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A.M. Best Revises Outlook to Positive for Issuer Credit Ratings of Travelers Group

OLDWICK, N.J.--(BUSINESS WIRE)--**A.M. Best Co.** has revised the outlook to positive from stable for the issuer credit ratings (ICR) of **Travelers Group** (Travelers), its property/casualty members and affiliate, **Travelers Casualty and Surety Company of America** (TCSA) (Hartford, CT) and TCSA's affiliate, **Travelers Casualty and Surety Company of Europe Limited** (TCSCE) (United Kingdom). Concurrently, A.M. Best has affirmed the financial strength ratings (FSR) of A+ (Superior) and ICRs of "aa-" of Travelers, TCSA and TCSCE. The outlook for the FSRs is stable.

Additionally, A.M. Best has revised the outlook to positive from stable and affirmed the ICR of "a-" and debt ratings of **The Travelers Companies, Inc.** (TRV) (St. Paul, MN) [NYSE: TRV].

In addition, A.M. Best has upgraded the FSR to A+ (Superior) from A (Excellent) and the ICR to "aa-" from "a+" of **Travelers Guarantee Company of Canada** (Travelers Guarantee) (Toronto, Canada). The outlook for both ratings is stable.

A.M. Best also has affirmed the FSR of A (Excellent) and ICR of "a+" of **The Premier Insurance Company of Massachusetts** (Worcester, MA) and the FSR of A (Excellent) and ICRs of "a" of **Travelers of New Jersey Group** and its property/casualty members. At the same time, A.M. Best has affirmed the FSR of A- (Excellent) and ICR of "a-" of **First Floridian Auto and Home Insurance Company** (Tampa, FL). The outlook for these ratings is stable. (See link below for a detailed list of all companies and ratings.)

The rating actions on Travelers reflect its strong risk-adjusted capitalization, superior earnings power, proactive and comprehensive risk management, dominant market profile in commercial and personal lines and quality management team. The rating actions also acknowledge Travelers' underwriting and financial discipline, new product development, geographic and product diversification and enhanced technology and internal information systems, which has improved its underwriting effectiveness and ability to service its agents and customers.

Particularly noteworthy has been Travelers' strong equity accumulation from robust earnings—including reserve redundancies—over the past several years, declining trend in underwriting leverage, solid retention rates, relatively conservative investment portfolio and business mix that has served the group well in the soft pricing environment. The rating actions recognize management's substantial operating improvements and the future benefits to be gained from these improvements as they pertain to competitive advantages, operating performance and capital formation.

The group's ratings also consider the financial flexibility provided by TRV. TRV's liquidity is significant, with \$2.6 billion of liquid funds at March 31, 2009. A.M. Best believes TRV will maintain liquid funds in excess of \$1.0 billion throughout 2009. Its debt-to-total capital, which stood at 18.9% at March 31, 2009, is well within A.M. Best's guidelines for the current ratings.

Offsetting these positive factors has been the volatility of Travelers' asbestos and environmental (A&E) reserve development in years 2005 and prior, and continued lesser development in more recent years. However, A.M. Best acknowledges that over the past several years, the group's overall commercial lines reserves appear to have stabilized, as evidenced by increasingly favorable prior year loss reserve development, particularly in 2008, while redundancies have consistently occurred in

personal lines reserves. Being among the largest commercial insurers and national property writers, Travelers has significant exposure to natural catastrophes and potential terrorist-related losses, although it has comprehensive and active programs in place to manage its spread of risk and limit its overall exposure. Despite these factors, A.M. Best considers the group favorably positioned and sufficiently well capitalized to face the above challenges and those posed by the current highly competitive environment in its property/casualty markets.

The ratings of TCSA and TCSCE primarily reflect TCSA's strong capitalization, superior underwriting and operating performance, relatively conservative investment portfolio and leadership position in the surety, fidelity and management liability segments. TCSA's superior performance is driven by its specialized underwriting expertise, selective and distinct market segmentation approach and the benefits afforded by being an affiliate of Travelers, which include brand recognition, crossmarketing support and added financial flexibility.

The rating upgrades of Travelers Guarantee acknowledge its strong capitalization, sustained underwriting and operating profitability, relatively conservative investment portfolio, excellent brand recognition and solid business profile as a specialty lines writer in the surety and management liability segments. The company has sustained operating profitability driven by favorable underwriting results and a steady stream of net investment income. Underwriting performance has benefited from a well executed plan by management, which includes the discontinuation of poor performing lines of business, enhanced technology capabilities and prudent account management. Travelers Guarantee continues to capitalize on synergies shared with TRV's U.S. operations, and Travelers Guarantee's ratings acknowledge both the implicit and explicit support it receives from them.

For a complete list of the Travelers Group and The Travelers Companies, Inc.'s FSRs, ICRs and debt ratings, please visit www.ambest.com/press/051505travelers.pdf.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at www.ambest.com/ratings/methodology.

Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers. For more information, visit www.ambest.com.

Contacts

A.M. Best Co.

Analysts:

**W. Dolson Smith, CFA, 908-439-2200,
ext. 5379**

w.dolson.smith@ambest.com

or

**Michael J . Lagomarsino, CFA, 908-
439-2200, ext. 5810**

michael.lagomarsino@ambest.com

or

Public Relations:

Jim Peavy, 908-439-2200, ext. 5644

james.peavy@ambest.com

or

**Rachelle Morrow, 908-439-2200, ext.
5378**

rachelle.morrow@ambest.com