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TRAVELERS PROPERTY CASUALTY CORP

Form 8-K

July 18, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 17, 2002

Travelers Property Casualty Corp.
(Exact Name of Registrant as Specified in Its Charter)

| | | |
|---|--|--|
| Connecticut (State or Other Jurisdiction of Incorporation) | 001-31266 (Commission File Number) | 06-1008174 (IRS Employer Identification No.) |
|---|--|--|

One Tower Square, Hartford, Connecticut 06183
(Address of principal executive offices) (Zip Code)

(860) 277-0111
(Registrant's telephone number, including area code)

Travelers Property Casualty Corp.
Current Report on Form 8-K

ITEM 5. OTHER EVENTS.

On July 17, 2002 Travelers Property Casualty Corp. (NYSE: TAP.A) reported that operating income increased 14% over the prior year quarter to \$356.8 million or \$0.36 per share compared to \$314.3 million or \$0.31 per share for the prior year quarter (adjusted to reflect the shares issued in the March 2002 initial public offering). On an unadjusted basis operating income was \$0.41 per share in the prior year quarter.

This increase in operating income was driven by the continuing favorable rate environment and production levels, lower catastrophe losses and our ongoing focus on managing expenses. These factors were partly offset by unfavorable prior year reserve development in the current quarter versus favorable prior year reserve development in the prior year quarter and by lower net investment income. The Company's statutory combined ratio was 99.1% compared to 101.6% in the prior year quarter.

Net income, which also includes realized investment gains and losses, was \$332.0 million for the quarter or \$0.33 per share compared to \$343.4 million or \$0.34 per share on an adjusted basis in the prior year quarter (\$0.45 per share on an unadjusted basis). The decrease in net income was primarily attributable to \$24.0 million of after-tax net realized investment losses in the second quarter of 2002 versus \$32.2 million of net realized investment gains in the prior year quarter.

Net written premiums increased \$664.4 million or 27% from the prior year quarter to \$3.096 billion, which included \$326.2 million from the Northland and

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Associates businesses acquired in the fourth quarter of 2001.

"We are very pleased with our overall business performance in the quarter, particularly in light of the challenging investment environment," said Robert I. Lipp, Chairman and Chief Executive Officer. "We continue to see the benefits of very solid fundamentals in our insurance operations, which allowed us to achieve a return on equity in excess of 14%. Rate increases remain strong across all businesses. Independent agents are seeking to place more of their business with stable, high quality insurers like Travelers, and we remain focused on being a consistent and financially strong partner to this critically important distribution channel.

"A significant part of our competitive strength is our continuing emphasis on expense control and operational discipline. During the quarter, we consolidated a number of claims offices and eliminated marginally performing distribution channels within Personal Lines. We also continued the migration of personal lines customers and small commercial accounts to our various service centers, further leveraging and expanding our technology and process platform," added Mr. Lipp.

2

For the six months ended June 30, 2002, operating income increased 3% over the prior year period to \$683.4 million or \$0.68 per share on an adjusted basis (\$0.76 on an unadjusted basis) compared to \$663.1 million or \$0.66 per share on an adjusted basis (\$0.86 on an unadjusted basis).

Net income for the six months was \$434.1 million compared to \$822.0 million for the prior year period. The current period included a first quarter charge of \$242.6 million, after tax, resulting from a change in accounting principles attributed to goodwill and \$5.1 million of net realized investment losses, after tax. The prior year period included \$157.5 million of net realized investment gains, after tax.

CONSOLIDATED RESULTS

| (\$ millions) | Second Quarter | | Six Months | |
|--|----------------|---------|------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- | ----- |
| Operating income | \$356.8 | \$314.3 | \$683.4 | \$663.1 |
| Realized investment gains (losses) | (24.0) | 32.2 | (5.1) | 157.5 |
| Restructuring charge | (0.8) | (1.8) | (1.6) | (1.8) |
| Cumulative effect of accounting changes | -- | (1.3) | (242.6) | 3.2 |
| | ----- | ----- | ----- | ----- |
| Net income | \$332.0 | \$343.4 | \$434.1 | \$822.0 |
| | ===== | ===== | ===== | ===== |

COMMERCIAL LINES FUNDAMENTALS CONTINUE TO IMPROVE

Net written premiums increased \$545.9 million to \$1.922 billion in the second quarter of 2002 compared to \$1.376 billion in the prior year quarter. The acquisition of Northland and Associates contributed \$299.5 million of the increase, including approximately \$115 million relating to our termination of certain reinsurance contracts.

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- In Commercial Accounts, which serves mid-sized businesses, net written premiums increased 73% to \$912.1 million. Excluding the impact of Northland and Associates, premiums were up 16% to \$612.6 million primarily driven by renewal price changes averaging 23% and strong growth in new business.
- In Select Accounts, which serves small businesses, net written premiums increased 8% to \$472.9 million primarily due to renewal price changes averaging 18% and strong retention.
- Higher prices in professional liability and fidelity and surety helped to increase Bond's net written premiums by 12% to \$159.5 million. Reductions in exposures in certain programs, including assumed reinsurance, transportation and property, offset increases in Gulf's core specialty lines, resulting in an overall decrease in Gulf's net written premiums of 5% to \$180.2 million.

3

- In National Accounts, which serves large corporations and state-sponsored workers' compensation residual market pools, net written premiums more than doubled to \$196.8 million due to rate increases, higher new business levels and the renewal of certain assumed reinsurance contracts previously written by Gulf. Written fees in National Accounts rose 39% to \$117.7 million as pricing for loss prevention and claims administrative services increased and more business turned to state residual marketpools for workers' compensation.

Operating income increased \$8.0 million over the prior year quarter to \$310.5 million driven by rate increases considerably in excess of loss trends, higher production levels, lower catastrophe losses and our ongoing focus on managing expenses. These factors were partly offset by unfavorable prior year reserve development in the current quarter versus favorable prior year reserve development last year and by lower net investment income. The statutory combined ratio for the quarter was 98.3% compared to 100.1% in the same period last year.

PERSONAL LINES PREMIUMS RISE ON RATE INCREASES

Net written premiums increased \$118.5 million or 11% over the prior year quarter to \$1.174 billion, principally as a result of rate increases in both the Automobile and the Homeowners and Other lines of business. The Northland acquisition contributed \$26.7 million to this rise.

- Automobile net written premiums increased 9% to \$714.6 million. Excluding the impact of Northland, premiums increased 6% to \$692.7 million. Renewal price changes averaged 9%, and retention levels were consistent with prior quarters.
- Homeowners and Other net written premiums increased 14% to \$459.4 million. Renewal price changes averaged 16% and retention levels were also consistent with prior quarters.
- Production through our independent agents, which represented over 80% of net written premiums, was up 14% to \$961.4 million.
- Net written premiums through channels other than independent agents was up only 2% to \$212.6 million, as the favorable impact of renewal price changes was predominantly offset by a reduction in policies in force due to underwriting actions taken on marginal businesses.

Operating income increased 41% over the prior year quarter to \$70.0 million principally due to lower catastrophe losses. Operating income also benefited from price increases that continue to exceed loss trends and our ongoing focus

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on managing expenses. These factors were partly offset by unfavorable prior year reserve development in the current quarter versus favorable prior year reserve development in the prior year quarter and by lower net investment income. The statutory combined ratio for the second quarter of 2002 was 100.4% compared to 103.9% in the prior year quarter.

INTEREST EXPENSE AND OTHER DECLINED

The after tax charge of \$23.7 million in the quarter for Interest Expense and Other decreased from \$37.9 million in the prior year quarter. The primary component of this charge was interest expense, which amounted to \$25.5 million, after tax, and \$34.3

4

million in the 2001 quarter. The reduction in interest expense is due to lower average interest-bearing debt levels primarily related to the repayment of debt obligations to Citigroup in the 2002 first quarter. Strong cash flows enabled us to pre-pay an additional \$150.0 million of debt obligations to Citigroup in this quarter.

INVESTMENT HIGHLIGHTS

After tax net investment income of \$346.4 million decreased \$32.6 million from the prior year quarter. The decrease, which resulted from a reduction in the after tax investment yield from 5.1% to 4.3%, was partially offset by investment returns on higher average invested assets. This rise in average invested assets was due to the Northland and Associates acquisitions and increased cash flow from operations.

Net realized investment losses for the quarter comprise impairments of \$126.7 million for the quarter, including a \$68.5 million write down in our WorldCom bonds, from \$83.4 million to \$14.9 million, along with \$90.7 million of net realized investment gains.

Invested assets increased \$893.4 million in the current quarter to \$33.4 billion as the Company benefited from increased cash flow from operations and higher carrying values of the fixed income portfolio resulting from lower interest rates. Unrealized investment gains were \$579.0 million at the end of the second quarter.

Travelers Property Casualty Corp. (NYSE: TAP.A) is a leading provider of a broad range of insurance products and services for commercial markets and for auto and homeowners insurance for consumers. The company is a member of Citigroup (NYSE: C), a diversified, global financial services company. During March 2002, Travelers Property Casualty completed its initial public offering of 231 million shares of class A common stock. Citigroup has stated its intention to make a tax-free distribution to its stockholders of a portion of its ownership interest in Travelers by year-end 2002, such that following the distribution, Citigroup would remain a holder of approximately 9.9% of Travelers equity. The distribution is subject to various regulatory approvals as well as a private letter ruling from the Internal Revenue Service and various other conditions.

Statements made in this press release may include forward-looking information subject to risks, uncertainties and other facts that could materially affect actual results.

5

SUMMARY OF FINANCIAL INFORMATION
(in millions, except per share data)

TRAVELERS PROPERTY CASUALTY CORP.

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| | AS OF AND FOR THE QUARTER ENDED JUNE 30, | |
|---|---|------------|
| | 2002 | 2001 |
| ----- | | |
| OPERATING INCOME | \$ 356.8 | \$ 314.3 |
| Realized investment gains (losses) | (24.0) | 32.2 |
| Restructuring charge | (.8) | (1.8) |
| Cumulative effect of changes in accounting principles | -- | (1.3) |
| ----- | | |
| Net income | 332.0 | 343.4 |
| Goodwill amortization | -- | 17.9 |
| ----- | | |
| Net income excluding goodwill amortization | \$ 332.0 | \$ 361.3 |
| ----- | | |
| BASIC AND DILUTED EARNINGS PER SHARE: | | |
| OPERATING INCOME | \$ 0.36 | \$ 0.41 |
| Realized investment gains (losses) | (0.03) | 0.04 |
| Cumulative effect of changes in accounting principles | -- | -- |
| ----- | | |
| Net income | 0.33 | 0.45 |
| Goodwill amortization | -- | 0.02 |
| ----- | | |
| Net income excluding goodwill amortization | \$ 0.33 | \$ 0.47 |
| ----- | | |
| Dividends declared | \$ -- | \$ 318.5 |
| Basic and diluted weighted average number of common shares outstanding and common stock equivalents | 1,000.0 | 769.0 |
| Common shares outstanding at period end | 1,000.0 | 769.0 |
| ----- | | |
| ADJUSTED EARNINGS PER SHARE: (2) | | |
| OPERATING INCOME | \$ 0.36 | \$ 0.31 |
| Realized investment gains (losses) | (0.03) | 0.03 |
| Cumulative effect of changes in accounting principles | -- | -- |
| ----- | | |
| Net income | 0.33 | 0.34 |
| Goodwill amortization | -- | 0.02 |
| ----- | | |
| Net income excluding goodwill amortization | \$ 0.33 | \$ 0.36 |
| ----- | | |
| OPERATING INCOME (LOSS) BY SEGMENT | | |
| Commercial Lines | \$ 310.5 | \$ 302.5 |
| Personal Lines | 70.0 | 49.7 |
| Interest Expense and Other | (23.7) | (37.9) |
| ----- | | |
| | \$ 356.8 | \$ 314.3 |
| ----- | | |
| REVENUES | | |
| Premiums | \$ 2,756.7 | \$ 2,290.8 |
| Net investment income | 464.8 | 518.3 |
| Fee income | 108.8 | 83.9 |
| Realized investment gains (losses) | (36.0) | 49.3 |
| Other income | 25.5 | 40.7 |
| ----- | | |

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\$ 3,319.8

\$ 2,983.0

- (1) 1Q02 dividends were primarily paid in the form of notes, which were partially prepaid from the \$4.1 billion of net proceeds from the March 2002 initial public offering and the issuance of \$892.5 million of convertible notes.
- (2) Adjusted earnings per share (basic and diluted) have been computed assuming the additional 231.0 million shares issued in connection with the March 2002 initial public offering were outstanding for all periods presented.

6

SUMMARY OF FINANCIAL INFORMATION
(in millions, except percentage data)

TRAVELERS PROPERTY CASUALTY CORP.

| | FOR THE QUARTER ENDED JUNE 30, | | |
|--|-----------------------------------|-----------|-----|
| | 2002 | 2001 | |
| REVENUES BY SEGMENT EXCLUDING REALIZED INVESTMENT GAINS (LOSSES) | | | |
| Commercial Lines | \$2,173.1 | \$1,836.0 | \$4 |
| Personal Lines | 1,182.8 | 1,098.9 | 2 |
| Interest Expense and Other | (0.1) | (1.2) | |
| | \$3,355.8 | \$2,933.7 | \$6 |
| NET WRITTEN PREMIUMS | | | |
| Commercial Lines | \$1,921.5 | \$1,375.6 | \$3 |
| Personal Lines | 1,174.0 | 1,055.5 | 2 |
| | \$3,095.5 | \$2,431.1 | \$5 |
| STATUTORY COMBINED RATIOS: | | | |
| COMMERCIAL LINES | | | |
| Loss and loss adjustment expense ratio | 73.2% | 72.2% | |
| Other underwriting expense ratio | 25.1% | 27.9% | |
| Combined ratio | 98.3% | 100.1% | |
| PERSONAL LINES | | | |
| Loss and loss adjustment expense ratio | 76.6% | 79.4% | |
| Other underwriting expense ratio | 23.8% | 24.5% | |
| Combined ratio | 100.4% | 103.9% | |
| TOTAL COMPANY | | | |
| Loss and loss adjustment expense ratio | 74.5% | 75.2% | |
| Other underwriting expense ratio | 24.6% | 26.4% | |
| Combined ratio | 99.1% | 101.6% | |

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7

TRAVELERS PROPERTY CASUALTY CORP.
SECOND QUARTER 2002 FINANCIAL SUPPLEMENT

[TRAVELERS LOGO]

PAGE NUMBER

CONSOLIDATED RESULTS

| | |
|--------------------------------------|-----|
| Financial Highlights | F-1 |
| After-Tax Operating Income by Source | F-2 |
| Earnings Per Share | F-3 |
| Statement of Income | F-4 |
| Statement of Operating Income | F-5 |
| Selected Statistics | F-6 |
| Written and Earned Premiums | F-7 |

COMMERCIAL LINES

| | |
|---|------|
| Statement of Operating Income | F-8 |
| Selected Statistics | F-9 |
| Net Written Premiums by Market and Product Line | F-10 |
| Selected Production Statistics | F-11 |

PERSONAL LINES

| | |
|--|------|
| Statement of Operating Income | F-12 |
| Selected Statistics | F-13 |
| Selected Statistics - Auto | F-14 |
| Selected Statistics - Homeowners and Other | F-15 |
| Selected Production Statistics | F-16 |

SUPPLEMENTAL DETAIL

| | |
|---|------|
| Interest Expense and Other Statement of Operating Loss | F-17 |
| Consolidated Balance Sheet | F-18 |
| Investment Portfolio | F-19 |
| Investment Portfolio - Fixed Maturities Data | F-20 |
| Net Investment Income | F-21 |
| Realized and Unrealized Investment Gains (Losses) | F-22 |
| Statutory Reserves for Losses and Loss Adjustment Expense | F-23 |
| Capitalization | F-24 |
| Statement of Cash Flows | F-25 |

TRAVELERS PROPERTY CASUALTY CORP.
FINANCIAL HIGHLIGHTS

[TRAVELERS LOGO]

TRAVELERS PROPERTY CASUALTY CORP. IS ONE OF THE LARGEST PROPERTY AND CASUALTY INSURANCE COMPANIES IN THE UNITED STATES. THE COMPANY IS ENGAGED IN PROVIDING A WIDE RANGE OF COMMERCIAL AND PERSONAL PROPERTY AND CASUALTY INSURANCE PRODUCTS AND SERVICES TO BUSINESSES, ASSOCIATIONS AND INDIVIDUALS.

| | | | |
|------|------|------|-------|
| 1Q | 2Q | 3Q | 2 |
| 2001 | 2001 | 2001 | ADJUS |

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| | | | | |
|--|----------|----------|------------|----|
| Operating income (loss) (millions) (2) | \$ 348.8 | \$ 314.3 | \$ (121.7) | \$ |
| Net income (loss) (millions) | \$ 478.6 | \$ 343.4 | \$ (59.9) | \$ |
| Net income (loss) adjusted (millions) (3) | \$ 496.5 | \$ 361.3 | \$ (42.0) | \$ |
| Earnings per share (basic and diluted): | | | | |
| Operating income (loss) | \$ 0.45 | \$ 0.41 | \$ (0.16) | \$ |
| Net income (loss) | \$ 0.62 | \$ 0.45 | \$ (0.08) | \$ |
| Net income (loss) adjusted (3) | \$ 0.65 | \$ 0.47 | \$ (0.05) | \$ |
| Adjusted earnings per share (4): | | | | |
| Operating income (loss) | \$ 0.35 | \$ 0.31 | \$ (0.12) | \$ |
| Net income (loss) | \$ 0.48 | \$ 0.34 | \$ (0.06) | \$ |
| Net income (loss) adjusted (3) | \$ 0.50 | \$ 0.36 | \$ (0.04) | \$ |
| Total assets, at period end (billions) | \$ 54.8 | \$ 53.4 | \$ 56.4 | \$ |
| Total equity, at period end (billions) | \$ 9.9 | \$ 9.9 | \$ 10.1 | \$ |
| Book value per share, at period end | \$ 12.84 | \$ 12.89 | \$ 13.08 | \$ |
| Book value per share, excluding FAS 115, at period end | \$ 12.24 | \$ 12.48 | \$ 12.41 | \$ |
| Return on equity | 14.7% | 12.7% | (4.9)% | |
| Return on equity, excluding FAS 115 | 15.4% | 13.2% | (5.1)% | |
| Weighted average number of common shares outstanding and common stock equivalents (basic and diluted) (millions) | | | | |
| | 769.0 | 769.0 | 769.0 | |
| Common shares outstanding at period end (millions) | | | | |
| | 769.0 | 769.0 | 769.0 | |

| | 1Q 2002 | 2Q 2002 | YTD 2Q 2001 | |
|---|------------|------------|-------------------|-------|
| | ----- | ----- | ----- | ----- |
| Operating income (loss) (millions) (2) | \$ 326.6 | \$ 356.8 | \$ 663.1 | \$ |
| Net income (loss) (millions) | \$ 102.1 | \$ 332.0 | \$ 822.0 | \$ |
| Net income (loss) adjusted (millions) (3) | \$ 102.1 | \$ 332.0 | \$ 857.8 | \$ |
| Earnings per share (basic and diluted): | | | | |
| Operating income (loss) | \$ 0.41 | \$ 0.36 | \$ 0.86 | \$ |
| Net income (loss) | \$ 0.13 | \$ 0.33 | \$ 1.07 | \$ |
| Net income (loss) adjusted (3) | \$ 0.13 | \$ 0.33 | \$ 1.12 | \$ |
| Adjusted earnings per share (4): | | | | |
| Operating income (loss) | \$ 0.33 | \$ 0.36 | \$ 0.66 | \$ |
| Net income (loss) | \$ 0.10 | \$ 0.33 | \$ 0.82 | \$ |
| Net income (loss) adjusted (3) | \$ 0.10 | \$ 0.33 | \$ 0.86 | \$ |
| Total assets, at period end (billions) | \$ 57.9 | \$ 59.4 | \$ 53.4 | \$ |
| Total equity, at period end (billions) | \$ 9.6 | \$ 10.3 | \$ 9.9 | \$ |
| Book value per share, at period end | \$ 9.63 | \$ 10.26 | \$ 12.89 | \$ |
| Book value per share, excluding FAS 115, at period end | \$ 9.56 | \$ 9.89 | \$ 12.48 | \$ |

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| | | | |
|--|---------|---------|-------|
| Return on equity | 12.9% | 14.3% | 13.7% |
| Return on equity, excluding FAS 115 | 13.1% | 14.7% | 14.3% |
| Weighted average number of common shares outstanding and common stock equivalents (basic and diluted) (millions) | | | |
| | 794.7 | 1,000.0 | 769.0 |
| Common shares outstanding at period end (millions) | | | |
| | 1,000.0 | 1,000.0 | 769.0 |

This report has been restated to reflect the corporate reorganization of Travelers Property Casualty Corp. (TPC, formerly known as The Travelers Insurance Group Inc.).

- (1) The 3Q01 operating loss and net loss include a charge of \$489.5 million related to the terrorist attack on September 11, 2001. This also impacted ROE for the quarter. The 3Q01 adjusted excludes the effect of this event. Assets, equity and book value have not been adjusted.
- (2) Operating income excludes realized investment gains (losses), restructuring charges and the cumulative effect of changes in accounting principles, and is reflected net of tax.
- (3) The 2001 quarters are adjusted to exclude goodwill amortization. Goodwill is not amortized due to the adoption of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" effective January 1, 2002.
- (4) Adjusted earnings per share have been computed assuming the 231.0 million shares issued from the March 2002 initial public offering were issued and outstanding for all periods presented.

F-1

TRAVELERS PROPERTY CASUALTY CORP.
AFTER-TAX OPERATING INCOME BY SOURCE

[TRAVELERS LOGO]

(in millions)

| | 1Q 2001 | 2Q 2001 | 3Q 2001 |
|---|------------|------------|------------|
| | ----- | ----- | ----- |
| PROPERTY CASUALTY OPERATIONS | | | |
| Underwriting: | | | |
| Commercial Lines | \$ (11.2) | \$ (18.2) | \$ (417.8) |
| Personal Lines | 3.3 | (35.7) | (45.8) |
| | ----- | ----- | ----- |
| Total GAAP underwriting gain (loss) | (7.9) | (53.9) | (463.6) |
| | ----- | ----- | ----- |
| Other income | 18.0 | 26.6 | 13.4 |
| Net investment income | 387.0 | 379.5 | 353.0 |
| | ----- | ----- | ----- |
| Operating income (loss) from Property Casualty Operations | 397.1 | 352.2 | (97.2) |
| Operating loss from Interest Expense and Other | (48.3) | (37.9) | (24.5) |
| | ----- | ----- | ----- |
| Total operating income (loss) | \$ 348.8 | \$ 314.3 | \$ (121.7) |

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| | ===== | ===== | ===== |
|---|------------|------------|-------------------|
| Dividends declared (2) | \$ 50.0 | \$ 318.5 | \$ 157.5 |
| Effective tax rate on property casualty net investment income | 27.1% | 27.0% | 26.2% |
| | 1Q 2002 | 2Q 2002 | YTD 2Q 2001 |
| | ----- | ----- | ----- |
| PROPERTY CASUALTY OPERATIONS | | | |
| Underwriting: | | | |
| Commercial Lines | \$ (12.9) | \$ 29.1 | \$ (29.1) |
| Personal Lines | (17.4) | (11.6) | (32.1) |
| | ----- | ----- | ----- |
| Total GAAP underwriting gain (loss) | (30.3) | 17.5 | (61.1) |
| | ----- | ----- | ----- |
| Other income | 18.7 | 16.5 | 44.1 |
| Net investment income | 360.4 | 346.5 | 766.1 |
| | ----- | ----- | ----- |
| Operating income (loss) from Property Casualty Operations | 348.8 | 380.5 | 749.1 |
| Operating loss from Interest Expense and Other | (22.2) | (23.7) | (86.1) |
| | ----- | ----- | ----- |
| Total operating income (loss) | \$ 326.6 | \$ 356.8 | \$ 663.1 |
| | ===== | ===== | ===== |
| Dividends declared (2) | \$5,252.5 | \$ -- | \$ 368.1 |
| Effective tax rate on property casualty net investment income | 26.0% | 25.5% | 27.1% |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

(2) 1Q02 dividends were primarily paid in the form of notes which were substantially prepaid from the \$4.1 billion of net proceeds from the March 2002 initial public offering and the issuance of \$892.5 million of convertible notes.

F-2

TRAVELERS PROPERTY CASUALTY CORP.
EARNINGS PER SHARE
(in millions)

[TRAVELERS LOGO]

| | 1Q 2001 | 2Q 2001 | 3Q 2001 |
|--|------------|------------|------------|
| | ----- | ----- | ----- |
| EARNINGS PER SHARE (BASIC AND DILUTED) | | | |

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| | | | |
|---|--------|--------|----------|
| Operating income (loss) | \$0.45 | \$0.41 | \$(0.16) |
| Realized investment gains (losses) | 0.16 | 0.04 | 0.08 |
| Cumulative effect of changes in accounting principles | 0.01 | -- | -- |
| | ----- | ----- | ----- |
| Net income (loss) | 0.62 | 0.45 | (0.08) |
| Goodwill amortization | 0.03 | 0.02 | 0.03 |
| | ----- | ----- | ----- |
| Net income (loss) adjusted for goodwill amortization | \$0.65 | \$0.47 | \$(0.05) |
| | ===== | ===== | ===== |

ADJUSTED EARNINGS PER SHARE (2)

| | | | |
|---|--------|--------|----------|
| Operating income (loss) | \$0.35 | \$0.31 | \$(0.12) |
| Realized investment gains (losses) | 0.13 | 0.03 | 0.06 |
| Cumulative effect of changes in accounting principles | -- | -- | -- |
| | ----- | ----- | ----- |
| Net income (loss) | 0.48 | 0.34 | (0.06) |
| Goodwill amortization | 0.02 | 0.02 | 0.02 |
| | ----- | ----- | ----- |
| Net income (loss) adjusted for goodwill amortization | \$0.50 | \$0.36 | \$(0.04) |
| | ===== | ===== | ===== |

| | |
|-------|-------|
| 1Q | 2Q |
| 2002 | 2002 |
| ----- | ----- |

EARNINGS PER SHARE (BASIC AND DILUTED)

| | | |
|---|--------|--------|
| Operating income (loss) | \$0.41 | \$0.36 |
| Realized investment gains (losses) | 0.02 | (0.03) |
| Cumulative effect of changes in accounting principles | (0.30) | -- |
| | ----- | ----- |
| Net income (loss) | 0.13 | 0.33 |
| Goodwill amortization | -- | -- |
| | ----- | ----- |
| Net income (loss) adjusted for goodwill amortization | \$0.13 | \$0.33 |
| | ===== | ===== |

ADJUSTED EARNINGS PER SHARE (2)

| | | |
|---|--------|--------|
| Operating income (loss) | \$0.33 | \$0.36 |
| Realized investment gains (losses) | 0.01 | (0.03) |
| Cumulative effect of changes in accounting principles | (0.24) | -- |
| | ----- | ----- |
| Net income (loss) | 0.10 | 0.33 |
| Goodwill amortization | -- | -- |
| | ----- | ----- |
| Net income (loss) adjusted for goodwill amortization | \$0.10 | \$0.33 |
| | ===== | ===== |

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- (1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.
- (2) Adjusted earnings per share have been computed assuming the 231.0 million shares issued from the March 2002 initial public offering were issued and outstanding for all periods presented.

F-3

TRAVELERS PROPERTY CASUALTY CORP.
 CONSOLIDATED STATEMENT OF INCOME
 (in millions)

[TRAVELERS LOGO]

| | 1Q 2001 ----- |
|--|---------------------|
| REVENUES | |
| Premiums | \$2,231.9 |
| Net investment income | 528.8 |
| Fee income | 77.7 |
| Realized investment gains (losses) | 192.3 |
| Other revenues | 27.4 |
| | ----- |
| Total revenues | 3,058.1 ----- |
| CLAIMS AND EXPENSES | |
| Claims and claim adjustment expenses | 1,624.8 |
| Amortization of deferred acquisition costs | 348.5 |
| Interest expense | 65.7 |
| General and administrative expenses | 350.9 |
| | ----- |
| Total claims and expenses | 2,389.9 ----- |
| Income (loss) before federal income taxes and cumulative effect of changes in accounting principles | 668.2 |
| Federal income taxes (benefit) | 194.1 |
| | ----- |
| Income (loss) before cumulative effect of changes in accounting principles | 474.1 |
| Cumulative effect of changes in accounting for: | |
| Derivative instruments and hedging activities, net of tax | 4.5 |
| Securitized financial assets, net of tax | -- |
| Goodwill and other intangible assets, net of tax | -- |
| | ----- |
| Net income (loss) | \$ 478.6 ===== |
| Other statistics: | |
| Effective tax rate on net investment income | 27.1% |
| Net investment income (after-tax) | \$ 385.7 |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ 12.6 |

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Asbestos and environmental losses (pre-tax)

\$ 49.0

| | 3Q 2001 ADJUSTED (|
|--|--------------------------|
| | ----- |
| REVENUES | |
| Premiums | \$2,363.2 |
| Net investment income | 488.1 |
| Fee income | 93.2 |
| Realized investment gains (losses) | 96.3 |
| Other revenues | 20.7 |
| | ----- |
| Total revenues | 3,061.5 |
| | ----- |
| CLAIMS AND EXPENSES | |
| Claims and claim adjustment expenses | 1,724.5 |
| Amortization of deferred acquisition costs | 380.8 |
| Interest expense | 46.4 |
| General and administrative expenses | 309.4 |
| | ----- |
| Total claims and expenses | 2,461.1 |
| | ----- |
| Income (loss) before federal income taxes and cumulative effect of changes in accounting principles | 600.4 |
| Federal income taxes (benefit) | 170.8 |
| | ----- |
| Income (loss) before cumulative effect of changes in accounting principles | 429.6 |
| Cumulative effect of changes in accounting for: | |
| Derivative instruments and hedging activities, net of tax | -- |
| Securitized financial assets, net of tax | -- |
| Goodwill and other intangible assets, net of tax | -- |
| | ----- |
| Net income (loss) | \$ 429.6 |
| | ===== |
| Other statistics: | |
| Effective tax rate on net investment income | 26.4 |
| Net investment income (after-tax) | \$ 359.2 |
| | ----- |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- |
| Asbestos and environmental losses (pre-tax) | \$ 49.0 |

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| | 2002 |
|---|-----------|
| | ----- |
| REVENUES | |
| Premiums | \$2,756.7 |
| Net investment income | 464.8 |
| Fee income | 108.8 |
| Realized investment gains (losses) | (36.0) |
| Other revenues | 25.5 |
| | ----- |
| Total revenues | 3,319.8 |
| | ----- |
| CLAIMS AND EXPENSES | |
| Claims and claim adjustment expenses | 2,094.3 |
| Amortization of deferred acquisition costs | 446.1 |
| Interest expense | 39.8 |
| General and administrative expenses | 304.4 |
| | ----- |
| Total claims and expenses | 2,884.6 |
| | ----- |
| Income (loss) before federal income taxes and cumulative effect of changes in accounting principles | 435.2 |
| Federal income taxes (benefit) | 103.2 |
| | ----- |
| Income (loss) before cumulative effect of changes in accounting principles | 332.0 |
| Cumulative effect of changes in accounting for: | |
| Derivative instruments and hedging activities, net of tax | -- |
| Securitized financial assets, net of tax | -- |
| Goodwill and other intangible assets, net of tax | -- |
| | ----- |
| Net income (loss) | \$ 332.0 |
| | ===== |
| Other statistics: | |
| Effective tax rate on net investment income | 25.5% |
| Net investment income (after-tax) | \$ 346.4 |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ 22.0 |
| Asbestos and environmental losses (pre-tax) | \$ 65.0 |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-4

TRAVELERS PROPERTY CASUALTY CORP.
CONSOLIDATED STATEMENT OF OPERATING INCOME
(in millions)

[TRAVELERS LOGO]

| 1Q | 2Q | 3Q |
|-------|-------|-------|
| 2001 | 2001 | 2001 |
| ----- | ----- | ----- |

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REVENUES

| | | | |
|-----------------------|-----------|-----------|----------|
| Premiums | \$2,231.9 | \$2,290.8 | \$2,314. |
| Net investment income | 528.8 | 518.3 | 488. |
| Fee income | 77.7 | 83.9 | 93. |
| Other revenues | 27.4 | 40.7 | 20. |
| | ----- | ----- | ----- |
| Total revenues | 2,865.8 | 2,933.7 | 2,916. |
| | ----- | ----- | ----- |

CLAIMS AND EXPENSES

| | | | |
|---|---------|---------|---------|
| Claims and claim adjustment expenses | 1,624.8 | 1,757.4 | 2,428. |
| Amortization of deferred acquisition costs | 348.5 | 373.9 | 380. |
| Interest expense | 65.7 | 52.7 | 46. |
| General and administrative expenses | 350.9 | 326.6 | 308. |
| | ----- | ----- | ----- |
| Total claims and expenses | 2,389.9 | 2,510.6 | 3,163. |
| | ----- | ----- | ----- |
| Operating income (loss) before federal income taxes | 475.9 | 423.1 | (247. |
| Federal income taxes (benefit) | 127.1 | 108.8 | (126. |
| | ----- | ----- | ----- |
| Operating income (loss) | \$348.8 | \$314.3 | \$(121. |
| | ===== | ===== | ===== |

| | |
|--------------|-------|
| 3Q | |
| 2001 | 4Q |
| ADJUSTED (1) | 2001 |
| ----- | ----- |

REVENUES

| | | | |
|-----------------------|-----------|-----------|------|
| Premiums | \$2,363.2 | \$2,574.0 | \$2, |
| Net investment income | 488.1 | 498.8 | |
| Fee income | 93.2 | 92.6 | |
| Other revenues | 20.7 | 26.9 | |
| | ----- | ----- | --- |
| Total revenues | 2,965.2 | 3,192.3 | 3, |
| | ----- | ----- | --- |

CLAIMS AND EXPENSES

| | | | |
|---|---------|---------|-----|
| Claims and claim adjustment expenses | 1,724.5 | 1,954.0 | 1, |
| Amortization of deferred acquisition costs | 380.8 | 435.5 | |
| Interest expense | 46.4 | 40.1 | |
| General and administrative expenses | 308.2 | 342.4 | |
| | ----- | ----- | --- |
| Total claims and expenses | 2,459.9 | 2,772.0 | 2, |
| | ----- | ----- | --- |
| Operating income (loss) before federal income taxes | 505.3 | 420.3 | |
| Federal income taxes (benefit) | 137.5 | 106.0 | |
| | ----- | ----- | --- |
| Operating income (loss) | \$367.8 | \$314.3 | \$ |
| | ===== | ===== | == |

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| | 2Q 2002 ----- | YTD 2Q 2001 ----- |
|---|---------------------|----------------------------|
| REVENUES | | |
| Premiums | \$2,756.7 | \$4,522.7 |
| Net investment income | 464.8 | 1,047.1 |
| Fee income | 108.8 | 161.6 |
| Other revenues | 25.5 | 68.1 |
| | ----- | ----- |
| Total revenues | 3,355.8 | 5,799.5 |
| | ----- | ----- |
| CLAIMS AND EXPENSES | | |
| Claims and claim adjustment expenses | 2,094.3 | 3,382.2 |
| Amortization of deferred acquisition costs | 446.1 | 722.4 |
| Interest expense | 39.8 | 118.4 |
| General and administrative expenses | 303.2 | 677.5 |
| | ----- | ----- |
| Total claims and expenses | 2,883.4 | 4,900.5 |
| | ----- | ----- |
| Operating income (loss) before federal income taxes | 472.4 | 899.0 |
| Federal income taxes (benefit) | 115.6 | 235.9 |
| | ----- | ----- |
| Operating income (loss) | \$356.8 | \$663.1 |
| | ===== | ===== |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-5

TRAVELERS PROPERTY CASUALTY CORP.
PROPERTY CASUALTY OPERATIONS - SELECTED STATISTICS
(in millions)

[TRAVELERS LOGO]

| | 1Q 2001 ----- | 2Q 2001 ----- |
|---|---------------------|---------------------|
| STATUTORY UNDERWRITING | | |
| Net written premiums | \$ 2,387.7 | \$ 2,431 |
| Net earned premiums | \$ 2,231.9 | \$ 2,290 |
| Losses and loss adjustment expenses | 1,578.2 | 1,723 |
| Other underwriting expenses | 678.3 | 642 |
| | ----- | ----- |
| Statutory underwriting gain (loss) | (24.6) | (74 |
| Policyholder dividends | 8.9 | 3 |
| | ----- | ----- |
| Statutory underwriting gain (loss) after policyholder dividends | \$ (33.5) | \$ (78 |

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| | | |
|--|-------|-------|
| | ===== | ===== |
| STATUTORY COMBINED RATIO (2) | | |
| Loss and loss adjustment expense ratio | 70.7% | 75 |
| Other underwriting expense ratio | 28.4% | 26 |
| | ----- | ----- |
| Combined ratio | 99.1% | 101 |
| | ===== | ===== |

IMPACT ON STATUTORY COMBINED RATIO

| | | |
|--------------------------------|--------|-----|
| Catastrophe losses | 0.6% | 3 |
| Prior-year reserve development | (0.7)% | (1) |

GAAP COMBINED RATIO (2,3)

| | | |
|--|-------|-------|
| Loss and loss adjustment expense ratio | 70.6% | 75 |
| Other underwriting expense ratio | 27.5% | 26 |
| | ----- | ----- |
| Combined ratio | 98.1% | 101 |
| | ===== | ===== |

OTHER STATUTORY STATISTICS

| | | |
|--|------------|----------|
| Reserves for losses and loss adjustment expenses | \$19,272.4 | \$19,189 |
| Increase (decrease) in reserves* | \$ (155.7) | \$ (82) |
| Statutory surplus | \$ 7,436.5 | \$ 7,554 |
| Net written premiums/surplus (4) | 1.24:1 | 1.25 |

3Q
2001
ADJUSTED (1)

STATUTORY UNDERWRITING

| | |
|---|------------|
| Net written premiums | \$ 2,482.4 |
| Net earned premiums | \$ 2,363.2 |
| Losses and loss adjustment expenses | 1,676.3 |
| Other underwriting expenses | 669.7 |
| | ----- |
| Statutory underwriting gain (loss) | 17.2 |
| Policyholder dividends | 7.3 |
| | ----- |
| Statutory underwriting gain (loss) after policyholder dividends | \$ 9.9 |
| | ===== |

STATUTORY COMBINED RATIO (2)

| | |
|--|-------|
| Loss and loss adjustment expense ratio | 70.9% |
| Other underwriting expense ratio | 27.0% |
| | ----- |
| Combined ratio | 97.9% |
| | ===== |

IMPACT ON STATUTORY COMBINED RATIO

| | |
|--------------------|----|
| Catastrophe losses | -- |
|--------------------|----|

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Prior-year reserve development (0.4)%

GAAP COMBINED RATIO (2,3)

Loss and loss adjustment expense ratio 70.7%
 Other underwriting expense ratio 25.9%

 Combined ratio 96.6%
 =====

OTHER STATUTORY STATISTICS

Reserves for losses and loss adjustment expenses \$19,772.1
 Increase (decrease) in reserves* \$ 582.5
 Statutory surplus \$ 7,465.4
 Net written premiums/surplus (4) 1.27:1

2Q
 2002

STATUTORY UNDERWRITING

Net written premiums \$ 3,095.5

Net earned premiums \$ 2,756.7

Losses and loss adjustment expenses 2,053.9

Other underwriting expenses 760.9

 Statutory underwriting gain (loss) (58.1)

Policyholder dividends (1.7)

 Statutory underwriting gain (loss) after policyholder dividends \$ (56.4)
 =====

STATUTORY COMBINED RATIO (2)

Loss and loss adjustment expense ratio 74.5%

Other underwriting expense ratio 24.6%

 Combined ratio 99.1%
 =====

IMPACT ON STATUTORY COMBINED RATIO

Catastrophe losses 0.8%

Prior-year reserve development 3.4%

GAAP COMBINED RATIO (2,3)

Loss and loss adjustment expense ratio 74.1%

Other underwriting expense ratio 22.5%

 Combined ratio 96.6%
 =====

OTHER STATUTORY STATISTICS

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| | |
|--|------------|
| Reserves for losses and loss adjustment expenses | \$20,306.8 |
| Increase (decrease) in reserves* | \$ 113.8 |
| Statutory surplus | \$ 7,645.2 |
| Net written premiums/surplus (4) | 1.44:1 |

* Payments on environmental and cumulative injury claims incurred in prior years are reflected as a decrease in reserves. Such payments do not have any impact on reported GAAP earnings.

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001. Other statutory statistics have not been adjusted.

(2) Before policyholder dividends.

(3) For purposes of computing GAAP combined ratios, fee income is allocated as a reduction of losses and loss adjustment expenses and other underwriting expenses. Fee income allocated as a reduction of losses and loss adjustment expenses and other underwriting expenses was \$40.5 million and \$37.2 million in 1Q01, \$36.6 million and \$47.3 million in 2Q01, \$45.6 million and \$47.6 million in 3Q01, \$45.3 million and \$47.3 million in 4Q01, \$51.6 million and \$51.1 million in 1Q02 and \$52.0 million and \$56.8 million in 2Q02, respectively.

(4) Based on 12 month rolling net written premiums.

F-6

TRAVELERS PROPERTY CASUALTY CORP.

PROPERTY CASUALTY OPERATIONS - WRITTEN AND EARNED PREMIUMS [TRAVELERS LOGO]
(in millions)

| | 1Q 2001 ----- | 2Q 2001 ----- | 3Q 2001 ----- |
|-------------------------|---------------------|---------------------|---------------------|
| WRITTEN PREMIUMS | | | |
| Direct | \$2,666.2 | \$2,631.1 | \$2,782.0 |
| Assumed | 177.6 | 185.1 | 172.9 |
| Ceded | (456.1) | (385.1) | (521.5) |
| | ----- | ----- | ----- |
| Net | \$2,387.7 ===== | \$2,431.1 ===== | \$2,433.4 ===== |
| EARNED PREMIUMS | | | |
| Direct | \$2,460.1 | \$2,534.7 | \$2,606.8 |
| Assumed | 213.7 | 186.9 | 183.3 |
| Ceded | (441.9) | (430.8) | (475.9) |
| | ----- | ----- | ----- |
| Net | \$2,231.9 ===== | \$2,290.8 ===== | \$2,314.2 ===== |

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| | 3Q 2001 ADJUSTED (1) | 4Q 2001 | 1Q 2002 |
|------------------|----------------------------|------------|------------|
| | ----- | ----- | ----- |
| WRITTEN PREMIUMS | | | |
| Direct | \$2,782.0 | \$2,916.0 | \$3,176.2 |
| Assumed | 172.9 | 137.5 | 124.5 |
| Ceded | (472.5) | (460.2) | (575.6) |
| | ----- | ----- | ----- |
| Net | \$2,482.4 | \$2,593.3 | \$2,725.1 |
| | ===== | ===== | ===== |

| | | | |
|-----------------|-----------|-----------|-----------|
| EARNED PREMIUMS | | | |
| Direct | \$2,606.8 | \$2,858.5 | \$2,920.8 |
| Assumed | 183.3 | 193.2 | 150.1 |
| Ceded | (426.9) | (477.7) | (486.3) |
| | ----- | ----- | ----- |
| Net | \$2,363.2 | \$2,574.0 | \$2,584.6 |
| | ===== | ===== | ===== |

| | 2Q 2002 | YTD 2Q 2001 | YTD 2Q 2002 |
|------------------|------------|-------------------|-------------------|
| | ----- | ----- | ----- |
| WRITTEN PREMIUMS | | | |
| Direct | \$3,315.6 | \$5,297.3 | \$6,491.8 |
| Assumed | 189.6 | 362.7 | 314.1 |
| Ceded | (409.7) | (841.2) | (985.3) |
| | ----- | ----- | ----- |
| Net | \$3,095.5 | \$4,818.8 | \$5,820.6 |
| | ===== | ===== | ===== |

| | | | |
|-----------------|-----------|-----------|-----------|
| EARNED PREMIUMS | | | |
| Direct | \$3,078.5 | \$4,994.8 | \$5,999.3 |
| Assumed | 183.3 | 400.6 | 333.4 |
| Ceded | (505.1) | (872.7) | (991.4) |
| | ----- | ----- | ----- |
| Net | \$2,756.7 | \$4,522.7 | \$5,341.3 |
| | ===== | ===== | ===== |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

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TRAVELERS PROPERTY CASUALTY CORP.
 COMMERCIAL LINES STATEMENT OF OPERATING INCOME
 (in millions)

[TRAVELERS LOGO]

| | 1Q 2001 ----- | 2Q 2001 ----- | 3Q 2001 ----- |
|---|---------------------|---------------------|---------------------|
| REVENUES | | | |
| Premiums | \$1,288.5 | \$1,312.5 | \$1,310.8 |
| Net investment income | 416.7 | 416.9 | 382.1 |
| Fee income | 77.7 | 83.9 | 93.2 |
| Other revenues | 8.3 | 22.7 | 3.3 |
| | ----- | ----- | ----- |
| Total revenues | 1,791.2 | 1,836.0 | 1,789.4 |
| | ----- | ----- | ----- |
| CLAIMS AND EXPENSES | | | |
| Claims and claim adjustment expenses | 948.2 | 980.8 | 1,627.1 |
| Amortization of deferred acquisition costs | 188.3 | 208.3 | 209.6 |
| Interest expense | -- | -- | -- |
| General and administrative expenses | 245.5 | 234.4 | 208.7 |
| | ----- | ----- | ----- |
| Total claims and expenses | 1,382.0 | 1,423.5 | 2,045.4 |
| | ----- | ----- | ----- |
| Operating income (loss) before federal income taxes | 409.2 | 412.5 | (256.0) |
| Federal income taxes (benefit) | 108.5 | 110.0 | (124.0) |
| | ----- | ----- | ----- |
| Operating income (loss) | \$300.7 | \$302.5 | \$(132.0) |
| | ===== | ===== | ===== |

| | 3Q 2001 ADJUSTED (1) ----- | 4Q 2001 ----- | 1Q 2002 ----- |
|--|-------------------------------------|---------------------|---------------------|
| REVENUES | | | |
| Premiums | \$1,355.8 | \$1,535.2 | \$1,554.6 |
| Net investment income | 382.1 | 400.6 | 382.4 |
| Fee income | 93.2 | 92.6 | 102.7 |
| Other revenues | 3.3 | 7.1 | 7.7 |
| | ----- | ----- | ----- |
| Total revenues | 1,834.4 | 2,035.5 | 2,047.4 |
| | ----- | ----- | ----- |
| CLAIMS AND EXPENSES | | | |
| Claims and claim adjustment expenses | 983.1 | 1,155.6 | 1,200.2 |
| Amortization of deferred acquisition costs | 209.6 | 258.7 | 251.3 |
| Interest expense | -- | -- | 0.6 |
| General and administrative expenses | 208.7 | 243.6 | 233.3 |
| | ----- | ----- | ----- |
| Total claims and expenses | 1,401.4 | 1,657.9 | 1,685.4 |
| | ----- | ----- | ----- |

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| | ----- | ----- | ----- |
|---|---------|---------|---------|
| Operating income (loss) before federal income taxes | 433.0 | 377.6 | 362.0 |
| Federal income taxes (benefit) | 117.1 | 96.6 | 84.4 |
| Operating income (loss) | \$315.9 | \$281.0 | \$277.6 |
| | ===== | ===== | ===== |

| | 2Q 2002 | YTD 2Q 2001 | YTD 2Q 2002 |
|-----------------------|------------|-------------------|-------------------|
| | ----- | ----- | ----- |
| REVENUES | | | |
| Premiums | \$1,688.4 | \$2,601.0 | \$3,243.0 |
| Net investment income | 369.7 | 833.6 | 752.1 |
| Fee income | 108.8 | 161.6 | 211.5 |
| Other revenues | 6.2 | 31.0 | 13.9 |
| | ----- | ----- | ----- |
| Total revenues | 2,173.1 | 3,627.2 | 4,220.5 |
| | ----- | ----- | ----- |

CLAIMS AND EXPENSES

| | | | |
|--|---------|---------|---------|
| Claims and claim adjustment expenses | 1,276.2 | 1,929.0 | 2,476.4 |
| Amortization of deferred acquisition costs | 265.8 | 396.6 | 517.1 |
| Interest expense | 0.6 | -- | 1.2 |
| General and administrative expenses | 218.4 | 479.9 | 451.7 |
| | ----- | ----- | ----- |
| Total claims and expenses | 1,761.0 | 2,805.5 | 3,446.4 |
| | ----- | ----- | ----- |

| | | | |
|---|---------|---------|---------|
| Operating income (loss) before federal income taxes | 412.1 | 821.7 | 774.1 |
| Federal income taxes (benefit) | 101.6 | 218.5 | 186.0 |
| | ----- | ----- | ----- |
| Operating income (loss) | \$310.5 | \$603.2 | \$588.1 |
| | ===== | ===== | ===== |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-8

TRAVELERS PROPERTY CASUALTY CORP.
COMMERCIAL LINES - SELECTED STATISTICS
(in millions)

[TRAVELERS LOGO]

| | 1Q 2001 | 2Q 2001 |
|------------------------------|------------|------------|
| | ----- | ----- |
| GAAP OPERATING INCOME (LOSS) | \$ 300.7 | \$ 302.5 |
| | ===== | ===== |

STATUTORY UNDERWRITING

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| | | |
|---|-----------|-------|
| Statutory underwriting gain (loss) | 24.7 | |
| Policyholder dividends | 7.3 | |
| | ----- | |
| Statutory underwriting gain (loss) after policyholder dividends | \$ 17.4 | \$ |
| | ===== | ===== |
| STATUTORY COMBINED RATIO (2) | | |
| Loss and loss adjustment expense ratio | 69.0% | |
| Other underwriting expense ratio | 28.2% | |
| | ----- | |
| Combined ratio | 97.2% | |
| | ===== | ===== |
| IMPACT ON STATUTORY COMBINED RATIO | | |
| Catastrophe losses | -- | |
| Prior-year reserve development | (0.4)% | |
| GAAP COMBINED RATIO (2,3) | | |
| Loss and loss adjustment expense ratio | 68.6% | |
| Other underwriting expense ratio | 26.4% | |
| | ----- | |
| Combined ratio | 95.0% | |
| | ===== | ===== |
| OTHER STATISTICS | | |
| Effective tax rate on net investment income | 25.8% | |
| Net investment income (after-tax) | \$ 283.7 | \$ |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- | \$ |
| Asbestos and environmental losses (pre-tax) | \$ 49.0 | \$ |
| Goodwill amortization | \$ 12.0 | \$ |
| | | |
| | 2Q | Y |
| | 2002 | 20 |
| | ----- | ----- |
| GAAP OPERATING INCOME (LOSS) | \$ 310.5 | \$ 6 |
| | ===== | ===== |
| STATUTORY UNDERWRITING | | |
| Net written premiums | \$1,921.5 | \$2,8 |
| Net earned premiums | \$1,688.4 | \$2,6 |
| Losses and loss adjustment expenses | 1,235.5 | 1,8 |
| Other underwriting expenses | 482.0 | 8 |
| | ----- | ----- |
| Statutory underwriting gain (loss) | (29.1) | (|
| Policyholder dividends | (1.7) |) |
| | ----- | ----- |
| Statutory underwriting gain (loss) after policyholder dividends | \$ (27.4) | \$ (|
| | ===== | ===== |
| STATUTORY COMBINED RATIO (2) | | |

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| | | |
|--|-------|-------|
| Loss and loss adjustment expense ratio | 73.2% | |
| Other underwriting expense ratio | 25.1% | |
| | ----- | ----- |
| Combined ratio | 98.3% | 1 |
| | ===== | ===== |

IMPACT ON STATUTORY COMBINED RATIO

| | | |
|--------------------------------|------|--|
| Catastrophe losses | -- | |
| Prior-year reserve development | 5.4% | |

GAAP COMBINED RATIO (2,3)

| | | |
|--|-------|-------|
| Loss and loss adjustment expense ratio | 72.6% | |
| Other underwriting expense ratio | 22.2% | |
| | ----- | ----- |
| Combined ratio | 94.8% | |
| | ===== | ===== |

OTHER STATISTICS

| | | |
|--|----------|------|
| Effective tax rate on net investment income | 24.9% | |
| Net investment income (after-tax) | \$ 277.5 | \$ 6 |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- | \$ |
| Asbestos and environmental losses (pre-tax) | \$ 65.0 | \$ |
| Goodwill amortization | \$ -- | \$ |

- (1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.
- (2) Before policyholder dividends.
- (3) For purposes of computing GAAP combined ratios, fee income is allocated as a reduction of losses and loss adjustment expenses and other underwriting expenses. Fee income allocated as a reduction of losses and loss adjustment expenses and other underwriting expenses was \$40.5 million and \$37.2 million in 1Q01, \$36.6 million and \$47.3 million in 2Q01, \$45.6 million and \$47.6 million in 3Q01, \$45.3 million and \$47.3 million in 4Q01, \$51.6 million and \$51.1 million in 1Q02 and \$52.0 million and \$56.8 million in 2Q02, respectively.

F-9

TRAVELERS PROPERTY CASUALTY CORP.

COMMERCIAL LINES - NET WRITTEN PREMIUMS BY MARKET
AND PRODUCT LINE
(in millions)

[TRAVELERS LOGO]

| | | |
|-------|-------|-------|
| 1Q | 2Q | 3Q |
| 2001 | 2001 | 2001 |
| ----- | ----- | ----- |

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NET WRITTEN PREMIUMS BY MARKET

| | | | |
|----------------------------|-----------|-----------|-----------|
| National Accounts | \$126.2 | \$ 77.0 | \$115.8 |
| Commercial Accounts | 546.9 | 527.1 | 528.8 |
| Select Accounts | 429.4 | 439.6 | 411.7 |
| Bond | 167.6 | 142.4 | 147.8 |
| Gulf | 174.8 | 189.5 | 153.9 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,444.9 | \$1,375.6 | \$1,358.0 |
| | ===== | ===== | ===== |

NET WRITTEN PREMIUMS BY PRODUCT LINE

| | | | |
|----------------------------|-----------|-----------|-----------|
| Commercial multi-peril | \$450.4 | \$421.2 | \$411.1 |
| Workers' compensation | 308.5 | 228.7 | 251.9 |
| Commercial automobile | 206.0 | 203.0 | 223.3 |
| Property | 195.8 | 241.5 | 180.1 |
| Fidelity and surety | 120.4 | 133.0 | 134.5 |
| General liability | 163.8 | 148.2 | 157.1 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,444.9 | \$1,375.6 | \$1,358.0 |
| | ===== | ===== | ===== |

| | | | |
|--|--------------|-------|-------|
| | 3Q | | |
| | 2001 | 4Q | 1Q |
| | ADJUSTED (1) | 2001 | 2002 |
| | ----- | ----- | ----- |

NET WRITTEN PREMIUMS BY MARKET

| | | | |
|----------------------------|-----------|-----------|-----------|
| National Accounts | \$120.8 | \$ 99.9 | \$ 96.8 |
| Commercial Accounts | 561.8 | 804.3 | 859.3 |
| Select Accounts | 415.7 | 432.5 | 455.0 |
| Bond | 147.8 | 132.4 | 131.6 |
| Gulf | 156.9 | 90.0 | 145.0 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,403.0 | \$1,559.1 | \$1,687.7 |
| | ===== | ===== | ===== |

NET WRITTEN PREMIUMS BY PRODUCT LINE

| | | | |
|----------------------------|-----------|-----------|-----------|
| Commercial multi-peril | \$415.1 | \$475.2 | \$514.6 |
| Workers' compensation | 256.9 | 241.5 | 272.6 |
| Commercial automobile | 223.3 | 282.0 | 308.6 |
| Property | 216.1 | 215.7 | 241.1 |
| Fidelity and surety | 134.5 | 118.7 | 117.4 |
| General liability | 157.1 | 226.0 | 233.4 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,403.0 | \$1,559.1 | \$1,687.7 |
| | ===== | ===== | ===== |

| | | |
|------|------|------|
| | YTD | YTD |
| 2Q | 2Q | 2Q |
| 2002 | 2001 | 2002 |

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| | ----- | ----- | ----- |
|--------------------------------|-----------|-----------|-----------|
| NET WRITTEN PREMIUMS BY MARKET | | | |
| National Accounts | \$196.8 | \$203.2 | \$293.6 |
| Commercial Accounts | 912.1 | 1,074.0 | 1,771.4 |
| Select Accounts | 472.9 | 869.0 | 927.9 |
| Bond | 159.5 | 310.0 | 291.1 |
| Gulf | 180.2 | 364.3 | 325.2 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,921.5 | \$2,820.5 | \$3,609.2 |
| | ===== | ===== | ===== |

| | | | |
|--------------------------------------|-----------|-----------|-----------|
| NET WRITTEN PREMIUMS BY PRODUCT LINE | | | |
| Commercial multi-peril | \$527.4 | \$871.6 | \$1,042.0 |
| Workers' compensation | 254.7 | 537.2 | 527.3 |
| Commercial automobile | 422.4 | 409.0 | 731.0 |
| Property | 319.5 | 437.3 | 560.6 |
| Fidelity and surety | 136.3 | 253.4 | 253.7 |
| General liability | 261.2 | 312.0 | 494.6 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,921.5 | \$2,820.5 | \$3,609.2 |
| | ===== | ===== | ===== |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-10

TRAVELERS PROPERTY CASUALTY CORP.
COMMERCIAL LINES - SELECTED PRODUCTION STATISTICS
(in millions)

[TRAVELERS LOGO]

| | 1Q 2001 ----- | 2Q 2001 ----- | 3Q 2001 ----- |
|--|---------------------|---------------------|---------------------|
| NATIONAL ACCOUNTS | | | |
| Net written premiums | \$126.2 | \$ 77.0 | \$115.8 |
| Claim volume under administration | \$766.4 | \$478.7 | \$414.0 |
| Written fees | \$106.7 | \$ 84.4 | \$ 73.1 |
| COMMERCIAL ACCOUNTS | | | |
| Net written premiums excluding acquisitions (2) | \$546.9 | \$527.1 | \$528.8 |
| New business premiums (2) | \$102.3 | \$106.3 | \$115.4 |
| Retention (2,3) | 71% | 70% | 71% |
| Renewal price change (2,4) | 23% | 14% | 19% |

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| | | | |
|--|----------------------------|------------|------------|
| Net written premiums from acquisitions (5) | \$ -- | \$ -- | \$ -- |
| SELECT ACCOUNTS | | | |
| Net written premiums | \$429.4 | \$439.6 | \$411.7 |
| New business premiums | \$ 76.0 | \$ 71.0 | \$ 65.8 |
| Retention (3) | 80% | 79% | 81% |
| Renewal price change (4) | 15% | 15% | 14% |
| BOND | | | |
| Gross written premiums | \$155.9 | \$164.7 | \$168.1 |
| Net written premiums | \$167.6 | \$142.4 | \$147.8 |
| GULF | | | |
| Gross written premiums | \$351.8 | \$360.1 | \$325.7 |
| Net written premiums | \$174.8 | \$189.5 | \$153.9 |
| | 3Q 2001 ADJUSTED (1) | 4Q 2001 | 1Q 2002 |
| | ----- | ----- | ----- |
| NATIONAL ACCOUNTS | | | |
| Net written premiums | \$120.8 | \$ 99.9 | \$ 96.8 |
| Claim volume under administration | \$414.0 | \$593.2 | \$871.3 |
| Written fees | \$ 73.1 | \$ 96.8 | \$138.3 |
| COMMERCIAL ACCOUNTS | | | |
| Net written premiums excluding acquisitions (2) | \$561.8 | \$636.9 | \$675.8 |
| New business premiums (2) | \$115.4 | \$183.0 | \$187.3 |
| Retention (2,3) | 71% | 72% | 75% |
| Renewal price change (2,4) | 19% | 20% | 24% |
| Net written premiums from acquisitions (5) | \$ -- | \$167.4 | \$183.5 |
| SELECT ACCOUNTS | | | |
| Net written premiums | \$415.7 | \$432.5 | \$455.0 |
| New business premiums | \$ 65.8 | \$ 63.0 | \$ 66.8 |
| Retention (3) | 81% | 81% | 79% |
| Renewal price change (4) | 14% | 14% | 17% |
| BOND | | | |
| Gross written premiums | \$168.1 | \$157.1 | \$178.1 |
| Net written premiums | \$147.8 | \$132.4 | \$131.6 |
| GULF | | | |

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| | | | |
|------------------------|---------|---------|---------|
| Gross written premiums | \$325.7 | \$248.9 | \$309.3 |
| Net written premiums | \$156.9 | \$ 90.0 | \$145.0 |

| | 2Q 2002 ----- | YTD 2Q 2001 ----- | YTD 2Q 2002 ----- |
|--|---------------------|----------------------------|----------------------------|
| NATIONAL ACCOUNTS | | | |
| Net written premiums | \$196.8 | \$203.2 | \$293.6 |
| Claim volume under administration | \$595.3 | \$1,245.1 | \$1,466.6 |
| Written fees | \$117.7 | \$191.1 | \$256.0 |
| COMMERCIAL ACCOUNTS | | | |
| Net written premiums excluding acquisitions (2) | \$612.6 | \$1,074.0 | \$1,288.4 |
| New business premiums (2) | \$171.1 | \$208.6 | \$358.4 |
| Retention (2,3) | 74% | 70% | 74% |
| Renewal price change (2,4) | 23% | 18% | 23% |
| Net written premiums from acquisitions (5) | \$299.5 | \$ -- | \$483.0 |
| SELECT ACCOUNTS | | | |
| Net written premiums | \$472.9 | \$869.0 | \$927.9 |
| New business premiums | \$ 71.4 | \$147.0 | \$138.2 |
| Retention (3) | 80% | 80% | 79% |
| Renewal price change (4) | 18% | 15% | 17% |
| BOND | | | |
| Gross written premiums | \$183.5 | \$320.6 | \$361.6 |
| Net written premiums | \$159.5 | \$310.0 | \$291.1 |
| GULF | | | |
| Gross written premiums | \$338.7 | \$711.9 | \$648.0 |
| Net written premiums | \$180.2 | \$364.3 | \$325.2 |

- (1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.
- (2) Excludes Northland and Associates acquired in the fourth quarter of 2001.
- (3) Retention represents the estimated percentage of premium available for renewal which renewed in the current period.
- (4) Renewal price change represents the estimated average change in premium on policies that renew, including rate and exposure changes, vs. the average premium on those same policies for their prior term.

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(5) Represents Northland and Associates acquired in the fourth quarter of 2001.

F-11

TRAVELERS PROPERTY CASUALTY CORP.
PERSONAL LINES STATEMENT OF OPERATING INCOME
(in millions)

[TRAVELERS LOGO]

| | 1Q 2001 | 2Q 2001 | 3Q 2001 |
|--|------------|------------|------------|
| | ----- | ----- | ----- |
| REVENUES | | | |
| Premiums | \$943.4 | \$978.3 | \$1,003.4 |
| Net investment income | 114.2 | 102.7 | 95.9 |
| Other revenues | 18.5 | 17.9 | 17.4 |
| | ----- | ----- | ----- |
| Total revenues | 1,076.1 | 1,098.9 | 1,116.7 |
| | ----- | ----- | ----- |
| CLAIMS AND EXPENSES | | | |
| Claims and claim adjustment expenses | 676.6 | 776.6 | 801.4 |
| Amortization of deferred acquisition costs | 160.2 | 165.6 | 171.2 |
| General and administrative expenses | 98.8 | 88.5 | 98.7 |
| | ----- | ----- | ----- |
| Total claims and expenses | 935.6 | 1,030.7 | 1,071.3 |
| | ----- | ----- | ----- |
| Operating income before federal income taxes | 140.5 | 68.2 | 45.4 |
| Federal income taxes | 44.1 | 18.5 | 10.6 |
| | ----- | ----- | ----- |
| Operating income | \$ 96.4 | \$ 49.7 | \$ 34.8 |
| | ===== | ===== | ===== |

| | 3Q 2001 ADJUSTED (1) | 4Q 2001 | 1Q 2002 |
|--|----------------------------|------------|------------|
| | ----- | ----- | ----- |
| REVENUES | | | |
| Premiums | \$1,007.4 | \$1,038.8 | \$1,030.0 |
| Net investment income | 95.9 | 97.4 | 104.3 |
| Other revenues | 17.4 | 19.5 | 21.1 |
| | ----- | ----- | ----- |
| Total revenues | 1,120.7 | 1,155.7 | 1,155.4 |
| | ----- | ----- | ----- |
| CLAIMS AND EXPENSES | | | |
| Claims and claim adjustment expenses | 741.4 | 798.4 | 785.9 |
| Amortization of deferred acquisition costs | 171.2 | 176.8 | 175.1 |

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| | | | |
|--|---------|---------|---------|
| General and administrative expenses | 98.7 | 96.9 | 95.7 |
| | ----- | ----- | ----- |
| Total claims and expenses | 1,011.3 | 1,072.1 | 1,056.7 |
| | ----- | ----- | ----- |
| Operating income before federal income taxes | 109.4 | 83.6 | 98.7 |
| Federal income taxes | 33.0 | 23.5 | 27.5 |
| | ----- | ----- | ----- |
| Operating income | \$ 76.4 | \$ 60.1 | \$ 71.2 |
| | ===== | ===== | ===== |

| | 2Q 2002 | YTD 2Q 2001 | YTD 2Q 2002 |
|--|------------|-------------------|-------------------|
| | ----- | ----- | ----- |
| REVENUES | | | |
| Premiums | \$1,068.3 | \$1,921.7 | \$2,098.3 |
| Net investment income | 95.3 | 216.9 | 199.6 |
| Other revenues | 19.2 | 36.4 | 40.3 |
| | ----- | ----- | ----- |
| Total revenues | 1,182.8 | 2,175.0 | 2,338.2 |
| | ----- | ----- | ----- |
| CLAIMS AND EXPENSES | | | |
| Claims and claim adjustment expenses | 818.1 | 1,453.2 | 1,604.0 |
| Amortization of deferred acquisition costs | 180.3 | 325.8 | 355.4 |
| General and administrative expenses | 87.5 | 187.3 | 183.2 |
| | ----- | ----- | ----- |
| Total claims and expenses | 1,085.9 | 1,966.3 | 2,142.6 |
| | ----- | ----- | ----- |
| Operating income before federal income taxes | 96.9 | 208.7 | 195.6 |
| Federal income taxes | 26.9 | 62.6 | 54.4 |
| | ----- | ----- | ----- |
| Operating income | \$ 70.0 | \$146.1 | \$141.2 |
| | ===== | ===== | ===== |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-12

TRAVELERS PROPERTY CASUALTY CORP.
PERSONAL LINES - SELECTED STATISTICS
(in millions)

[TRAVELERS LOGO]

| | | |
|------------|------------|------------|
| 1Q 2001 | 2Q 2001 | 3Q 2001 |
| ----- | ----- | ----- |

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| | | | |
|--|------------------|--------------------|--------------------|
| GAAP OPERATING INCOME | \$ 96.4 ===== | \$ 49.7 ===== | \$ 34.8 ===== |
| STATUTORY UNDERWRITING | | | |
| NET WRITTEN PREMIUMS BY PRODUCT LINE | | | |
| Auto | \$621.7 | \$653.7 | \$663.0 |
| Homeowners and other | 321.1 | 401.8 | 412.4 |
| | ----- | ----- | ----- |
| Total net written premiums | \$942.8 ===== | \$1,055.5 ===== | \$1,075.4 ===== |
| NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL | | | |
| Independent agents | \$756.2 | \$847.0 | \$868.1 |
| Additional distribution | 159.1 | 174.5 | 179.7 |
| Other | 27.5 | 34.0 | 27.6 |
| | ----- | ----- | ----- |
| Total net written premiums | \$942.8 ===== | \$1,055.5 ===== | \$1,075.4 ===== |
| Net earned premiums | \$943.4 | \$978.3 | \$1,003.4 |
| Losses and loss adjustment expenses | 676.7 | 776.5 | 801.4 |
| Other underwriting expenses | 248.0 | 258.3 | 273.5 |
| | ----- | ----- | ----- |
| Statutory underwriting gain (loss) | \$ 18.7 ===== | \$(56.5) ===== | \$(71.5) ===== |
| STATUTORY COMBINED RATIO | | | |
| Loss and loss adjustment expense ratio | 71.7% | 79.4% | 79.9% |
| Other underwriting expense ratio | 26.3% | 24.5% | 25.4% |
| | ----- | ----- | ----- |
| Combined ratio | 98.0% ===== | 103.9% ===== | 105.3% ===== |
| IMPACT ON STATUTORY COMBINED RATIO | | | |
| Catastrophe losses | -- | 6.6% | 6.4% |
| Prior-year reserve development | (0.6)% | (1.4)% | (0.5)% |
| GAAP COMBINED RATIO | | | |
| Loss and loss adjustment expense ratio | 71.7% | 79.4% | 79.9% |
| Other underwriting expense ratio | 27.5% | 24.3% | 25.2% |
| | ----- | ----- | ----- |
| Combined ratio | 99.2% ===== | 103.7% ===== | 105.1% ===== |
| OTHER STATISTICS | | | |
| Effective tax rate on net investment income | 29.2% | 28.1% | 27.7% |
| Net investment income (after-tax) | \$ 80.9 | \$ 73.8 | \$ 69.3 |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- | \$ 65.0 | \$ 64.0 |
| Goodwill amortization | \$ 4.5 | \$ 4.5 | \$ 4.5 |

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| | 3Q 2001 ADJUSTED (1) ----- | 4Q 2001 ----- | 2 ----- |
|--|-------------------------------------|---------------------|----------------|
| GAAP OPERATING INCOME | \$ 76.4 ===== | \$ 60.1 ===== | \$ ===== |
| STATUTORY UNDERWRITING | | | |
| NET WRITTEN PREMIUMS BY PRODUCT LINE | | | |
| Auto | \$663.0 | \$652.3 | \$6 |
| Homeowners and other | 416.4 | 381.9 | 3 |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,079.4 ===== | \$1,034.2 ===== | \$1,0 ===== |
| NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL | | | |
| Independent agents | \$871.4 | \$836.6 | \$8 |
| Additional distribution | 180.4 | 173.8 | 1 |
| Other | 27.6 | 23.8 | -- |
| | ----- | ----- | ----- |
| Total net written premiums | \$1,079.4 ===== | \$1,034.2 ===== | \$1,0 ===== |
| Net earned premiums | \$1,007.4 | \$1,038.8 | \$1,0 |
| Losses and loss adjustment expenses | 741.4 | 798.4 | 7 |
| Other underwriting expenses | 273.5 | 261.4 | 2 |
| | ----- | ----- | ----- |
| Statutory underwriting gain (loss) | \$ (7.5) ===== | \$ (21.0) ===== | \$ (|
| STATUTORY COMBINED RATIO | | | |
| Loss and loss adjustment expense ratio | 73.6% | 76.9% | -- |
| Other underwriting expense ratio | 25.3% | 25.3% | -- |
| | ----- | ----- | ----- |
| Combined ratio | 98.9% ===== | 102.2% ===== | 1 ===== |
| IMPACT ON STATUTORY COMBINED RATIO | | | |
| Catastrophe losses | -- | 0.3% | -- |
| Prior-year reserve development | (0.5)% | (0.6)% | -- |
| GAAP COMBINED RATIO | | | |
| Loss and loss adjustment expense ratio | 73.6% | 76.9% | -- |
| Other underwriting expense ratio | 25.1% | 26.6% | -- |
| | ----- | ----- | ----- |
| Combined ratio | 98.7% ===== | 103.5% ===== | 1 ===== |
| OTHER STATISTICS | | | |
| Effective tax rate on net investment income | 27.7% | 27.9% | -- |
| Net investment income (after-tax) | \$ 69.3 | \$ 70.2 | \$ |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- | \$ 3.5 | \$ |
| Goodwill amortization | \$ 4.5 | \$ 5.0 | \$ |

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| | 2Q 2002 ----- | YTD 2Q 2001 ----- |
|--|---------------------|----------------------------|
| GAAP OPERATING INCOME | \$ 70.0 ===== | \$ 146.1 ===== |
| STATUTORY UNDERWRITING | | |
| NET WRITTEN PREMIUMS BY PRODUCT LINE | | |
| Auto | \$ 714.6 | \$1,275.4 |
| Homeowners and other | 459.4 | 722.9 |
| | ----- | ----- |
| Total net written premiums | \$1,174.0 ===== | \$1,998.3 ===== |
| NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL | | |
| Independent agents | \$961.4 | \$1,603.2 |
| Additional distribution | 186.2 | 333.6 |
| Other | 26.4 | 61.5 |
| | ----- | ----- |
| Total net written premiums | \$1,174.0 ===== | \$1,998.3 ===== |
| Net earned premiums | \$1,068.3 | \$1,921.7 |
| Losses and loss adjustment expenses | 818.4 | 1,453.2 |
| Other underwriting expenses | 278.9 | 506.3 |
| | ----- | ----- |
| Statutory underwriting gain (loss) | \$ (29.0) ===== | \$ (37.8) ===== |
| STATUTORY COMBINED RATIO | | |
| Loss and loss adjustment expense ratio | 76.6% | 75.6% |
| Other underwriting expense ratio | 23.8% | 25.3% |
| | ----- | ----- |
| Combined ratio | 100.4% ===== | 100.9% ===== |
| IMPACT ON STATUTORY COMBINED RATIO | | |
| Catastrophe losses | 2.1% | 3.4% |
| Prior-year reserve development | 0.4% | (1.0)% |
| GAAP COMBINED RATIO | | |
| Loss and loss adjustment expense ratio | 76.6% | 75.6% |
| Other underwriting expense ratio | 22.9% | 25.8% |
| | ----- | ----- |
| Combined ratio | 99.5% ===== | 101.4% ===== |
| OTHER STATISTICS | | |
| Effective tax rate on net investment income | 27.6% | 28.7% |
| Net investment income (after-tax) | \$ 69.0 | \$ 154.7 |

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| | | |
|--|---------|---------|
| Catastrophe losses, net of reinsurance (pre-tax) | \$ 22.0 | \$ 65.0 |
| Goodwill amortization | \$ -- | \$ 9.0 |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-13

TRAVELERS PROPERTY CASUALTY CORP.
 PERSONAL LINES - SELECTED STATISTICS - AUTO [TRAVELERS LOGO]
 (in millions)

| | 1Q 2001 | 2Q 2001 | 3Q 2001 | 3 20 ADJU |
|--|------------|------------|------------|-----------------|
| | ----- | ----- | ----- | ----- |
| STATUTORY UNDERWRITING | | | | |
| NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL | | | | |
| Independent agents | \$ 515.8 | \$ 544.3 | \$ 558.5 | \$ 5 |
| Additional distribution | 80.2 | 77.1 | 78.2 | |
| Other | 25.7 | 32.3 | 26.3 | |
| | ----- | ----- | ----- | ----- |
| Total net written premiums | \$ 621.7 | \$ 653.7 | \$ 663.0 | \$ 6 |
| | ===== | ===== | ===== | ===== |
| Net earned premiums | \$ 588.2 | \$ 613.7 | \$ 632.4 | \$ 6 |
| Losses and loss adjustment expenses | 462.6 | 498.7 | 516.5 | 5 |
| Other underwriting expenses | 151.4 | 150.7 | 155.3 | 1 |
| | ----- | ----- | ----- | ----- |
| Statutory underwriting loss | \$ (25.8) | \$ (35.7) | \$ (39.4) | \$ (|
| | ===== | ===== | ===== | ===== |
| STATUTORY COMBINED RATIO | | | | |
| Loss and loss adjustment expense ratio | 78.6% | 81.3% | 81.7% | |
| Other underwriting expense ratio | 24.4% | 23.1% | 23.4% | |
| | ----- | ----- | ----- | ----- |
| Combined ratio | 103.0% | 104.4% | 105.1% | 1 |
| | ===== | ===== | ===== | ===== |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- | \$ 13.5 | \$ 8.5 | \$ |

| | 1Q 2002 | 2Q 2002 | YTD 2Q 2001 | |
|--|------------|------------|-------------------|-------|
| | ----- | ----- | ----- | ----- |
| STATUTORY UNDERWRITING | | | | |
| NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL | | | | |
| Independent agents | \$ 587.1 | \$ 610.0 | \$ 1,060.1 | \$ |
| Additional distribution | 79.5 | 79.4 | 157.3 | |
| Other | 20.5 | 25.2 | 58.0 | |

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| | | | | |
|--|-----------|-----------|------------|----|
| Total net written premiums | \$ 687.1 | \$ 714.6 | \$ 1,275.4 | \$ |
| Net earned premiums | \$ 650.8 | \$ 674.6 | \$ 1,201.9 | \$ |
| Losses and loss adjustment expenses | 530.9 | 546.1 | 961.3 | |
| Other underwriting expenses | 159.8 | 161.5 | 302.1 | |
| Statutory underwriting loss | \$ (39.9) | \$ (33.0) | \$ (61.5) | \$ |
| STATUTORY COMBINED RATIO | | | | |
| Loss and loss adjustment expense ratio | 81.6% | 81.0% | 80.0% | |
| Other underwriting expense ratio | 23.3% | 22.6% | 23.7% | |
| Combined ratio | 104.9% | 103.6% | 103.7% | |
| Catastrophe losses, net of reinsurance (pre-tax) | \$ -- | \$ -- | \$ 13.5 | \$ |

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-14

TRAVELERS PROPERTY CASUALTY CORP.
 PERSONAL LINES - SELECTED STATISTICS - HOMEOWNERS AND OTHER
 (in millions) [TRAVELERS LOGO]

| | 1Q 2001 | 2Q 2001 | 3Q 2001 | 3Q 2001 ADJUSTED |
|--|------------|------------|------------|------------------------|
| STATUTORY UNDERWRITING | | | | |
| NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL | | | | |
| Independent agents | \$ 240.4 | \$ 302.7 | \$ 309.6 | \$ 312.0 |
| Additional distribution | 78.9 | 97.4 | 101.5 | 102.0 |
| Other | 1.8 | 1.7 | 1.3 | 1.0 |
| Total net written premiums | \$ 321.1 | \$ 401.8 | \$ 412.4 | \$ 415.0 |
| Net earned premiums | \$ 355.2 | \$ 364.6 | \$ 371.0 | \$ 375.0 |
| Losses and loss adjustment expenses | 214.1 | 277.8 | 284.9 | 233.0 |
| Other underwriting expenses | 96.6 | 107.6 | 118.2 | 118.0 |
| Statutory underwriting gain (loss) | \$ 44.5 | \$ (20.8) | \$ (32.1) | \$ 23.0 |
| STATUTORY COMBINED RATIO | | | | |
| Loss and loss adjustment expense ratio | 60.3% | 76.2% | 76.8% | 62.0% |
| Other underwriting expense ratio | 30.1% | 26.8% | 28.7% | 28.0% |
| Combined ratio | 90.4% | 103.0% | 105.5% | 90.0% |

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Catastrophe losses, net of reinsurance (pre-tax) \$ -- \$ 51.5 \$ 55.5 \$ --

| | 4Q 2001 | 1Q 2002 | 2Q 2002 | YTD 2Q 2001 |
|--|------------|------------|------------|-------------------|
| | ----- | ----- | ----- | ----- |

STATUTORY UNDERWRITING

NET WRITTEN PREMIUMS BY DISTRIBUTION CHANNEL

| | | | | |
|----------------------------|----------|----------|----------|----------|
| Independent agents | \$ 285.4 | \$ 263.6 | \$ 351.4 | \$ 543.1 |
| Additional distribution | 95.4 | 85.5 | 106.8 | 176.3 |
| Other | 1.1 | 1.2 | 1.2 | 3.5 |
| | ----- | ----- | ----- | ----- |
| Total net written premiums | \$ 381.9 | \$ 350.3 | \$ 459.4 | \$ 722.9 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|-------------------------------------|----------|----------|----------|----------|
| Net earned premiums | \$ 382.5 | \$ 379.2 | \$ 393.7 | \$ 719.8 |
| Losses and loss adjustment expenses | 265.7 | 254.8 | 272.3 | 491.9 |
| Other underwriting expenses | 109.0 | 101.8 | 117.4 | 204.2 |
| | ----- | ----- | ----- | ----- |
| Statutory underwriting gain (loss) | \$ 7.8 | \$ 22.6 | \$ 4.0 | \$ 23.7 |
| | ===== | ===== | ===== | ===== |

STATUTORY COMBINED RATIO

| | | | | |
|--|-------|-------|-------|-------|
| Loss and loss adjustment expense ratio | 69.5% | 67.2% | 69.2% | 68.3% |
| Other underwriting expense ratio | 28.5% | 29.1% | 25.6% | 28.2% |
| | ----- | ----- | ----- | ----- |
| Combined ratio | 98.0% | 96.3% | 94.8% | 96.5% |
| | ===== | ===== | ===== | ===== |

Catastrophe losses, net of reinsurance (pre-tax) \$ 4.4 \$ 16.0 \$ 22.0 \$ 51.5

(1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.

F-15

TRAVELERS PROPERTY CASUALTY CORP.
PERSONAL LINES - SELECTED PRODUCTION STATISTICS

[TRAVELERS LOGO]

(in millions)

| | 1Q 2001 | 2Q 2001 | 3Q 2001 | 3Q 2001 ADJUSTED (1) | 4Q 2001 | 1Q 2002 |
|--|------------|------------|------------|----------------------------|------------|------------|
| AUTO | | | | | | |
| Net written premiums excluding acquisitions (2) | \$621.7 | \$653.7 | \$663.0 | \$663.0 | \$628.6 | \$652.3 |

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| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Policies in force (PIF) (in thousands) (2) | 1,861 | 1,876 | 1,880 | 1,880 | 1,874 | 1,873 |
| New business PIF (in thousands) (2) | 107 | 118 | 113 | 113 | 100 | 100 |
| Retention* (2,3) | 79% | 79% | 79% | 79% | 79% | 80% |
| Renewal price change* (2,4) | 7% | 7% | 7% | 7% | 6% | 7% |
| Net written premiums from acquisitions (5) | \$ -- | \$ -- | \$ -- | \$ -- | \$ 23.7 | \$ 34.8 |
| HOMEOWNERS AND OTHER | | | | | | |
| Net written premiums excluding acquisitions (2) | \$321.1 | \$401.8 | \$412.4 | \$416.4 | \$380.3 | \$347.8 |
| Policies in force (PIF) (in thousands) (2) | 3,521 | 3,517 | 3,503 | 3,503 | 3,481 | 3,459 |
| New business PIF (in thousands) (2) | 121 | 136 | 144 | 144 | 124 | 112 |
| Retention (2,3) | 79% | 80% | 80% | 80% | 80% | 80% |
| Renewal price change (2,4) | 10% | 10% | 10% | 10% | 10% | 12% |
| Net written premiums from acquisitions (5) | \$ -- | \$ -- | \$ -- | \$ -- | \$ 1.6 | \$ 2.5 |

* Represents standard voluntary automobile business, which represents approximately 95% and 92% of total auto policies in force for YTD 2Q 2001 and 2002, respectively.

- (1) 3Q01 adjusted data excludes the effect of the terrorist attack on September 11, 2001.
- (2) Excludes Northland and Associates acquired in the fourth quarter of 2001.
- (3) Retention represents the estimated percentage of policies from the prior year period renewed in the current period.
- (4) Renewal price change represents the estimated average change in premium on policies that renew, including rate and exposure changes, vs. the average premium on those same policies for their prior term.
- (5) Represents Northland acquired in the fourth quarter of 2001.

F-16

TRAVELERS PROPERTY CASUALTY CORP.

[TRAVELERS LOGO]

INTEREST EXPENSE AND OTHER STATEMENT OF OPERATING LOSS
(in millions)

| | 1Q | 2Q | 3Q | 4Q | 1Q |
|--|------|------|------|------|------|
| | 2001 | 2001 | 2001 | 2001 | 2002 |

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REVENUES

| | | | | | |
|-----------------------|----------|----------|---------|--------|------|
| Net investment income | \$ (2.1) | \$ (1.3) | \$ 10.1 | \$ 0.8 | \$ 1 |
| Other revenues | 0.6 | 0.1 | -- | 0.3 | -- |
| Total revenues | (1.5) | (1.2) | 10.1 | 1.1 | 1 |

CLAIMS AND EXPENSES

| | | | | | |
|--|-----------|-----------|-----------|-----------|---------|
| Interest expense | 65.7 | 52.7 | 46.4 | 40.1 | 35 |
| General and administrative expenses | 6.6 | 3.7 | 0.8 | 1.9 | (0) |
| Total claims and expenses | 72.3 | 56.4 | 47.2 | 42.0 | 35 |
| Operating loss before federal income benefit | (73.8) | (57.6) | (37.1) | (40.9) | (34) |
| Federal income tax benefit | (25.5) | (19.7) | (12.6) | (14.1) | (11) |
| Operating loss | \$ (48.3) | \$ (37.9) | \$ (24.5) | \$ (26.8) | \$ (22) |

OTHER STATISTICS

| | | | | | |
|-----------------------|--------|--------|--------|--------|-------|
| Goodwill amortization | \$ 1.4 | \$ 1.4 | \$ 1.4 | \$ 1.3 | \$ -- |
|-----------------------|--------|--------|--------|--------|-------|

F-17

TRAVELERS PROPERTY CASUALTY CORP.
CONSOLIDATED BALANCE SHEET
(in millions)

[TRAVELERS LOGO]

| | JUNE 30, 2002 | DECEMBER 31, 2001 |
|--|------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| Fixed maturities, available for sale at fair value (including \$745.4 and \$975.7 subject to securities lending agreements) (amortized cost \$26,200.8 and \$25,460.5) | \$ 26,778.3 | \$ 25,850.7 |
| Equity securities, at fair value (cost \$991.8 and \$1,078.7) | 993.3 | 1,082.3 |
| Mortgage loans | 262.1 | 274.4 |
| Real estate held for sale | 39.1 | 38.3 |
| Short-term securities | 2,964.1 | 2,798.3 |
| Trading securities, at fair value | 337.8 | 628.1 |
| Other investments | 1,994.7 | 1,946.5 |
| Total investments | 33,369.4 | 32,618.6 |
| Cash | 227.7 | 236.9 |
| Investment income accrued | 348.0 | 359.5 |
| Premium balances receivable | 3,866.0 | 3,657.0 |

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| | | |
|-------------------------------|-------------|-------------|
| Reinsurance recoverables | 10,991.0 | 11,047.3 |
| Deferred acquisition costs | 848.6 | 768.1 |
| Deferred federal income taxes | 1,097.4 | 1,182.4 |
| Contractholder receivables | 2,170.5 | 2,197.8 |
| Goodwill | 2,411.5 | 2,576.5 |
| Other assets | 4,055.5 | 3,133.7 |
| | - | - |
| TOTAL ASSETS | \$ 59,385.6 | \$ 57,777.8 |
| | ===== | ===== |

| | JUNE 30, 2002 | DECEMBER 31, 2001 |
|---|------------------|----------------------|
| | ----- | ----- |
| LIABILITIES | | |
| Claims and claim adjustment expense reserves | \$30,735.2 | \$ 30,736.6 |
| Unearned premium reserves | 6,142.9 | 5,666.9 |
| Contractholder payables | 2,170.5 | 2,197.8 |
| Notes payable to affiliates | 1,500.0 | 1,697.7 |
| Long-term debt | 379.8 | 379.8 |
| Convertible junior subordinated notes payable | 867.4 | - |
| Other liabilities | 6,425.7 | 5,512.7 |
| | ----- | ----- |
| TOTAL LIABILITIES | 48,221.5 | 46,191.5 |
| | ----- | ----- |

| | | |
|--|-------|-------|
| TIGHI - obligated mandatorily redeemable securities of subsidiary trusts holding solely junior subordinated debt securities of TIGHI | 900.0 | 900.0 |
|--|-------|-------|

SHAREHOLDERS' EQUITY

Common Stock:

| | | |
|--|----------|----------|
| Class A, \$.01 par value, 1,500 million shares authorized, 500 million issued and outstanding | 5.0 | 2.7 |
| Class B, \$.01 par value, 1,500 million shares authorized, 500 million issued and outstanding | 5.0 | 5.0 |
| Additional paid-in capital | 8,538.4 | 4,433.0 |
| Retained earnings | 1,343.3 | 6,004.2 |
| Accumulated other changes in equity from nonowner sources | 372.4 | 241.4 |
| | ----- | ----- |
| TOTAL SHAREHOLDERS' EQUITY | 10,264.1 | 10,686.3 |
| | ----- | ----- |

| | | |
|--|------------|-------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$59,385.6 | \$ 57,777.8 |
| | ===== | ===== |

F-18

TRAVELERS PROPERTY CASUALTY CORP.
INVESTMENT PORTFOLIO
(at carrying value, in millions)

[TRAVELERS LOGO]

Edgar Filing: TRAVELERS PROPERTY CASUALTY CORP - Form 8-K

| | AT JUNE 30, 2002 | PRE-TAX BOO YIELD |
|---|------------------------|----------------------|
| INVESTMENT PORTFOLIO | | |
| Taxable fixed maturities (including redeemable preferred stock) | \$ 15,265.9 | 7.0 |
| Tax-exempt fixed maturities | 11,512.4 | 5.0 |
| Non-redeemable preferred stocks | 907.6 | 6.8 |
| Common stocks | 85.7 | N/ |
| Mortgage loans | 262.1 | 10.3 |
| Real estate held for sale | 39.1 | 1.5 |
| Short-term securities | 2,964.1 | 1.9 |
| Trading securities | 337.8 | N/ |
| Other investments (1) | 1,994.7 | N/ |
| | ----- | ----- |
| TOTAL INVESTMENTS | \$ 33,369.4 | 5.8 |
| | ===== | ===== |
| Net unrealized gain on investment securities, net of tax, included in shareholders' equity | \$ 376.8 | |
| | ===== | |

- (1) Primarily includes securities partnership interests held for long-term appreciation. Other investments that generate only intermittent income are also included in this category and yields fluctuate accordingly.

F-19

TRAVELERS PROPERTY CASUALTY CORP.
INVESTMENT PORTFOLIO - FIXED MATURITIES DATA
(at carrying value, in millions)

[TRAVELERS LOGO]

| | AT JUNE 2002 |
|---|--------------------|
| | ----- |
| Fixed maturities | |
| Mortgage-backed securities - principally obligations of U.S. Government agencies | \$ |
| U.S. Treasury securities and obligations of U.S. Government corporations and agencies | |
| Corporates (including redeemable preferreds) | |
| Obligations of states and political subdivisions | 1 |
| Debt securities issued by foreign governments | |
| Trading securities | |
| | ----- |
| Total fixed maturities | \$ 2 |
| | ===== |

FIXED MATURITIES
QUALITY CHARACTERISTICS*
(as of June 30, 2002)

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| | AMOUNT |
|--|--------|
| Quality Ratings | |
| Aaa | \$ 1 |
| Aa | |
| A | |
| Baa | |
| Total investment grade | 2 |
| Ba | |
| B | |
| Caa and lower | |
| Total below investment grade | |
| Total fixed maturities, excluding trading securities | \$ 2 |
| Trading securities | |
| Average weighted quality | |
| Average duration of fixed maturities and short-term securities | |
| Average duration of fixed maturities (excluding short-term securities) | |

* Rated using external rating agencies, or by Travelers Property Casualty Corp.'s internal analysts when a public rating does not exist. Below investment grade assets refer to securities rated "Ba1" or below.

F-20

TRAVELERS PROPERTY CASUALTY CORP.
NET INVESTMENT INCOME
(in millions)

[TRAVELERS LOGO]

| | 1Q 2001 | 2Q 2001 | 3Q 2001 | 4Q 2001 | 1Q 2002 | |
|--------------------------------|------------|------------|------------|------------|------------|----|
| GROSS INVESTMENT INCOME | | | | | | |
| Fixed maturities | \$ 428.6 | \$ 436.1 | \$ 410.5 | \$ 425.1 | \$ 422.0 | \$ |
| Mortgage loans | 7.1 | 7.2 | 7.1 | 6.9 | 6.9 | |
| Other, including trading | 106.2 | 84.9 | 82.3 | 78.2 | 67.7 | |
| | 541.9 | 528.2 | 499.9 | 510.2 | 496.6 | |
| Investment expenses | 13.1 | 9.9 | 11.8 | 11.4 | 8.8 | |
| Net investment income, pre-tax | 528.8 | 518.3 | 488.1 | 498.8 | 487.8 | |
| Federal income taxes | 143.1 | 139.3 | 128.9 | 130.8 | 126.7 | |

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| | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------|
| Net investment income, after-tax | \$ 385.7 | \$ 379.0 | \$ 359.2 | \$ 368.0 | \$ 361.1 | \$ |
| Effective tax rate | 27.1% | 26.9% | 26.4% | 26.2% | 26.0% | |
| Average invested assets | \$31,121.4 | \$30,949.4 | \$30,868.0 | \$31,972.2 | \$32,547.3 | \$32 |
| Average yield pre-tax | 7.1% | 7.0% | 6.5% | 6.5% | 6.2% | |
| Average yield after-tax | 5.2% | 5.1% | 4.8% | 4.8% | 4.6% | |

F-21

TRAVELERS PROPERTY CASUALTY CORP.

[TRAVELERS LOGO]

REALIZED AND UNREALIZED INVESTMENT GAINS (LOSSES)

(in millions)

| | 1Q 2001 | 2Q 2001 | 3Q 2001 | 4Q 2001 | 1Q 2002 |
|--|------------|------------|------------|------------|------------|
| REALIZED INVESTMENT GAINS (LOSSES) | | | | | |
| Fixed maturities | \$ 209.0 | \$ 7.2 | \$ 113.2 | \$ 1.6 | \$ 31.0 |
| Equity securities | (12.9) | 28.5 | (12.1) | (11.6) | (1.0) |
| Other | (3.8) | 13.6 | (4.8) | (5.4) | (1.0) |
| Realized investment gains (losses) | \$ 192.3 | \$ 49.3 | \$ 96.3 | \$ (15.4) | \$ 28.0 |
| Gross gains on sale | \$ 262.0 | \$ 125.7 | \$ 143.7 | \$ 141.9 | \$ 126.0 |
| Gross losses on sale | (46.2) | (73.3) | (28.6) | (56.5) | (35.0) |
| Impairments | (23.5) | (3.1) | (18.8) | (100.8) | (62.0) |
| Realized investment gains (losses) | \$ 192.3 | \$ 49.3 | \$ 96.3 | \$ (15.4) | \$ 28.0 |
| UNREALIZED INVESTMENT GAINS (LOSSES) | | | | | |
| Fixed maturities | \$ 97.1 | \$ (239.3) | \$ 293.4 | \$ (430.2) | \$ (246.0) |
| Equity securities | 15.7 | 7.7 | 4.7 | 18.9 | (15.0) |
| Related taxes | 112.8 | (231.6) | 298.1 | (411.3) | (261.0) |
| Change in unrealized gains (losses) on investment securities | 73.4 | (150.6) | 193.7 | (267.4) | (169.0) |
| Balance, beginning of period | 407.1 | 480.5 | 329.9 | 523.6 | 256.0 |
| Balance, end of period | \$ 480.5 | \$ 329.9 | \$ 523.6 | \$ 256.2 | \$ 86.0 |

F-22

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TRAVELERS PROPERTY CASUALTY CORP.
 STATUTORY RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSE
 (in millions)

[TRAVELERS LOGO]

| | 1Q 2001 ----- | 2Q 2001 ----- | 3Q 2001 ----- | 4Q 2001 ----- | 1Q 2002 ----- |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| COMMERCIAL LINES | | | | | |
| Beginning of period | \$16,859.2 | \$16,738.1 | \$16,615.2 | \$17,135.2 | \$17,488.6 |
| Acquisitions | -- | -- | -- | 595.8 | -- |
| Incurred* | 901.5 | 947.0 | 1,578.9 | 1,112.6 | 1,149.8 |
| Paids | (1,022.6) | (1,069.9) | (1,058.9) | (1,355.0) | (1,228.9) |
| End of period | \$16,738.1 ===== | \$16,615.2 ===== | \$17,135.2 ===== | \$17,488.6 ===== | \$17,409.5 ===== |
| PERSONAL LINES | | | | | |
| Beginning of period | \$ 2,568.9 | \$ 2,534.3 | \$ 2,574.4 | \$ 2,636.9 | \$ 2,725.9 |
| Acquisitions | -- | -- | -- | 26.9 | -- |
| Incurred* | 676.7 | 776.5 | 801.4 | 798.4 | 785.7 |
| Paids | (711.3) | (736.4) | (738.9) | (736.3) | (728.1) |
| End of period | \$ 2,534.3 ===== | \$ 2,574.4 ===== | \$ 2,636.9 ===== | \$ 2,725.9 ===== | \$ 2,783.5 ===== |
| TOTAL | | | | | |
| Beginning of period | \$19,428.1 | \$19,272.4 | \$19,189.6 | \$19,772.1 | \$20,214.5 |
| Acquisitions | -- | -- | -- | 622.7 | -- |
| Incurred* | 1,578.2 | 1,723.5 | 2,380.3 | 1,911.0 | 1,935.5 |
| Paids | (1,733.9) | (1,806.3) | (1,797.8) | (2,091.3) | (1,957.0) |
| End of period | \$19,272.4 ===== | \$19,189.6 ===== | \$19,772.1 ===== | \$20,214.5 ===== | \$20,193.0 ===== |
| * Includes prior-year reserve development: | | | | | |
| Commercial Lines: | | | | | |
| Asbestos, environmental and cumulative injury other than asbestos | \$ 39.0 | \$ 45.0 | \$ 45.0 | \$ 61.0 | \$ 64.0 |
| Other | (49.0) | (58.0) | (50.0) | (16.0) | 32.0 |
| Total Commercial Lines | (10.0) | (13.0) | (5.0) | 45.0 | 96.0 |
| Personal Lines | (6.0) | (14.0) | (5.0) | (6.0) | 5.0 |
| Total | \$ (16.0) ===== | \$ (27.0) ===== | \$ (10.0) ===== | \$ 39.0 ===== | \$ 101.0 ===== |

F-23

TRAVELERS PROPERTY CASUALTY CORP.
 CAPITALIZATION
 (in millions)

[TRAVELERS LOGO]

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| | AT JUNE 30, 2002 ----- | DECEMBER 31, 2001 ----- |
|--|---------------------------------|----------------------------------|
| DEBT | | |
| NOTES PAYABLE TO AFFILIATES: | | |
| 3.60% Line of credit with Citicorp, due 11/7/2003 | \$ 500.0 | \$ 1,000.0 |
| Floating Rate Note Payable to Citicorp, fully prepaid by 3/27/02 | -- | 1,000.0 |
| Non-interest bearing Note Payable to Citigroup, due 12/31/02 | 1,000.0 | 1,000.0 |
| | ----- | ----- |
| | 1,500.0 | 1,000.0 |
| | ----- | ----- |
| CONVERTIBLE NOTES: | | |
| 4.5% Convertible Junior Subordinated Notes due April 15, 2032 | 892.5 | |
| Debt issuance costs | (25.1) | |
| | ----- | ----- |
| | 867.4 | ----- |
| | ----- | ----- |
| LONG-TERM DEBT: | | |
| 6.75% Notes due 11/15/2006 | 150.0 | |
| 7.81% Notes due 9/16/2011 | 30.0 | |
| 7.75% Notes due 4/15/2026 | 200.0 | |
| | ----- | ----- |
| | 380.0 | ----- |
| Debt issuance costs | (0.2) | |
| | ----- | ----- |
| | 379.8 | ----- |
| | ----- | ----- |
| Total debt | \$ 2,747.2 | \$ 2,000.0 |
| | ===== | ===== |
| TRUST SECURITIES: | | |
| 8.08% trust securities due April 30, 2036 | \$ 800.0 | \$ 800.0 |
| 8.00% trust securities due May 15, 2036 | 100.0 | 100.0 |
| | ----- | ----- |
| | \$ 900.0 | \$ 900.0 |
| | ===== | ===== |
| COMMON EQUITY | \$10,264.1 | \$10,264.1 |
| | ===== | ===== |
| TOTAL CAPITAL AND DEBT | \$13,911.3 | \$13,911.3 |
| | ===== | ===== |
| DEBT TO CAPITAL (1) | 16.6% | |
| DEBT AND PREFERRED SECURITIES TO CAPITAL (1) | 23.1% | |

(1) Assumes 50% equity credit for convertible notes

F-24

TRAVELERS PROPERTY CASUALTY CORP.
STATEMENT OF CASH FLOWS
(in millions)

[TRAVELERS LOGO]

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| | 1Q 2001 | 2Q 2001 | 3Q 2001 | 4Q 2001 | 1Q 2002 |
|--|------------|------------|------------|------------|------------|
| | ----- | ----- | ----- | ----- | ----- |
| NET CASH PROVIDED BY (USED IN) | | | | | |
| OPERATING ACTIVITIES | \$ 272.0 | \$ (21.3) | \$ 347.3 | \$ 621.1 | \$ 254. |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from maturities of investments | | | | | |
| Fixed maturities | 379.7 | 559.4 | 464.8 | 677.5 | 614. |
| Mortgage loans | 4.8 | 4.4 | 4.3 | 2.3 | 2. |
| Proceeds from sales of investments | | | | | |
| Fixed maturities | 4,986.2 | 2,985.7 | 3,324.2 | 3,170.6 | 3,126. |
| Equity securities | 86.8 | 200.3 | 82.6 | 85.6 | 48. |
| Purchase of investments | | | | | |
| Fixed maturities | (5,860.9) | (3,195.0) | (3,077.1) | (3,856.1) | (3,410.) |
| Equity securities | (179.2) | 79.8 | (85.6) | 117.6 | (87.) |
| Mortgage loans | -- | -- | (3.0) | (1.1) | -- |
| Real estate held for sale | (0.5) | (4.0) | (0.7) | (1.0) | -- |
| Short-term securities, (purchases) | | | | | |
| sales, net | 347.4 | 326.1 | (1,133.0) | 353.4 | (295.) |
| Other investments, net | (183.3) | (40.1) | (57.3) | (389.9) | 357. |
| Securities transactions in course | | | | | |
| of settlement | 435.7 | (591.3) | 141.1 | 72.8 | (131.) |
| Business acquisitions | -- | -- | -- | (329.5) | -- |
| Net cash provided by (used in) | | | | | |
| investing activities | 16.7 | 325.3 | (339.7) | (97.8) | 223. |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Issuance of convertible notes, net | -- | -- | -- | -- | 867. |
| Issuance of note payable to affiliate | -- | -- | -- | 500.0 | -- |
| Issuance of short-term debt | -- | 211.8 | -- | (211.8) | -- |
| Payment of long-term debt | -- | (500.0) | -- | -- | -- |
| Payment of note payables to affiliates | (401.0) | (139.0) | -- | (500.0) | (5,149.) |
| Issuance of long-term debt to affiliate | -- | 275.0 | -- | -- | -- |
| Payment of long-term debt to affiliate | -- | -- | -- | (275.0) | -- |
| Initial public offering | -- | -- | -- | -- | 4,090. |
| Receipts from former affiliates | 157.5 | 158.5 | 157.0 | 2.0 | 157. |
| Dividend to parent | (50.0) | (318.5) | (157.5) | -- | (157.) |
| Purchase of real estate from an affiliate | -- | -- | -- | -- | (68.) |
| Transfer of employee benefit obligations | | | | | |
| to affiliates | -- | -- | -- | -- | (172.) |
| Transfer of lease obligations to affiliate | -- | -- | -- | -- | (88.) |
| Return of capital from former subsidiaries | -- | -- | -- | 8.0 | -- |
| Net cash used in financing activities | (293.5) | (312.2) | (0.5) | (476.8) | (520.) |
| Net increase (decrease) in cash | (4.8) | (8.2) | 7.1 | 46.5 | (42.) |
| Cash at beginning of period | 196.3 | 191.5 | 183.3 | 190.4 | 236. |
| Cash at end of period | \$ 191.5 | \$ 183.3 | \$ 190.4 | \$ 236.9 | \$ 194. |

SUPPLEMENTAL DISCLOSURE OF CASH

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| FLOW INFORMATION | | | | | | | | | | |
|------------------------------|----|------|----|-------|----|--------|----|--------|----|--------|
| Income taxes (received) paid | \$ | 21.0 | \$ | 369.1 | \$ | (34.8) | \$ | (29.7) | \$ | (21.0) |
| Interest paid | \$ | 36.0 | \$ | 22.5 | \$ | 21.3 | \$ | 49.9 | \$ | 35.0 |

F-25

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 18, 2002

Travelers Property Casualty Corp.

By: /s/ Daniel W. Jackson

Name: Daniel W. Jackson

Title: Assistant Secretary