $59,388.

The security policy also requires that the CEO use our aircraft for all business and personal air travel. The

CEO reimburses us for all personal travel on our aircraft in an amount equal to the lesser of (1) the maximum amount legally payable under FAA regulations and (2) the incremental cost to us for each such flight.

Our CEO is responsible for all taxes due on any income imputed to him in connection with his personal use of Company-provided transportation.

In addition, under the security policy described above, we provide our CEO with additional home security enhancements and other protections. The methodology that we use to value the incremental costs of providing additional home security enhancements and other protections to the CEO is the actual cost to us relating to the installation of home security and other equipment and the incremental cost to us with respect to monitoring and other related expenses. In 2014, the total incremental cost of the additional home security enhancements and other protections for our CEO was $8,877.

Other Transportation on Company Aircraft

We also on occasion provide transportation on Company aircraft for spouses or other family members of the named executive officers who accompany the named executive officers on trips related to our business, although such spousal or other family member travel, under SEC rules, may not always be considered to be directly and integrally related to our business. Consistent with past practice, however, we reimburse the named executive officers for any tax liabilities incurred with respect to travel by family members only if such travel is considered directly and integrally related to business. In 2014, there was no incremental cost to us associated with spousal and other family travel on Company aircraft that was not directly and integrally related to business.

Health Benefits; Treatment of Higher Paid and Lower Paid Employees

We subsidize health benefits more heavily for lower paid employees as compared to higher paid employees, such as the named executive officers. Accordingly, our higher paid employees pay a significantly higher percentage of the cost of their health benefits than our lower paid employees.

Severance and Change in Control Agreements

The Compensation Committee believes that severance and, in certain circumstances, change in control arrangements are necessary to attract and retain the talent necessary for our long-term success. The Compensation Committee believes that our severance programs allow our executives to focus on duties at hand and provide security should their employment be terminated as a result of an involuntary termination without cause or a constructive discharge. Currently, all of our senior executives (other than the CEO) are covered by our severance plan.

Each of the named executive officers, other than the CEO, has entered into an agreement with us pursuant to which the named executive officer is granted enhanced severance benefits in exchange for agreeing to non-solicitation and non-disclosure provisions. Under the terms of such agreements, these named executive officers are eligible to receive a severance benefit if they are involuntarily terminated due to a reduction in force or for reasons other than cause or if they are asked to take a substantial demotion. The

terms of these agreements are described more fully under Tabular Executive Compensation Disclosure Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control Summary of Key Agreements Non-Solicitation and Non-Disclosure Agreements .

The CEO s employment agreement, discussed at greater length below under Tabular Executive Compensation Disclosure Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control Summary of Key Agreements Mr. Fishman s Employment Agreement , contains severance benefits that are triggered under some circumstances, including some circumstances related to a change in control of the Company. The Compensation Committee believes that these arrangements are appropriate and consistent with similar provisions agreed to by members of our Compensation Comparison Group and their chief executive officers.

Non-Competition Agreements

All members of our Management Committee, including the named executive officers, have signed non-competition agreements.

The agreements provide that, upon an executive s termination of employment, we may elect to impose a six-month non-competition obligation upon the executive that would preclude the executive, subject to limited exceptions, from (1) performing services for or having any ownership interest in any entity or business unit that is primarily engaged in the property and casualty insurance business or (2) otherwise engaging in the property and casualty insurance business. This restriction will apply in the United States and any other country where we are physically present and engaged in the property and casualty insurance business as of the executive s termination date.

If we elect to enforce the non-competition terms, and the executive complies with all of the obligations

under the agreement, then the executive will be entitled to:

- receive a lump sum payment at the end of the six-month restricted period equal to the sum of (1) six months base salary plus (2) 50% of the executive s average annual bonus for the prior two years plus (3) 50% of the aggregate grant date fair value of the executive s average annual equity awards for the prior two years; and

- reimbur