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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-10898

The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0518860**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

485 Lexington Avenue,
New York, NY 10017
(Address of principal executive offices) (Zip Code)

(917) 778-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, without par value	New York Stock Exchange

Report Of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
The Travelers Companies, Inc.:

We have audited the accompanying consolidated balance sheet of The Travelers Companies, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and therelated consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Travelers Companies, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Travelers Companies, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control —Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 19, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

KPMG LLP

New York, New York
February 19, 2013

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. SHARE-BASED INCENTIVE COMPENSATION (Continued)

The 2004 Incentive Plan is the only plan pursuant to which future stock-based awards may be granted. In addition to the 35 million shares initially authorized for issuance under the 2004 Incentive Plan, the following will not be counted towards the 35 million shares available and will be available for future grants under the 2004 Incentive Plan: (i) shares of common stock subject to an award that expires unexercised, that is forfeited, terminated or canceled, that is settled in cash or other forms of property, or otherwise does not result in the issuance of shares of common stock, in whole or in part; (ii) shares that are used to pay the exercise price of stock options and shares used to pay withholding taxes on awards generally; and (iii) shares purchased by the Company on the open market using cash option exercise proceeds; provided, however, that the increase in the number of shares of common stock available for grant pursuant to such market purchases shall not be greater than the number that could be repurchased at fair market value on the date of exercise of the stock option giving rise to such option proceeds. These provisions also apply to awards granted under the legacy share-based incentive compensation plans that were outstanding on the effective date of the 2004 Incentive Plan.

The Company also has a compensation program for non-employee directors (the Director Compensation Program). Under the Director Compensation Program, non-employee directors' compensation consists of an annual retainer, a deferred stock award, committee chair fees and a lead director fee. Each non-employee director may choose to receive all or a portion of his or her annual retainer in the form of cash or deferred stock units which vest upon grant. The annual deferred stock awards vest in full one day prior to the date of the Company's annual meeting of shareholders occurring in the year following the year of the grant date, subject to continued service. Any of the deferred stock awards may accumulate, including reinvestment dividends, until distribution either in a lump sum six months after termination of service as a director or, if the director so elects, in annual installments beginning at least six months following termination of service as a director. The shares of deferred stock units issued under the Director Compensation Program are awarded under the 2004 Incentive Plan.

Stock Option Awards

Stock option awards granted to eligible officers and key employees have a ten-year term. Prior to January 1, 2007, stock options were granted with an exercise price equal to the fair market value of the Company's common stock on the day preceding the date of grant. Beginning January 1, 2007, all stock options are granted with an exercise price equal to the closing price of the Company's common stock on the date of grant. The stock options granted generally vest upon meeting certain years of service criteria. Except as the Compensation Committee of the Board may allow in the future, stock options cannot be sold or transferred by the participant. The stock options granted under the 2004 Incentive Plan vest three years after grant date (cliff vest).

In addition to the stock option awards described above, certain stock option awards that were granted under legacy plans permitted an employee exercising an option to be granted a new option (a reload option) at an exercise price equal to the closing price of the Company's common stock on the date on which the original option was exercised. The reload option was permitted on certain stock option awards granted prior to January 2003 at an amount equal to the number of shares of the common stock used to satisfy both the exercise price and withholding taxes due upon exercise of an option and vest either six months or one year after the grant date and are exercisable for the remaining term of the related original option. At December 31, 2012, there were no longer any options eligible for reload.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. SHARE-BASED INCENTIVE COMPENSATION (Continued)

The fair value of each option award is estimated on the date of grant by application of a variation of the Black-Scholes option pricing model using the assumptions noted in the following table. The expected term of newly granted stock options is the time to vest plus half the remaining time to expiration. This considers the vesting restriction and represents an even pattern of exercise behavior over the remaining term. Reload options were exercisable for the remaining term of the original option and therefore generally had a shorter expected term. Beginning in April 2010, due to the Company having attained sufficient history with respect to changes in its stock prices over time, the expected volatility assumption is based on the historical volatility of the Company's common stock for the same period as the estimated option term based on the mid-month of the option grant. Prior to April 2010, the expected volatility was based on the average historical volatility of the common stock of an industry peer group of entities due to the limited Company stock history. The expected dividend is based upon the Company's current quarter dividend annualized and assumed to be constant over the expected option term. The risk-free interest rate for each option is the interpolated market yield for the mid-month of the option grant on a U.S. Treasury bill with a term comparable to the expected option term of the granted stock option. Shares received through option exercises under the reload program were subject to either a one-year or two-year restriction on sale. A discount, as measured by the estimated cost of protecting against changes in market value - 5% for one-year sales restrictions and 10% for two-year sales restrictions - had been applied to the fair value of reload options granted to reflect these sales restrictions. The following assumptions were used in estimating the fair value of options on grant date for the years ended December 31, 2012, 2011 and 2010:

2012	Original Grants	Reload Grants
Expected term of stock options	6 years	1 year
Expected volatility of the Company's stock	28.5% - 28.6%	22.9% - 23.5%
Weighted average volatility	28.6%	23.4%
Expected annual dividend per share	$1.64 - $1.84	$1.64 - $1.84
Risk-free rate	1.02% - 1.17%	0.10% - 0.17%

2011	Original Grants	Reload Grants
Expected term of stock options	6 years	1 year
Expected volatility of the Company's stock	28.0% - 28.6%	15.7% - 17.6%
Weighted average volatility	28.2%	15.9%
Expected annual dividend per share	$1.44 - $1.64	$1.44 - $1.64
Risk-free rate	1.19% - 2.62%	0.10% - 0.29%

2010	Original Grants	Reload Grants
Expected term of stock options	6 years	1 - 2 years
Expected volatility of the Company's stock	28.3% - 29.1%	18.3% - 41.6%
Weighted average volatility	28.4%	21.1%
Expected annual dividend per share	$1.32 - $1.44	$1.32 - $1.44
Risk-free rate	1.68% - 2.71%	0.20% - 0.95%

13. SHARE-BASED INCENTIVE COMPENSATION (Continued)

A summary of stock option activity under the Company's 2004 Incentive Plan and legacy share-based incentive compensation plans as of and for the year ended December 31, 2012 is as follows:

Stock Options	Number	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Aggregate Intrinsic Value ($ in millions)
Outstanding, beginning of year	**16,212,961**	**$ 47.33**		
Granted:				
Original	**2,442,017**	**59.75**		
Reload	**4,920**	**63.80**		
Exercised	**(5,679,770)**	**45.03**		
Forfeited or expired	**(383,920)**	**53.68**		
Outstanding, end of year	**12,596,208**	**$ 50.58**	**6.2 Years**	**$ 268**
Vested at end of year(1)	**9,010,201**	**$ 48.34**	**5.4 Years**	**$ 212**
Exercisable at end of year	**5,785,428**	**$ 44.27**	**3.9 Years**	**$ 159**

(1) Represents awards for which the requisite service has been rendered, including those that are retirement eligible.

The following table presents additional information regarding original and reload grants for the years ended December 31, 2012, 2011 and 2010.

2012	Original Grants	Reload Grants
Weighted average grant-date fair value of options granted (per share)	**$ 12.08**	**$ 4.49**
Total intrinsic value of options exercised during the year (in millions)	**$ 102**	**$ 5**

2011	Original Grants	Reload Grants
Weighted average grant-date fair value of options granted (per share)	$ 12.94	$ 3.19
Total intrinsic value of options exercised during the year (in millions)	$ 76	$ 11

2010	Original Grants	Reload Grants
Weighted average grant-date fair value of options granted (per share)	$ 11.94	$ 3.46
Total intrinsic value of options exercised during the year (in millions)	$ 77	$ 3

On February 5, 2013, the Company, under the 2004 Stock Incentive Plan, granted 1,861,434 stock option awards with an exercise price of $78.65 per share. The fair value attributable to the stock option awards on the date of grant was $17.09 per share.

Restricted Stock Units, Deferred Stock Units and Performance Share Award Programs

The Company, commencing with equity grants on or after January 1, 2007, issues restricted stock unit awards to eligible officers and key employees under the Equity Awards program established pursuant to the 2004 Incentive Plan. A restricted stock unit represents the right to receive a share of common stock. These restricted stock unit awards are granted at market price, generally vest three

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. SHARE-BASED INCENTIVE COMPENSATION (Continued)

years from the date of grant, do not have voting rights and the underlying shares of common stock are not issued until the vesting criteria is satisfied. In addition, the Company's board of directors can be issued deferred stock unit awards from (i) an annual award; (ii) deferred compensation (in lieu of cash retainer); and (iii) dividend reinvestment shares earned on outstanding deferred compensation.

The Company also has a Performance Share Awards Program pursuant to the 2004 Incentive Plan which became effective beginning in 2006. Under the program, the Company may issue performance share awards to certain employees of the Company who hold positions of Vice President (or its equivalent) or above. The performance awards provide the recipient the right to earn shares of the Company's common stock based upon the Company's attainment of certain performance goals. The performance goals for performance awards are based on the Company's adjusted return on equity over a three-year performance period. Vesting of any performance shares is contingent upon the Company attaining the relevant performance period minimum threshold return on equity. If the performance period return on equity is below the minimum threshold, none of the shares will vest. If performance meets or exceeds the minimum performance threshold, a range of performance shares will vest (50%—160% for awards granted prior to and including February 2009; 50%—150% for awards granted in February 2010; and 50%—130% for awards granted in February 2011, 2012 and 2013); depending on the actual return on equity attained.

The fair value of restricted stock units, deferred stock units and performance shares is measured at the market price of the Company stock at date of grant.

The total fair value of shares that vested during the years ended December 31, 2012, 2011 and 2010 was $146 million, $121 million and $113 million, respectively.

A summary of restricted stock units, deferred stock units and performance share activity under the Company's 2004 Incentive Plan and legacy plans as of and for the year ended December 31, 2012 is as follows:

	Restricted and Deferred Stock Units		Performance Shares	
Other Equity Instruments	**Number**	**Weighted Average Grant-Date Fair Value**	**Number**	**Weighted Average Grant-Date Fair Value**
Outstanding, beginning of year	**2,780,504**	**$ 48.03**	**1,547,402**	**$ 53.79**
Granted	**953,630**	**60.18**	**719,841**	**59.48**
Vested	**(1,379,608)**(1)	**42.90**	**(868,250)**(2)	**51.82**
Forfeited	**(158,144)**	**52.96**	**(70,856)**	**55.15**
Performance-based adjustment	**—**	**—**	**110,084**(3)	**54.06**
Outstanding, end of year	**2,196,382**	**$ 56.17**	**1,438,221**	**$ 58.22**

(1) Represents awards for which the requisite service has been rendered.

(2) Reflects the number of performance shares attributable to the performance goals attained over the completed performance period (three years) and for which service conditions have been met.

(3) Represents the current year change in estimated performance shares to reflect the attainment of performance goals for the awards that were granted in each of the years 2009 through 2012.

13. SHARE-BASED INCENTIVE COMPENSATION (Continued)

On February 5, 2013, the Company, under the 2004 Stock Incentive Plan, granted 1,268,572 common stock awards in the form of restricted stock units, deferred stock units and performance share awards to participating officers, non-employee directors and other key employees. The restricted stock units and deferred stock units totaled 713,198 shares while the performance share awards totaled 555,374 shares. The fair value per share attributable to the common stock awards on the date of grant was $78.65.

Share-Based Compensation Cost Recognition

The amount of compensation cost for awards subject to a service condition is based on the number of shares expected to be issued and is recognized over the time period for which service is to be provided (requisite service period). Awards granted to retiree-eligible employees or to employees who become retiree-eligible before an award's vesting date are considered to have met the requisite service condition. The compensation cost for awards subject to a performance condition is based upon the probable outcome of the performance condition, which on the grant date reflects an estimate of attaining 100% of the performance shares granted. The compensation cost reflects an estimated annual forfeiture rate from 3.5% to 4% over the requisite service period of the awards. That estimate is revised if subsequent information indicates that the actual number of instruments expected to vest is likely to differ from previous estimates. Compensation costs for awards are recognized on a straight-line basis over the requisite service period. For awards that have a graded vesting schedule, the compensation cost is recognized on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award was, in substance, multiple awards. The total compensation cost for all share-based incentive compensation awards recognized in earnings for the years ended December 31, 2012, 2011 and 2010 was $120 million,$121 million and $128 million, respectively. Included in these amounts are compensation cost adjustments of $4 million, $4 million and $10 million, for the years ended December 31, 2012, 2011 and 2010, respectively, that reflected the cost associated with the updated estimate of performance shares due to attaining certain performance levels from the date of the initial grant of the performance awards. The related tax benefits recognized in earnings were $42 million, $42 million and $44 million for the years ended December 31, 2012, 2011 and 2010, respectively.

At December 31, 2012, there was $112 million of total unrecognized compensation cost related to all nonvested share-based incentive compensation awards. This includes stock options, restricted and deferred stock units and performance shares granted under the 2004 Incentive Plan. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 1.7 years.

Cash received from the exercise of employee stock options under share-based compensation plans totaled $295 million and $314 million in 2012 and 2011, respectively. The taxbenefit realized for tax deductions from employee stock options exercised during 2012 and 2011 totaled $36 million and $30 million, respectively.

14. PENSION PLANS, RETIREMENT BENEFITS AND SAVINGS PLANS

The Company sponsors a qualified non-contributory defined benefit pension plan, which covers substantially all U.S. domestic employees and provides benefits under a cash balance formula, except that employees satisfying certain age and service requirements remain covered by a prior final average pay formula. In addition, the Company sponsors: a nonqualified defined benefit pension plan which

COMPENSATION DISCUSSION AND ANALYSIS

This section of the Proxy Statement explains our compensation philosophy and describes how our compensation programs are designed and operate with respect to our named executive officers for whom compensation is disclosed in the tables below.

2012 Overview

In 2012, the Company continued to perform strongly, both on an absolute and relative basis, by continuing to execute successfully its long-term strategy. Results in 2012 were, in significant part, the product of strategic actions taken over the past several years in response to the persistent low interest rate environment as well as the possibility of continued severe weather in the United States. In particular, beginning in 2010 and continuing through 2012, the Company sought to improve profitability by selectively and actively increasing premium rates on renewals, improving terms and conditions and tightening underwriting guidelines.

These actions, along with lower catastrophe losses, contributed to improved performance in 2012 as compared to 2011, with approximately half of the improvement in earnings driven by improved underlying underwriting margins (as described below). The Company achieved 2012 net income of $2.5 billion, or $6.30 per diluted share. In contrast, for 2011, net income was $1.4 billion, or $3.36 per diluted share.

The Company achieved these results in spite of the otherwise difficult environment in which the Company continued to operate during 2012. Although the Company's catastrophe losses in 2012 were lower than in 2011, Storm Sandy and other catastrophes made 2012 the second-costliest year on record for the U.S. property and casualty insurance industry. Moreover, 10-year treasury rates once again hit record lows during 2012, which reduced interest income from the reinvestment of the Company's maturing fixed income investments.

In assessing the Company's performance in response to the difficult operating environment, the Compensation Committee took into account the following achievements, among others: (1) the Company's highly coordinated and effective execution of its business strategy, resulting in significant renewal rate increases in each of its segments, improved underwriting terms and conditions and, at the same time, strong retention of renewal business; (2) continued strong investment performance, especially in light of historically low interest rates; (3) continued effective and disciplined expense management; and (4) the superior performance of its Claim organization, which handled a record number of claims resulting from Storm Sandy.

As a result of the Company's focus on profitability and risk management, the Company has achieved superior returns to shareholders not only over the short-term but also over the long-term:

- Total shareholder returns for the three-year and five-year periods ended December 31, 2012 were above the 80th and 90th percentiles, respectively, of the Company's Compensation Comparison Group described below.
- Average annual operating return on equity* over the past five years was 11.3%, and average annual return on equity was 10.5%. In contrast, according to the Insurance Information Institute, the estimated average annual return on equity for the domestic property and casualty industry for that period was less than 6%.

In light of these achievements and other factors discussed below, the Compensation Committee decided to increase total direct compensation (comprised of base salary, annual cash bonus and long-term stock incentives) paid to the CEO and to the other named executive officers as a group for performance year 2012 (1) by 27% and 23%, respectively, compared to 2011 and (2) by 1.5% and 4.6%, respectively, compared to 2010.

* For a definition of these terms and a reconciliation to GAAP measures, see "Reconciliation of Non-GAAP Measures to GAAP Measures and Selected Definitions" on page 80 of this Proxy Statement.

2012 Financial Performance Highlights

Due in large measure to the successful execution of its long-term strategy, including the proactive steps to improve profitability described above, the Company achieved the following in 2012:

- **Achieved Significant Renewal Rate Gains and Improved Margins.** The execution of the Company's strategy resulted in increased pricing trends across all three of its business segments during 2012. For example, the average premium rate on renewed policies in Business Insurance (our largest segment representing approximately 50% of our 2012 net premiums) increased by more than 7%. Our other business segments also achieved meaningful increases in renewal rates. These renewal rate gains, together with other strategic actions taken since 2010 to respond to the very low interest rate environment and the possibility of more severe weather, contributed significantly to increased underwriting margins in each of our segments in 2012, even excluding the favorable impact of lower catastrophes and net favorable prior year reserve development (which we refer to as "underlying underwriting margins"). Approximately half of the $1.1 billion increase in net income from 2011 to 2012 was due to the impact of higher underlying underwriting margins.

- **Achieved a Superior Return on Equity.** In 2012, the Company's improved profitability enabled it to produce a return on equity of 9.8% as compared to 5.7% in 2011. In contrast, the average return on equity for the domestic property and casualty industry in 2012 was less than 6%, as estimated by the Insurance Information Institute.

- **Increased Book Value per Share and Returned Significant Excess Capital to our Shareholders.** During 2012, we increased our book value per share by 8%, after returning to shareholders approximately $1.45 billion through share repurchases and $700 million through dividends. This book value per share growth exceeded a majority of the property and casualty companies in our Compensation Comparison Group discussed further below. In addition, over the past five years, we increased our book value per share by approximately 59%, representing a greater percentage than all but one of the property and casualty companies in our Compensation Comparison Group. Over this period, we also returned more capital to our shareholders through share repurchases and dividends, as a percentage of market capitalization, than each of the companies in our Compensation Comparison Group.

- **Achieved Superior Total Return to Shareholders Over the Short- and Long-Term.** Strong financial results have led to superior returns to shareholders. For the one-year and three-year periods ended December 31, 2012, we generated total shareholder returns (measured as the change in the stock price plus the cumulative amount of dividends, assuming dividend reinvestment) of 24.8% and 56.6%, respectively, placing the Company at approximately the 65th and 80th percentiles, respectively, of its Compensation Comparison Group. Furthermore, for the five-year period ended December 31, 2012, our total shareholder return was 53.2%, placing the Company above the 90th percentile of its Compensation Comparison Group.

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

Pay for Performance Philosophy and 2012 Compensation Decisions

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

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

With respect to its 2012 compensation decisions, the Compensation Committee concluded that based on the achievements discussed above, among other things, the Company and the named executive officers had performed at superior levels on both an absolute and relative-to-peer basis. This was particularly the case in light of the Company's strong 2012 results driven in significant part by proactive steps to improve profitability. The Committee also noted the Company's superior total return to shareholders, particularly over the long-term.

In addition to comparing the Company's 2012 performance to its 2011 performance, the Compensation Committee decided to compare the Company's 2012 performance to its 2010 performance because 2010, like 2012, was impacted by low interest rates and historically high levels of catastrophes, and these catastrophe levels, while greater in 2012 than in 2010, were in both cases significantly less than the record-breaking catastrophe levels of 2011. The Compensation Committee also made the comparison between 2012 and 2010 taking into account its view that, as explained under "Objectives of Our Executive Compensation Program", compensation levels should encourage a long-term perspective and therefore, while they should be impacted by catastrophes, they should generally not be as volatile as year-to-year changes in catastrophes. Based on this comparison, the Compensation Committee concluded that the Company's 2012 performance generally equaled or exceeded its performance in 2010. For example, underlying underwriting margins were higher in 2012 than in 2010 and, adjusting for differences in catastrophes, 2012 operating return on equity would have exceeded 2010 operating return on equity.

Considering all of these factors, in February 2013, the Compensation Committee decided to increase named executive officer total compensation awards from 2011 levels and to award variable compensation (annual bonus and long-term stock incentives) for the 2012 performance year so that it generally approximated, but was slightly higher than, 2010 levels. This was also intended to position total direct compensation for the CEO and the other named executive officers as a group above the median of the Compensation Comparison Group.

Specifically, the Compensation Committee made the following compensation decisions with respect to the 2012 fiscal year:

- The annual cash bonus paid to the CEO and the average annual cash bonus paid to the other named executive officers as a group for performance year 2012 increased by 44% and 34%, respectively, from 2011 and by 4% in each case from 2010.

- The grant date fair value of stock-based long-term incentive compensation awarded to the CEO and the average grant date fair value of stock-based long-term incentive compensation awarded to the other named executive officers for performance year 2012 increased by 20% and 19%, respectively, from 2011 and was the same as 2010 for the CEO and increased by 6% from 2010 for the other named executive officers.

Separately, in February 2013, the Compensation Committee increased the base salaries for the named executive officers (other than the CEO and COO) by $50,000 each, effective April 2013. The Compensation Committee had previously increased the base salary of the COO by $75,000 in July 2012. The base salary for the CEO remains unchanged since 2001.

Link Between Pay and Performance Over Time

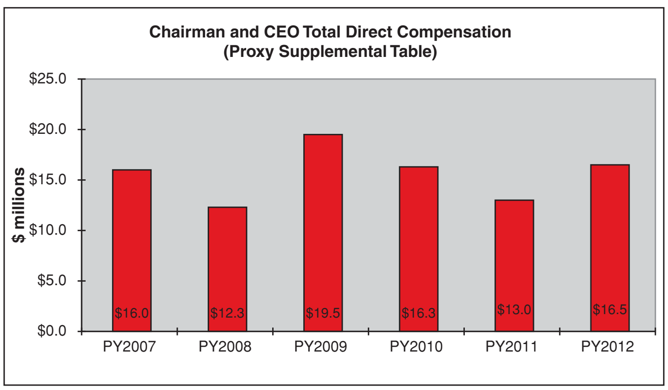
While our compensation program objectives and structure have been stable over time, compensation levels for each performance year have often increased or decreased meaningfully from year to year based on Company performance.

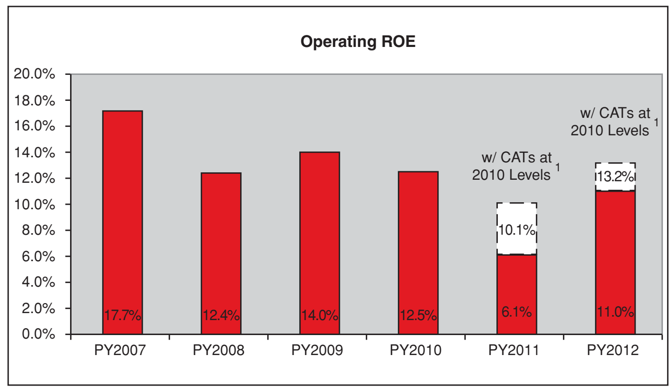
Relationship between CEO Compensation and Operating Return on Equity

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

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

Further, as noted below under "Objectives of our Executive Compensation Program", compensation levels are impacted by the level of catastrophe losses in any particular year but are not subject to as much volatility year-to-year—negative or positive—as may be caused by the presence or absence of catastrophes.





(1) The adjustment to the chart is intended to facilitate a comparison of recent operating ROEs with 2010 operating ROE, both before and after adjusting for differences in catastrophe losses. In particular, the adjustment reflects what operating ROE for PY 2012 and PY 2011 would have been had catastrophe losses in those years only been at 2010's high levels ($1.1 billion pre-tax) instead of at the somewhat higher levels of 2012 ($1.9 billion pre-tax) or the record levels of 2011 ($2.6 billion pre-tax). As discussed above, the Compensation Committee compared 2012 performance not only with 2011 performance but also with 2010 performance because 2010, like 2012, was impacted by low interest rates and historically high levels of catastrophes, but not the record-breaking catastrophe levels of 2011.

Differences between total direct compensation for each performance year presented above and the information included in the Company's Summary Compensation Table is discussed further below under "—Total Direct Compensation for 2010 - 2012 (Supplemental Table)" and "—Differences Between this Supplemental Table and the Summary Compensation Table on page 49".

Use of Operating Return on Equity

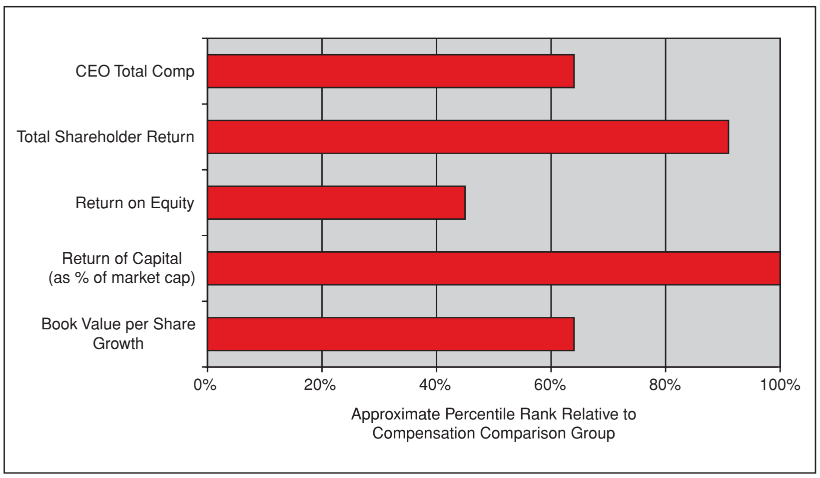
While the Compensation Committee evaluates a broad range of financial and non-financial metrics in awarding performance-based annual cash bonuses, operating return on equity, in particular, is a principal factor in the Compensation Committee's evaluation of the Company's performance. For example, the Committee uses operating return on equity in its evaluation of performance when it determines the annual cash bonuses paid to the named executive officers. Moreover, as discussed below, the number of performance shares that a named executive officer will receive upon vesting, if any, depends on the Company's attainment of specific financial goals related to operating return on equity. Operating return on equity is not a single metric. Rather, by being a function of both (1) operating income and (2) shareholders' equity (excluding unrealized gains and losses on investments), operating return on equity reflects a number of separate areas of financial performance related to both the Company's income statement and balance sheet. Accordingly, senior executives, as well as other employees with management responsibility, are encouraged to focus on multiple performance objectives that are important for creating shareholder value, including the quality and profitability of our underwriting decisions, the pricing of our policies, the effectiveness of our claims management and the efficacy of our capital and risk management.

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

The following chart demonstrates the Company's performance as compared to the other companies in its Compensation Comparison Group over the five-year period ended December 31, 2012 based on a number of different metrics that we believe are relevant in assessing performance over time.

The chart also shows our CEO's total compensation compared to total compensation paid to the CEOs of our Compensation Comparison Group for the five-year period from 2007 through 2011, the most recent five years for which comparative compensation information was available when the Compensation Committee approved this report. For purposes of this chart, "total comp" reflects total compensation as reported in the SEC summary compensation tables in the Company's and the peer group's proxy statements that were issued for the relevant years.

For a definition of certain other terms used in the chart below, see "Reconciliation of Non-GAAP Measures to GAAP Measures and Selected Definitions" on page 80 of this Proxy Statement.



Objectives of Our Executive Compensation Program

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

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

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

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

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

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

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

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

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

The Compensation Committee believes that the interests of executives and shareholders should be aligned. Accordingly, a significant portion of the total compensation for the named executive officers is in the form of stock-based compensation that does not vest until three years after the award is made. The components of stock-based compensation granted to the named executive officers in 2012 and 2013 were stock options and performance shares. In addition, as discussed below, senior executives are expected to achieve specified stock ownership targets prior to selling any stock acquired upon the exercise of stock options or the vesting of performance shares or restricted stock units. The portion of total compensation attributable to stock-based programs, and the expected level of executive stock ownership, increase with successively higher levels of responsibility.

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

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

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

5. *Reflect established and evolving corporate governance standards*

The Compensation Committee, with the assistance of our Human Resources Department and the Committee's independent compensation consultant, stays abreast of current and developing corporate governance standards and trends with respect to executive compensation and adjusts the various elements of our executive compensation program, from time to time, as it deems appropriate.

For a description of the duties of the Compensation Committee and its use of an independent compensation consultant, see "Board of Directors Information—Compensation Committee" on page 10 of this Proxy Statement.

Compensation Comparison Group

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

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

- ACE Ltd.
- Allstate Corporation
- Chubb Corporation
- Hartford Financial Services Group
- Progressive Corporation

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

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

As of December 31, 2012, the Company was in approximately the 45th percentile of the Compensation Comparison Group based on assets, the 30th percentile based on revenues and the 70th percentile based on market capitalization.

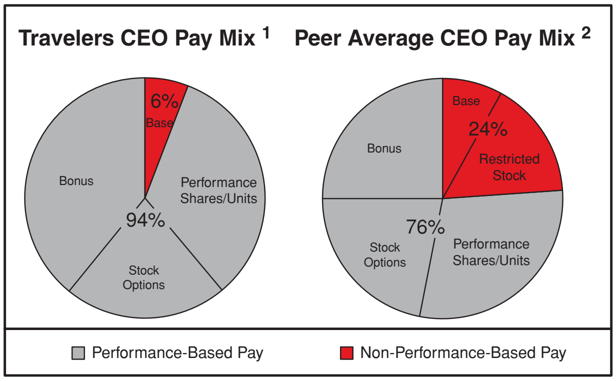
Compensation Elements

We deliver executive compensation through a combination of base salary and performance-based compensation consisting of an annual cash bonus and stock-based, long-term incentive awards. We also provide benefits and modest perquisites. Total direct compensation for a performance year consists of base salary, along with annual cash bonuses earned and stock-based long-term incentive awards granted to our named executive officers in February of each year with respect to the performance in the prior year.

Consistent with recent years, the Compensation Committee has determined that the allocation of compensation between performance-based annual cash bonus and stock-based long-term incentives should be somewhat more heavily weighted towards cash bonus as compared to the Compensation Comparison Group. The Compensation Committee believes that this allocation is appropriate in light of the fact that a higher percentage of the named executive officers' total compensation (and total direct compensation) is performance-based as compared to the peer average and peer median of the Compensation Comparison Group. In particular, unlike a number of other companies in the Compensation Comparison Group, equity awards made to the named executive officers are all performance-based. In addition, a smaller portion of our compensation opportunity is delivered through non-performance-based pension benefits and perquisites.

The components of performance-based compensation include annual cash bonus and stock-based compensation in the form of stock options and performance shares. Because our performance shares only vest if adjusted return on equity thresholds are met, and because options provide value only if our stock price appreciates, the Compensation Committee believes that such compensation is all performance-based; that is, the compensation awarded to our CEO and other named executive officers does not include awards, such as restricted stock, where compensation is earned solely due to the passage of time without regard to performance.

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



(1) Travelers CEO Pay Mix reflects the pay mix of total direct compensation for performance year 2012, as reported in the Supplemental Table on page 47 of this Proxy Statement.

(2) Peer Average CEO Pay Mix reflects the pay mix of total direct compensation for the Compensation Comparison Group for performance year 2011 (the most recent year for which data was publicly available) and was calculated for the Compensation Committee by its independent compensation consultant. As part of that calculation, the independent compensation consultant annualized special non-recurring long-term incentive grants (for example, new hire, retention and promotion awards) to reflect an estimate of "per year" value.

Total Direct Compensation

The following table sets forth the composition of total direct compensation for the CEO and our other named executive officers for the 2012 performance year:

	Percentage of Total Direct Compensation of CEO	Percentage of Average Total Direct Compensation of Other NEOs
Current Base Salary Rate	6%	12%
Performance-Based Annual Cash Bonus	39%	48%
Performance-Based Long-Term Stock Incentives	55%	40%

Base Salary

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

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

Further, because salaries for named executive officers are typically changed infrequently, at the time the Compensation Committee increases the salaries of executives who have not received an increase in several years, such salaries on average may initially be somewhat higher than the 50th percentile indicated by the most recently available data on the basis that over time they are expected to approximate the 50th percentile.

In February 2013, the Compensation Committee increased the base salaries of the named executive officers other than the CEO and COO by $50,000 each, effective April 2013. In July 2012, the Compensation Committee increased the base salary of the COO by $75,000. The base salaries for these officers had not been increased since 2010, even though several of them had taken on additional responsibilities during that period. The base salary of the CEO has remained unchanged since 2001.

At the end of 2012, the base salaries for the named executives as a group approximated, but was slightly higher than, the amount that was the 50th percentile of the Compensation Comparison Group, based on the most recently available data. The CEO's 2012 base salary of $1,000,000 was at approximately the 25th percentile of the Compensation Comparison Group.

Performance-Based Annual Cash Bonus

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

Description of Senior Executive Performance Plan

The Senior Executive Performance Plan is designed to comply with the "qualified performance-based compensation" requirements of Section 162(m) of the Internal Revenue Code so that the annual bonus payments to named executive officers could be fully tax deductible. The Senior Executive Performance Plan contains a formula that was approved by shareholders and that is used to determine the maximum amount of the annual bonus pool. Under the Senior Executive Performance Plan, the Compensation Committee sets the potential maximum award for each named executive officer as a percentage of the aggregate pool on an annual basis.

The bonus pool determined under the Senior Executive Performance Plan is not an expectation of the amount of bonuses that will actually be paid. Rather, the bonus pool and the maximum individual allocations established thereunder represent the maximum amount of bonus awards that the Compensation Committee may approve as "qualified performance-based compensation" for tax purposes pursuant to Section 162(m). Accordingly, the Compensation Committee may determine, in its discretion, not to grant bonuses even when the formula results in funding a bonus pool. Alternatively, even if the threshold under the Senior Executive Performance Plan is not achieved and no bonus pool is available under the Senior Executive Performance Plan, the Compensation Committee could award bonuses to the named executive officers if, in the exercise of its business judgment, the Compensation Committee determines that they are warranted under the circumstances and in the best interest of the Company. In such a case, the bonuses would be awarded outside the Senior Executive Performance Plan and would not qualify as "performance-based compensation" under Section 162(m).

The formula in the Senior Executive Performance Plan provides generally that, if our return on equity (determined by dividing "after-tax operating earnings" by total common shareholders' equity as of the beginning of the fiscal year, adjusted to exclude net unrealized appreciation or depreciation of investments) is greater than 8%, then the pool available to pay bonuses to named executive officers will equal 1.5% of our "after-tax operating earnings". The Senior Executive Performance Plan defines "after-tax operating earnings" as our net income from continuing operations for the performance period as reported in our financial statements for the performance period, adjusted to eliminate the after-tax effects of the following items:

- net realized investment gains or losses in our fixed maturities and real estate portfolios;
- extraordinary items and the cumulative effect of accounting changes as each is defined by U.S. generally accepted accounting principles ("GAAP");
- restructuring charges;
- losses in our "core" businesses from officially designated catastrophes; and
- underwriting results of our "non-core", or exited, businesses placed into run-off.

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

Description of Performance-Year 2012 Bonuses Paid under the Senior Executive Performance Plan

Due to our after-tax operating earnings in 2012, we achieved a return on equity, as defined under the Senior Executive Performance Plan, of 16.85%, which resulted in a pool of $54.6 million available for bonuses for the named executive officers that would be deductible under Section 162(m). For the 2012 performance period (and consistent with the prior two years), the maximum percentage of the pool payable to each of the named executive officers was set at 35%

for the CEO, 20% for the next most highly compensated named executive officer and 15% for the other named executive officers.

As it has done in prior years, the Compensation Committee exercised its discretion to award less than the maximum amount that could have been awarded under the Plan as "qualified performance-based compensation". As discussed below, the Compensation Committee awarded a total of $18.1 million in bonuses (being approximately 33% of the bonus pool under the Plan) to the named executive officers for the 2012 performance period.

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

- Company, business segment and/or investment results relative to the various financial measures set forth in our 2012 business plan that was established and approved by the Board at the end of 2011;
- the performance of the executive;
- compensation market practices as reflected by the Compensation Comparison Group in the most recent publicly available data;
- our performance relative to the companies in the Compensation Comparison Group along with other companies in the property and casualty industry, with a particular emphasis on return on equity; and
- past awards to the executive.

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

- the strategic positioning of the Company and the applicable business unit;
- the progress made on strategic and technology initiatives;
- the effective management of expenses;
- the effective management of risk;
- the demonstration of leadership, teamwork and innovation; and
- the extent of accomplishment of the applicable business unit's business plan.

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

The achievement, or inability to achieve, any particular financial or operational measure in a given year neither guarantees nor precludes the payment of an award but is considered by the Compensation Committee as one of several factors in light of the other factors noted and any additional information available to it at the time, including market conditions in general. The Compensation Committee does not use a formula or assign any particular relative weighting to any performance measure. However, as discussed below, the Compensation Committee generally weighs financial performance (particularly return on equity) and comparable compensation information more heavily than other factors. In particular, when assessing results, the Compensation Committee considers the Company's overall financial performance relative to prior years' performance, the business plan and the performance of industry peers.

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

2012 Financial Goals; Operating Return on Equity Target

As one part of evaluating the foregoing factors for 2012, the Compensation Committee established in February 2012 specific targets for both operating return on equity and operating return on equity adjusted to exclude catastrophes and prior year reserve development related to asbestos and environmental coverages. These targets were consistent with the 2012 financial plan approved by the Board at the end of 2011.

One of management's important responsibilities is to produce an appropriate return on equity for our shareholders and to develop and execute financial and operational plans consistent with our financial goal of achieving a mid-teens return on equity over time. The Compensation Committee also recognizes, however, the historic cyclicality of our business and that there may be times when the return on equity achievable in a given year is greater than, or less than, a mid-teens level. The Compensation Committee believes that due to, among other things, the expectation that interest rates are likely to remain low over the next several years, returns that will qualify as top tier performance will be lower than a mid-teens return on equity over the next several years. In terms of evaluating the appropriateness of the targets set for return on equity, the Compensation Committee considers our return on equity relative to the Compensation Comparison Group and to the U.S. property and casualty industry generally and relative to our cost of equity capital, which we believe has decreased by more than 25% over the past five years. The significant decrease in our estimated cost of equity capital has resulted from lower levels of volatility in the Company's stock price over the past few years and the reduction in the risk-free rate of return.

When the Board approved our 2012 business plan, both management and the Board believed the plan to be reasonably difficult to achieve. That plan targeted (1) an operating return on equity of 10.3% and (2) an operating return on equity, adjusted to exclude catastrophes and prior year reserve development related to asbestos and environmental coverages, of approximately 12.6%. The adjustments to operating return on equity for prior year reserve developments related to asbestos and environmental coverages were made because, to a significant degree, those items relate to policies that were written decades ago and, particularly in the case of asbestos, arise to a significant extent as a result of court decisions and other trends that have attempted to expand insurance coverage far beyond what we believe to be the intent of the original parties. Accordingly, the financial impact is largely beyond the control of current management.

The targeted returns reflected the Company's expectation of continued weak economic conditions in 2012, as well as the expectation that interest rates would remain low during 2012. In addition, the targeted returns also took into account the Company's lower cost of equity capital as a result of the reduction in the market risk-free rate of return.

During 2012, the Compensation Committee reviewed management's progress in meeting a broad range of financial and operational metrics included in the financial plan approved by the Board. On a quarterly basis, the Compensation Committee evaluated the Company's performance in respect of these metrics, including premium revenues, investment income, insurance losses, expense management and the resulting operating income.

However, while the Compensation Committee evaluated a broad range of metrics quarterly, the Compensation Committee considered return on equity to be the most important metric in its evaluation of the Company's performance, and it reviewed other metrics in light of their contribution to the Company's return on equity goals.

- For 2012, our operating return on equity was 11.0%, which was higher than our target of 10.3%.

- Our adjusted operating return on equity, excluding catastrophes and prior year reserve development related to asbestos and environmental coverages, was 16.9%, which exceeded our target on this basis of 12.6%.

The Compensation Committee believes that the results relating to return on equity reflected, among other things:

- solid underlying underwriting performance and improving profitability, including as the result of the Company's strategic actions, beginning in 2010 and continuing through 2012, to improve that profitability;

- favorable prior year reserve development not related to asbestos and environmental matters;

- catastrophe losses that, while high in 2012, were lower than 2011's record level;

- strong investment performance, especially in light of historically low interest rates; and

- the favorable impact of the Company's capital management, particularly its share repurchase program.

In addition, the Compensation Committee believes the results reflect superior performance in comparison to the U.S. property and casualty industry as a whole.

In particular, the Company's return on equity in 2012 meaningfully exceeded the average return on equity for domestic property and casualty insurance companies, as estimated by the Insurance Information Institute.

* * *

Amount of 2012 Annual Cash Bonuses

At its February 2013 meeting, the Compensation Committee considered the quantitative and qualitative factors described above and the substantial contributions made by the named executive officers in meeting the 2012 targets described above for operating return on equity and adjusted operating return on equity. This included the strong absolute and relative performance described under "2012 Overview", including superior total returns to shareholders over the short- and long-term. The Compensation Committee believed that all of the named executive officers individually performed at superior levels and contributed substantially to our results. The Compensation Committee also placed significant weight on the fact that the executive officers, including the named executive officers, were highly effective working as a team. The cash bonus for the CEO in particular recognizes: his Company and industry leadership, strategic vision and oversight of the successful implementation of the long-term strategy; his ability to attract, retain and motivate a strong senior management team; and, more broadly, his cultivation of an effective corporate culture that prioritizes a proper balance of risk and reward. The cash bonus amounts for the other named executive officers recognize their superior individual performances and the scope of their respective responsibilities, which, in several cases, had increased in recent years.

In light of the foregoing, the Compensation Committee determined in its judgment to award a cash bonus of $6.5 million to the CEO and, as set forth in more detail on page 47 under "Total Direct Compensation for 2010-2012", an average cash bonus of $2.9 million to the other named executive officers. These bonuses, which were significantly higher than bonuses for the 2011 performance year (a record catastrophe year for the Company), were set at levels that approximated, but were slightly higher than, 2010 bonuses. As discussed above in the "2012 Overview", the Compensation Committee considered a comparison to 2010 performance a relevant measure because of a number of the similarities in operating environment. The Compensation Committee concluded that the Company's 2012 performance was significantly better than 2011 performance and generally equaled or exceeded the Company's performance in 2010. For example, adjusting for differences in catastrophes, operating return on equity in 2012 would have exceeded 2010 operating return on equity.

Given the Company's superior performance, the bonuses were also intended to position total direct compensation for the CEO and the named executive officers as a group above the median of the Compensation Comparison Group.

Performance-Based Long-Term Stock Incentives

As described below, in 2012, performance-based long-term compensation was awarded to the named executive officers in the form of stock options and performance shares. Our stock-based long-term incentive awards are designed to further our goals described under "Objectives of Our Executive Compensation Program", including ensuring that our executive officers have a continuing stake in our long-term success and manage the business with a long-term risk-adjusted perspective.

At its February 2012 meeting, the Compensation Committee awarded the CEO stock-based long-term incentive grants with a grant date fair value of $7.5 million. At the same meeting, the Compensation Committee awarded the named executive officers (other than the CEO) annual stock-based long-term incentive grants ranging from $2 million to $2.25 million. The Compensation Committee believed that such awards were appropriate in light of the Company's and the named executive officers' strong 2011 performance. Such equity grants were, however, meaningfully lower than the prior year grants (17% lower in the case of the CEO and 11% lower on average in the case of the other NEOs) in light of the fact that operating income per share and return on equity declined in 2011 from 2010 levels. This was due to a number of factors, particularly the impact of record catastrophe losses and very low interest rates. Overall, the equity awards (when combined with the other elements of total direct compensation) were intended to position the CEO and the other named executive officers as a group above the median compared to the Compensation Comparison Group but at a lower percentile than for 2010, when compensation approximated the 75th percentile due to exceptional performance.

At its February 2013 meeting, the Compensation Committee awarded the CEO stock-based long-term incentive grants with a grant date fair value of $9.0 million. At the same meeting, the Compensation Committee awarded the named executive officers (other than the CEO) stock-based long-term incentive grants ranging from approximately $2.3 million to $3.0 million. The awards for the named executive officers (other than the CEO) were 3.25 times the base salary for those officers in effect at the end of the year. The Compensation Committee set the amounts of such incentive grants in order to position the total direct compensation of the CEO and other named executive officers as a group at levels that approximated, but were slightly higher than, 2010 levels. Given the Company's superior performance, these equity awards were also intended to position total direct compensation for the CEO and the named executive officers as a group above the median of the Compensation Comparison Group.

The ultimate value of stock-based long-term incentive awards at the time of vesting or exercise (in the case of stock options) may be greater than or less than the grant date fair value, depending upon our operating performance and changes in the value of our stock price. Unless otherwise noted, the grant date fair values of long-term incentive awards are computed in accordance with the accounting standards described in footnote (2) to the Summary Compensation Table on page 49.

The Compensation Committee, with advice from its independent compensation consultant, developed guidelines for the allocation of annual grants of equity compensation between stock options and performance shares. These allocations are intended to result in a mix of long-term incentives that is sufficiently performance-based and will result in (1) a large component of total compensation being variable and tied to the achievement of specific, multi-year operating performance objectives and (2) an appropriate portion being tied solely to changes in shareholder value. Under the guidelines, the mix of long-term incentives for the named executive officers is approximately 40% stock options and 60% performance shares, based on the grant date fair value of the awards. The mix of long-term incentive compensation reflects the Compensation Committee's judgment as to the appropriate balance of these incentives to achieve its objectives. While the grant date fair values of equity awards granted to named executive officers take into account both individual and Company performance, the mix of equity incentives does not. For details of the equity awards granted in calendar year 2012, refer to the "Tabular Executive Compensation Disclosure—Grants of Plan-Based Awards in 2012" on page 51.

Stock Options

All stock options are granted with an exercise price equal to the closing price of the underlying shares on the date of grant. Our annual award of stock options generally has an expiration date of ten years from the date of grant, vests 100% three years after the date of grant and does not accelerate upon a change of control. Under the 2004 Stock Incentive Plan, stock options cannot be "repriced" unless such repricing is approved by our shareholders.

The Compensation Committee's annual option award to the CEO had a grant date fair value of $3.0 million for the February 2012 award and $3.6 million for the February 2013 award. The Compensation Committee's annual option awards to the other named executive officers had grant date fair values ranging from approximately $0.8 million to $0.9 million for the February 2012 awards and from approximately $0.9 million to $1.2 million for the February 2013 awards.

Performance Shares

Under our program for granting performance shares, we may grant performance shares to certain of our employees who hold positions of Vice President (or its equivalent) or above, including the named executive officers. These awards provide the recipient with the right to receive a variable number of shares of our common stock based upon our attainment of specified performance goals discussed below. The performance goals for performance share awards granted in 2012 and 2013 are based upon our attaining various adjusted returns on equity over three-year performance periods commencing January 1, 2012 and ending December 31, 2014 and commencing January 1, 2013 and ending December 31, 2015, respectively (in each case, "Performance Period Return on Equity"). Performance Period Return on Equity represents the average of the "Adjusted Return on Equity" for each of the three calendar years in the Performance Period Return on Equity. The "Adjusted Return on Equity" for each calendar year is determined by dividing "Adjusted Operating Income" by "Adjusted Shareholders' Equity" for the year, as defined below.

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

- specified losses from officially designated catastrophes,
- asbestos and environmental reserve charges or releases,
- net realized investment gains or losses in the fixed maturities and real estate portfolios,
- extraordinary items and
- restructuring charges and the cumulative effect of accounting changes and federal income tax rate changes, each as defined by GAAP, and each as reported in our financial statements (including accompanying footnotes and management's discussion and analysis);

and is then reduced by the after-tax dollar amount for expected "normal" catastrophe losses. In the first year of the performance period, such expected "normal" catastrophe losses are represented by a fixed amount set forth in the terms of the performance shares ($536 million for 2012). In the two subsequent years of the performance period, such fixed amount for catastrophes is adjusted up or down to generally reflect any increases or decreases, as the case may be, in written premiums in certain commercial and personal lines.

For performance share awards granted in February 2012 and February 2013, the Compensation Committee further adjusted "Adjusted Operating Income" to reduce Performance Period Return on Equity by an amount reflecting the historical level of credit losses (on an after-tax basis) associated with our fixed income investments. The Compensation Committee believes this reduction is appropriate because, notwithstanding the increased level of impairments experienced by financial services firms in the recent economic downturn, credit losses in our fixed income portfolio otherwise would not be reflected in adjusted operating income. Specifically, for performance share awards granted in February 2012 and February 2013, the annual reduction is determined by multiplying a fixed factor (expressed as 2.25 basis points) by the amortized cost of the fixed maturity investment portfolio at the beginning of each quarter during the relevant year in the performance period and adding such amounts (on an after-tax basis) for each year in the performance period.

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

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

The Compensation Committee seeks to establish the Performance Period Return on Equity standards such that 100% vesting requires a level of performance over the performance period that is expected to be in the top tier of the industry. In considering what would constitute such top tier performance over a future three-year period, the Compensation Committee considers the recent and more historical trends in return on equity of the property and casualty insurance industry, our Compensation Comparison Group and the Company, as well as current and expected underwriting and investment market conditions, our business plan and the Company's cost of equity capital. Thus, while the Compensation Committee decided not to implement a formulaic calculation based on relative performance, which it believed could result in over or under compensation, it did set the Performance Period Return on Equity Standards after considering the level of historical and expected performance that would constitute superior returns.

In addition, in establishing the Performance Period Return on Equity shown in the charts below, the Compensation Committee also considered our financial goal of achieving a return on equity in the mid-teens over time and that such a return on equity would, in its view, be reasonably difficult to achieve over the next three-year period.

For performance shares granted in 2012 and 2013, actual distributions are contingent upon our attaining Performance Period Return on Equity as indicated on the following charts. Performance falling between any of the identified points in the applicable chart below will result in an interpolated vesting (for example, for shares granted in 2012, a 14% Performance Period Return on Equity will yield a vesting of 115%).

Performance Shares Granted in 2012: Performance Period Return on Equity Standard

	Performance Period Return on Equity	Vesting Percentage
Maximum	≥15.0%	130%
	14.5%	120%
	13.5%	110%
	10.0%	100%
	8.5%	75%
Threshold	7.0%	50%
	<7.0%	0%

Because the performance shares are a long-term incentive intended to align a significant portion of our executives' compensation with return on equity objectives over time, the Compensation Committee prefers to maintain consistency in the Performance Period Return on Equity standards. However, the Compensation Committee does from time to time make adjustments if it determines that there have been significant changes in the returns that it expects to constitute top tier performance.

For performance shares granted in 2013, the Compensation Committee decided to make changes to the Performance Period Return on Equity standards for two reasons. First, the Compensation Committee believes that underwriting and investment market conditions, including the higher level of catastrophes experienced in the past few years and very low interest rates, are likely to continue to impact industry-wide returns adversely in the near to medium term. Consequently, the Compensation Committee believes that returns that qualify as top tier performance will be somewhat lower over the next several years as compared to historical levels. In addition, as discussed above, the Company's cost of equity capital has continued to decline significantly. As a result of these factors, the Compensation Committee believes that a downward adjustment to Performance Period Return on Equity standards would better balance potential payouts and relative performance.

Accordingly, as indicated in the chart below, for the performance shares granted in 2013, the Compensation Committee reduced the Performance Period Return on Equity required for 100% or greater vesting for the performance shares granted in February 2013 by 100 basis points for each vesting threshold (for example, shares vest at 110% if Performance Period Return on Equity is 12.5% instead of 13.5%). The threshold required for 50% vesting was not reduced, and the threshold for 75% vesting was reduced by 50 basis points. At the same time, the Compensation Committee maintained a cap on vesting at 130%; this cap is intended to ensure that named executive officers are not unduly rewarded in the event that market conditions turn out to be more favorable than expected. Once expectations for underwriting and investment returns come back to more normal levels by historical standards, the Compensation Committee intends to adjust Performance Period Return on Equity standards to reflect those expectations.

Performance Shares Granted in 2013: Performance Period Return on Equity Standard

	Performance Period Return on Equity	Vesting Percentage
Maximum	≥14.0%	130%
	13.5%	120%
	12.5%	110%
	9.0%	100%
	8.0%	75%
Threshold	7.0%	50%
	<7.0%	0%

To support our recruitment and retention objectives and to encourage a long-term focus on our operations, the performance shares vest after the completion of the three-year performance period, subject to the participants' continued employment and the satisfaction of the requisite performance goals. The program does not provide for accelerated vesting due to a change in control of the Company. However, the program provides for accelerated vesting and/or waiver of service requirements in the event of death or disability (and pro-rata vesting in the case of "retirement", as defined in the awards). Further, the

CEO is entitled, under his employment agreement, to accelerated vesting in the event of a voluntary termination for "good reason" or an involuntary termination without "cause" (as defined). These provisions are described in more detail under "Tabular Executive Compensation Disclosure—Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control—Summary of Key Agreements—Mr. Fishman's Employment Agreement".

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

The Compensation Committee awarded the CEO \$4.5 million in performance shares in February 2012 and \$5.4 million in performance shares in February 2013. These grant date fair values were determined by multiplying the number of performance shares awarded, assuming 100% vesting, by the closing price of our common stock on the date of grant (\$59.74 and \$78.65 in 2012 and 2013, respectively). The Compensation Committee also awarded performance shares to each of the named executive officers (other than the CEO) ranging from approximately \$1.2 million to \$1.35 million in 2012 and from approximately \$1.4 million to \$1.8 million in 2013.

Other Compensation

Pension Plans

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

In addition, we sponsor a non-qualified excess benefit retirement plan that covers all U.S. employees whose tax-qualified plan benefit is limited by the Internal Revenue Code with respect to the amount of compensation that can be taken into account under a tax-qualified plan. The non-qualified plan makes up for the benefits that cannot be provided by the qualified plan as a result of those Internal Revenue Code limits by using the same cash-balance pension formula that applies under the qualified plan. The purpose of this plan is to ensure that employees who receive retirement benefits only through the qualified cash balance plan and employees whose qualified plan benefit is limited by the Internal Revenue Code are treated substantially the same. The details of the existing plans are described more fully under "Tabular Executive Compensation Disclosure—Post-Employment Compensation—Pension Benefits" on page 57 of this Proxy Statement.

Deferred Compensation

In the United States, we offer a tax-qualified 401(k) plan to all of our employees and a non-qualified deferred compensation plan to employees who hold positions of vice president or above. Both plans are available to the named executive officers.

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

For further details, see "Tabular Executive Compensation Disclosure—Post-Employment Compensation—Non-Qualified Deferred Compensation for 2012" on page 60 of this Proxy Statement.

Other Benefits

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

Personal Security

We have established a security policy in response to a study prepared by an outside consultant that analyzed security risks to our CEO based on a number of factors, including travel patterns and past security threats. This security policy is periodically reviewed by our outside security consultant. Pursuant to this security policy, a Company car and driver or other ground transportation arrangements are provided to the CEO for business and some personal travel. The methodologies that we use to value the personal use of a dedicated Company car and driver and other ground transportation arrangements as a perquisite are described in footnote (6) to the Summary Compensation Table on page 50. In 2012, the total incremental cost for personal use of a Company car and driver and other ground transportation provided to the CEO pursuant to our security policy was $49,131.

The security policy also requires that the CEO use our aircraft for all business and personal air travel. The CEO reimburses us for all personal travel on our aircraft in an amount equal to the lesser of (1) the maximum amount legally payable under FAA regulations and (2) the incremental cost to us for each such flight.

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

In addition, pursuant to the security policy described above, we provide our CEO with additional home security enhancements and other protections. The methodology that we use to value the incremental costs of providing additional home security enhancements and other protections to the CEO is the actual cost to us relating to the installation of home security and other equipment and the incremental cost to us with respect to any related expenses. In 2012, the total incremental cost of the additional home security enhancements and other protections for our CEO was $47,115.

Other Transportation

We also on occasion provide transportation on Company aircraft for spouses or other family members of the named executive officers who accompany the named executive officers on trips related to our business but which spousal or other family travel, under SEC rules, may not be considered to be directly and integrally related to our business. Consistent with past practice, we reimburse the named executive officers for any tax liabilities incurred with respect to spousal travel only if such travel is considered directly and integrally related to business. In 2012, there was no incremental cost to us associated with spousal and other family travel that was not directly and integrally related to business.

Health Benefits; Treatment of Higher Paid and Lower Paid Employees

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

Severance and Change in Control Agreements

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

Each of the named executive officers, other than the CEO, has entered into an agreement with us pursuant to which the named executive officer is granted enhanced severance benefits in exchange for his agreement to non-solicitation and non-disclosure provisions. Under the terms of such agreements, these named executive officers are eligible to receive a severance benefit if they are involuntarily terminated due to a reduction in force or for reasons other than cause or if they are asked to take a substantial demotion. The terms of these agreements are described more fully under “Tabular Executive Compensation Disclosure—Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control—Summary of Key Agreements—Non-Solicitation and Non-Disclosure Agreements”.

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

Non-Competition Agreements

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

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

If we elect to enforce the non-competition terms, and the executive complies with all of the obligations under the agreement, then the executive will be entitled to:

- receive a lump sum payment at the end of the six-month restricted period equal to the sum of (1) six months base salary plus (2) 50% of the executive’s average annual bonus for the prior two years plus (3) 50% of the aggregate grant date fair value of the executive’s average annual equity awards for the prior two years; and
- reimbursement for the cost of continuing health benefits on similar economic terms as in place immediately prior to the executive’s termination date during the six-month non-competition period or payment of an equivalent amount, payable at the end of the six-month restricted period.

Stock Ownership Guidelines and Other Trading Restrictions

We maintain an executive stock ownership policy pursuant to which executives are expected to accumulate and retain specified levels of ownership of our equity securities until termination of employment, so as to further align the interests of management and shareholders. The Compensation Committee developed this policy based in part on an analysis of policies instituted at our peer competitors. Under the policy, the CEO has a target ownership level established as the lesser of 150,000 shares or the equivalent value of 500% of base salary. Vice chairmen and executive vice presidents have target ownership levels established as the lesser of 30,000 shares or the equivalent value of 300% of base salary, and senior vice presidents have target ownership levels established as the lesser of 5,000 shares or the equivalent value of 100% of base salary. Executives who have not achieved these levels of stock ownership are expected to retain the shares acquired upon exercising stock options or upon the vesting of restricted stock, restricted stock units or performance shares (other than shares used to pay the exercise price of options and withholding tax) until the requirements are met.

The stock ownership levels of all persons subject to this policy are calculated on a quarterly basis. In determining an executive's share ownership level, the following are included:

- 100% of shares held directly by the executive;
- 100% of shares held indirectly through our 401(k) Plan or deferred compensation plan;
- 50% of unvested restricted shares, restricted stock units or performance shares (assuming 100% vesting of the performance shares); and
- a number of shares with a market value equal to 50% of any unrealized appreciation in stock options, whether vested or unvested.

As of December 31, 2012, each named executive officer had achieved a stock ownership level in excess of the applicable level set forth above.

We have a securities trading policy that sets forth guidelines and restrictions applicable to employees' transactions involving our stock. Among other things, this policy prohibits our employees from engaging in short-term or speculative transactions involving our stock, including purchasing our stock on margin, short sales of our stock (that is, selling stock that is not owned and borrowing shares to make delivery), buying or selling puts, calls or other derivatives related to our stock and arbitrage trading or day trading of our stock. Directors and executive officers are not allowed to pledge Company stock without the consent of the Company, and no shares beneficially owned by them are pledged.

Recapture/Forfeiture Provisions

Our Board has adopted a policy requiring the reimbursement and/or cancellation of all or a portion of any incentive cash bonus or equity-based incentive compensation awarded to members of the Management Committee or other Section 16 officers after February 1, 2010 where the Compensation Committee of the Board has determined that all of the following factors are present: (1) the award and/or payout thereof was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, (2) the employee engaged in fraud or willful misconduct that was a significant contributing factor in causing the restatement and (3) a lower award and/or payout thereof would have been made to the employee based upon the restated financial results.

Incentive compensation will be granted subject to the policy that, in each such instance described above, the Company will, to the extent permitted by applicable law and subject to the discretion and approval of the Compensation Committee of the Board, taking into account such facts and circumstances as it deems appropriate, including the costs and benefits of doing so, seek to recover the employee's cash incentive bonus award and/or equity-based incentive compensation paid or issued to the employee in excess of the amount that would have been paid or issued based on the restated financial results. If the Compensation Committee determines, however, that, after recovery of an excess amount from an employee, the employee is nonetheless unjustly enriched, it may seek recovery of more than such excess amount up to the entire amount of the incentive compensation.

In addition, under the terms of our executive performance share, restricted stock, restricted stock unit and stock option award agreements, in the event that the employment of an executive, including the named executive officers, is terminated for gross misconduct or for cause, as determined by the Compensation Committee, all outstanding vested and unvested awards are cancelled upon his or her termination.

Further, in connection with equity awards, the named executive officers and other recipients of equity awards are parties to an agreement that provides for the forfeiture of unexercised or unvested awards and the recapture by us of any compensatory value, including any amount included as compensation in the taxable income, that the former executive received or realized by way of payment, exercise or vesting during the period beginning 12 months prior to the date of termination of employment with us, and ending 12 months after the date of the termination of employment with us, if during the 12-month period following his or her termination, the executive:

(1) fails to keep all confidential information strictly confidential;

(2) uses confidential information to solicit or encourage any person or entity that is a client, customer, policyholder, vendor, consultant or

agent of ours to discontinue business with us after accepting a position with a direct competitor;

(3) is directly and personally involved in the negotiation or solicitation of the transfer of business away from us; or

(4) solicits, hires or otherwise attempts to affect the employment of any person employed by us at any time during the last three months of the executive's employment or thereafter, without our consent.

Timing and Pricing of Equity Grants

The Compensation Committee typically makes annual awards of equity at its meeting held in early February, which is set in advance as part of the Board's annual calendar of scheduled meetings. The Compensation Committee has in the past, and may in the future, make limited grants of equity on other dates in order to retain key employees, to compensate an employee in connection with a promotion or to compensate newly hired executives for equity or other benefits lost upon termination of their previous employment or to otherwise induce them to join us. Pursuant to our Governance Guidelines, the Compensation Committee may make off-cycle equity grants only on previously determined dates in each calendar month, which will be either (1) the date of a regularly scheduled Board or Compensation Committee meeting, (2) the 15th day of the calendar month (or if the 15th is not a business day, the business day immediately preceding the 15th) or (3) in the case of grants in connection with new hires and/or promotions, on, or within 15 days of, the first day of employment or other personnel change. The grant date of equity grants to executives is the date of Compensation Committee approval. As discussed above, the exercise price of option grants is the closing market price of our common stock on the date of grant.

As discussed under "Board of Directors Information—Compensation Committee" on page 10, the Compensation Committee has delegated to the CEO, subject to the prior written consent of our Executive Vice President and General Counsel, the authority to make limited "off-cycle" grants to employees who are not Committee Approved Officers on pre-established grant dates, as determined by the Compensation Committee. For these grants, as discussed above, the grant date is the date of such approval, and the exercise price of all stock options is the closing market price of our common stock on the date of grant.

Under the 2004 Stock Incentive Plan, stock options cannot be "repriced" unless such repricing is approved by our shareholders. See "Governance of Your Company—Dating and Pricing of Equity Grants" on page 18 of this Proxy Statement.

We monitor and periodically review our equity grant policies to ensure compliance with plan rules and applicable law. We do not have a program, plan or practice to time our equity grants in coordination with the release of material, non-public information.

2012 Shareholder Advisory Vote on Executive Compensation

The Compensation Committee reviewed the results of the shareholder advisory vote on executive compensation taken at the Company's 2012 Annual Meeting of Shareholders. Over 80% of the shares voting "FOR" or "AGAINST" at the meeting voted in favor of the compensation paid to our named executive officers. The Compensation Committee has considered and discussed the results of the vote. In addition, management has had numerous conversations with investors about compensation and governance practices, and management has reported on those conversations to the Compensation Committee. After considering the voting results from 2012, as well as management's conversations with investors, the Compensation Committee concluded that the Company's executive compensation programs are performing as intended and determined, based on the advice of its independent compensation consultant, not to make changes to the core structure of the Company's executive compensation programs.

Total Direct Compensation for 2010-2012 (Supplemental Table)

The following table shows the base salary rate in effect at the end of each of the last three years as well as annual cash bonuses paid and equity awards granted to our named executive officers in February in respect of the immediately preceding performance year.

This supplemental information has been included to provide investors with additional compensation information for the last three performance years. As part of reaching its compensation decisions for a performance year, the Compensation Committee refers to this data. Accordingly, this supplemental information will enable investors to better understand the actions of the Compensation Committee with respect to total direct compensation for a performance year. However, this supplemental information is not intended to be a substitute for the information provided in the Summary Compensation Table on page 49, which has been prepared in accordance with the SEC's disclosure rules.

Name	Salary ($)	Bonus ($)	Equity Awards ($)	Total ($)	Change from Prior Year (%)
J.S. Fishman					
2012	1,000,000	6,500,000	9,000,000	16,500,000	27
2011	1,000,000	4,500,000	7,500,000	13,000,000	(20)
2010	1,000,000	6,250,000	9,000,000	16,250,000	(17)
J.S. Benet					
2012	700,000	2,600,000	2,275,000	5,575,000	19
2011	700,000	2,000,000	2,000,000	4,700,000	(15)
2010	700,000	2,550,000	2,250,000	5,500,000	(7)
B.W. MacLean					
2012	925,000	3,500,000	3,006,250	7,431,250	33
2011	850,000	2,500,000	2,250,000	5,600,000	(16)
2010	850,000	3,350,000	2,500,000	6,700,000	(7)
W.H. Heyman					
2012	700,000	3,100,000	2,275,000	6,075,000	22
2011	700,000	2,300,000	2,000,000	5,000,000	(17)
2010	700,000	3,050,000	2,275,000	6,025,000	(6)
A.D. Schnitzer					
2012	700,000	2,400,000	2,275,000	5,375,000	18
2011	700,000	1,850,000	2,000,000	4,550,000	(12)
2010	700,000	2,200,000	2,250,000	5,150,000	(2)

Differences Between this Supplemental Table and the Summary Compensation Table on page 49

The information contained in this Supplemental Table differs substantially from the total direct compensation information contained in the Summary Compensation Table for the relevant year, including as noted below:

- First, the stock awards and option awards columns for a particular year in the Summary Compensation Table on page 49 report awards actually granted in that calendar year (not equity awards granted in respect of that performance year). For example, for 2012, the Summary Compensation Table on page 49 includes awards made in February 2012 in respect of the 2011 performance year, but does not include awards made in February 2013 in respect of the 2012 performance year. On the other hand, the "2012" rows in the Supplemental Table presented above include equity grants made in February 2013 in respect of the 2012 performance year and not the equity grants made in February 2012 in respect of the 2011 performance year.

- Second, the Summary Compensation Table on page 49 also includes the value of reload options (described on page 53) issued in 2011 and 2010 in connection with options exercised during the relevant year, while the Supplemental Table does not include the value of such reload options. The Compensation Committee does not consider the value of a reload option as current compensation for several reasons. The issuance of reload options occurred automatically, and without any involvement of the current Compensation Committee, pursuant to the contractual terms of original options granted almost ten years ago. In addition, the original options were granted as long-term compensation pursuant to a program that was terminated in 2004. Reload options are not currently a component of our executive compensation program, and there are no more outstanding options with a reload feature.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has discussed and reviewed the foregoing Compensation Discussion and Analysis with management. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K.

Submitted by the Compensation Committee of the Company's Board of Directors:

Lawrence G. Graev (Chair)
Kenneth M. Duberstein
Cleve L. Killingsworth Jr.
Donald J. Shepard

TABULAR EXECUTIVE COMPENSATION DISCLOSURE

Summary Compensation Table

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our Chairman and Chief Executive Officer, our Vice Chairman and Chief Financial Officer and each of our three other most highly compensated executive officers who served in such capacities at December 31, 2012. We refer to these individuals collectively as the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Jay S. Fishman	2012	1,000,000	0	4,499,975	3,000,516	6,500,000	623,455	105,605	15,729,551
Chairman and	2011	1,000,000	0	5,400,018	4,851,039	4,500,000	642,331	86,042	16,479,430
Chief Executive Officer	2010	1,000,000	0	6,610,024	5,251,606	6,250,000	614,889	106,389	19,832,908
Jay S. Benet	2012	700,000	0	1,199,997	800,134	2,600,000	305,581	5,479	5,611,191
Vice Chairman and	2011	700,000	0	1,349,976	900,464	2,000,000	300,491	2,552	5,253,483
Chief Financial Officer	2010	687,500	0	1,360,016	899,950	2,550,000	280,257	6,470	5,784,193
Brian W. MacLean	2012	887,500	0	1,350,005	900,157	3,500,000	384,409	9,072	7,031,143
President and Chief	2011	850,000	0	1,500,011	1,133,677	2,500,000	374,606	1,455	6,359,749
Operating Officer	2010	812,500	0	1,510,016	999,947	3,350,000	347,118	7,388	7,026,969
William H. Heyman	2012	700,000	0	1,199,997	800,134	3,100,000	259,673	5,000	6,064,804
Vice Chairman and	2011	700,000	0	1,364,974	910,468	2,300,000	298,341	0	5,573,783
Chief Investment Officer	2010	687,500	0	1,510,016	1,459,619	3,050,000	287,542	5,000	6,999,677
Alan D. Schnitzer	2012	700,000	0	1,199,997	800,134	2,400,000	161,166	5,000	5,266,297
Vice Chairman—	2011	700,000	0	1,349,976	900,464	1,850,000	127,235	103	4,927,778
Financial, Professional &	2010	687,500	0	1,360,016	899,950	2,200,000	80,777	6,421	5,234,664
International Insurance and									
Field Management;									
Chief Legal Officer									

(1) Bonuses paid under the Company's Senior Executive Performance Plan are reported in the "Non-Equity Incentive Plan Compensation" column.

(2) The dollar amounts represent the aggregate grant date fair value of performance shares granted during each of the years presented and, with respect to 2010, restricted stock units granted in consideration of the Non-Competition Agreements further discussed on page 44. The grant date fair value of an award is measured in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718, Compensation—Stock Compensation ("ASC Topic 718") utilizing the assumptions discussed in Note 13 to our financial statements for the fiscal year ended December 31, 2012, without taking into account estimated forfeitures. With respect to the performance shares, the estimate of the grant date fair value determined in accordance with FASB ASC Topic 718 assumes the vesting of 100% of the performance shares awarded. Assuming the highest level of performance is achieved (which would result in the vesting of 150% of performance shares awarded in 2010 and 130% of performance shares awarded in 2011 and 2012), the aggregate grant date fair value of the stock awards set forth in the table above would be:

	2010 ($)	2011 ($)	2012 ($)
Jay S. Fishman	9,910,029	7,020,012	5,849,980
Jay S. Benet	2,035,017	1,754,975	1,559,991
Brian W. MacLean	2,260,017	1,950,003	1,754,982
William H. Heyman	2,260,017	1,774,460	1,559,991
Alan D. Schnitzer	2,035,017	1,754,975	1,559,991

The dividend equivalents attributable to performance shares are deemed "reinvested" in additional performance shares and will only be distributed upon the vesting, if any, of the performance shares in accordance with the performance share award terms. Recipients of restricted stock unit awards receive cash dividend equivalents. In each case, in accordance with the SEC's rules, dividend equivalents are not required to be reported because the amounts of future dividends are factored into the grant date fair value of the awards.

For a discussion of specific stock awards granted during 2012, see "Grants of Plan-Based Awards in 2012" below and the narrative discussion that follows.

(3) The dollar amounts represent the aggregate grant date fair value of option awards granted during each of the years presented. The grant date fair value of an option award is measured in accordance with FASB ASC Topic 718 utilizing the assumptions discussed in Note 13 to our financial statements for the fiscal year ended December 31, 2012, without taking into account estimated forfeitures. For a discussion of specific stock option awards granted during 2012, see "Grants of Plan-Based Awards in 2012" below and the narrative discussion that follows. With respect to 2011 and 2010, some dollar amounts include the grant date fair value of reload options issued in connection with the exercise of previously granted options. The dollar amounts of the option awards related to reload options are as follows: for Mr. Fishman, $1,249,170 in 2011 and $851,831 in 2010; for Mr. MacLean, $133,156 in 2011; and for Mr. Heyman, $459,672 in 2010. We do not currently grant options with the reload feature as a part of our executive compensation program and there are no more outstanding options with a reload feature.

(4) Reflects incentive compensation paid under the Company's Senior Executive Performance Plan in 2013 for performance year 2012, incentive compensation paid in 2012 for performance year 2011 and incentive compensation paid in 2011 for performance year 2010, respectively. For a discussion of the Company's Senior Executive Performance Plan, see "Compensation Discussion and Analysis—Total Direct Compensation—Performance-Based Annual Cash Bonus".

(5) These amounts represent the aggregate change in actuarial present value of accumulated pension benefits for each of the years presented, using the same pension plan measurement date used for financial statement reporting purposes. The Company does not provide any of its executives with any above-market or preferential earnings on non-qualified deferred compensation.

(6) For 2012, "All Other Compensation" for Mr. Fishman includes $49,131 for personal use of a Company car and driver and other ground transportation arrangements, calculated as described below; and $47,115 of personal security expenses incurred on his behalf pursuant to the Company's executive security program.

Pursuant to the Company's security policy, the Company provides a car and driver or other ground transportation arrangements to Mr. Fishman for business and some personal travel. In 2012, we calculated the incremental cost to us of the personal use of a dedicated Company car and driver (including commuting and business travel not considered directly and integrally related to the performance of his duties) (a) as a percentage of costs relating to the car, including, among others, depreciation, fuel, parking and insurance; and (b) incremental costs for employee and contract drivers. That percentage is based on the portion of car use that relates to personal travel. Compensation and benefits for the employee drivers, other than overtime charges, if any, are not included in the calculation of incremental cost because they are members of our security staff and, consistent with our executive security policy, we would have otherwise incurred such costs for business purposes, whether or not the car and driver were available to Mr. Fishman for personal travel. The incremental costs of personal trips using other ground transportation arrangements, such as car services, are valued at the actual incremental cost to us.

We require that Mr. Fishman use Company aircraft for business and personal travel. Mr. Fishman is required to reimburse the Company for all personal travel on Company aircraft in an amount equal to the lesser of (a) the maximum amount legally payable under FAA regulations and (b) the incremental cost to the Company for each such flight. Mr. Fishman fully reimbursed the Company for the incremental cost of all personal travel on the Company aircraft in 2012.

For information about these perquisites, see "Compensation Discussion and Analysis—Other Compensation—Other Benefits". In addition, the Company paid life insurance premiums in 2012 in relation to the participation of Mr. Fishman in the legacy St. Paul Directors Charitable Award Program. For more information, please refer to the narrative discussion under "Non-Employee Director Compensation—Legacy Directors' Charitable Award Program".

Grants of Plan-Based Awards in 2012

The following table provides information on stock options and performance shares granted in 2012 to each of our named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)[4]
		Target ($)[3]	Threshold (#)	Target (#)	Maximum (#)			
J.S. Fishman	2/07/2012[1]		37,663	75,326	97,924			4,499,975
	2/07/2012[2]					248,356	59.74	3,000,516
		N/A						
J.S. Benet	2/07/2012[1]		10,044	20,087	26,113			1,199,997
	2/07/2012[2]					66,228	59.74	800,134
		N/A						
B.W. MacLean	2/07/2012[1]		11,299	22,598	29,377			1,350,005
	2/07/2012[2]					74,507	59.74	900,157
		N/A						
W.H. Heyman	2/07/2012[1]		10,044	20,087	26,113			1,199,997
	2/07/2012[2]					66,228	59.74	800,134
		N/A						
A.D. Schnitzer	2/07/2012[1]		10,044	20,087	26,113			1,199,997
	2/07/2012[2]					66,228	59.74	800,134
		N/A						

(1) Represents performance share awards granted as part of the annual long-term equity grant. All performance share awards were granted under the Company's Amended and Restated 2004 Stock Incentive Plan.

Performance shares represent the right to earn shares of our common stock based on our attainment of specified performance goals, as described above under "Compensation Discussion and Analysis—Total Direct Compensation—Performance-Based Long-Term Stock Incentives—Performance Shares". As described in more detail in that section, for awards granted in 2012, if our return on equity (as defined in the award agreement) over the three-year performance period meets the minimum threshold of 7%, then 50% of the number of performance shares awarded and accumulated dividend equivalents will vest after the three-year performance period. If our return on equity over the three-year performance period is 10%, then 100% of the number of shares awarded and accumulated dividend equivalents will vest after the three-year performance period. If our return on equity over the three-year performance period exceeds 15%, then a maximum of 130% of the number of shares awarded and accumulated dividend equivalents will vest after the three-year performance period. The estimated future payouts of performance shares in the table above do not include additional shares that may be allocated to recipients of performance shares as a result of the phantom reinvestment of dividend equivalents on unvested performance shares, but the value of such additional shares is factored into the grant date fair values of the performance shares in the table above.

(2) Represents option awards granted as part of the annual long-term equity grant. All option awards were granted under the Company's Amended and Restated 2004 Stock Incentive Plan.

(3) Our annual Senior Executive Performance Plan does not include thresholds, targets or maximums that are determinable at the beginning of the performance year. For additional information on our Senior Executive Performance Plan, which is an annual plan, see "Compensation Discussion and Analysis—Total Direct Compensation—Performance-Based Annual Cash Bonus" above. The actual cash bonuses paid to our named executive officers under our Senior Executive Performance Plan are disclosed in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column.

(4) Amount represents the grant date fair value of stock and option awards measured in accordance with the guidance in FASB ASC Topic 718, utilizing the assumptions discussed in Note 13 to our financial statements for the fiscal year ended December 31, 2012, without taking into account estimated forfeitures. With respect to the performance shares, the estimate of the grant date fair value determined in accordance with FASB ASC Topic 718 assumes the vesting of 100% of the performance shares awarded.

Narrative Supplement to Summary Compensation Table and Grants of Plan-Based Awards in 2012 Table

Mr. Fishman's Employment Agreement

Effective April 1, 2004, Mr. Fishman entered into an employment agreement with us for an initial five-year term. That agreement was subsequently amended as of November 5, 2004, as of December 13, 2006 and as of December 19, 2008. Commencing on the fourth anniversary of the effective date, and on each anniversary thereafter, the agreement's term automatically renews for an additional one-year period, as long as neither we nor Mr. Fishman provides written notice requesting that the agreement not be so extended at least 30 days prior to the agreement's renewal date. The agreement provides that Mr. Fishman serve as Chief Executive Officer and Chairman of the Company.

Pursuant to this agreement, Mr. Fishman is entitled to receive a base annual salary of $1 million, and he is eligible to receive an annual bonus. Mr. Fishman also is entitled to receive an annual long-term incentive grant, consisting of stock options, restricted stock, other equity-based awards or a combination thereof, in an amount with a valuation upon the date of grant equal to not less than $6.25 million. Under the terms of the agreement, each long-term incentive grant is to be subject to vesting in equal annual installments over a four-year period and is to provide for full vesting on an accelerated basis in the event of earlier termination of employment for specified reasons, including termination of employment by us without "Cause" or by Mr. Fishman's resignation for "Good Reason" (each as defined in the employment agreement and discussed under "Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control—Summary of Key Agreements—Mr. Fishman's Employment Agreement" below) or termination of employment by reason of his death or "disability" (as defined in the agreement). With respect to his February 2011, February 2012 and February 2013 equity grants, Mr. Fishman waived the more favorable four-year pro-rata vesting schedule provided for in his employment agreement in exchange for vesting of those equity awards on terms consistent with the awards of the other executives of the Company.

Mr. Fishman's employment agreement provides that he will be required for security purposes to use our corporate aircraft for all business and personal travel. See the detailed discussion regarding Mr. Fishman's use of the corporate aircraft on page 43 in the "Compensation Discussion and Analysis—Other Compensation—Other Benefits—Personal Security" section.

As described more fully in "Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control—Summary of Key Agreements—Mr. Fishman's Employment Agreement", if Mr. Fishman's employment is terminated by us without "Cause" or he resigns for "Good Reason" (each as defined in the agreement), or his employment is terminated by reason of his death or "disability" (as defined in the agreement), Mr. Fishman would become entitled to receive specified additional benefits.

In addition, Mr. Fishman has entered into a Non-Competition Agreement as described more fully in "Compensation Discussion and Analysis—Non-Competition Agreements".

Terms of Equity-Based Awards

Vesting Schedule

Unless otherwise provided in the footnote disclosure to the "Outstanding Equity Awards at December 31, 2012" table, option awards vest in full three years after the date of grant. Performance shares, and accumulated dividend equivalents thereon, vest at the end of a three-year performance period, if and to the extent performance goals are attained, as more fully described above in "Compensation Discussion and Analysis—Total Direct Compensation—Performance-Based Long-Term Stock Incentives—Performance Shares." The restricted stock units granted in 2010 in consideration of the Non-Competition Agreements vested upon grant.

Forfeiture and Post-Employment Treatment

Unvested shares underlying option and performance share awards are generally forfeited upon termination of employment except in specific cases (death, disability and retirement) in which different treatment is afforded (see footnote 5 to the Potential Payments upon Termination of Employment or Change in Control table below for a discussion regarding such treatment). For the terms of restricted stock unit awards granted in 2010 in connection with the Non-Competition Agreement, see the discussion on page 44 under the heading "Compensation Discussion and Analysis—Non-Competition Agreements".

Option Exercise Price

Options granted under the Company's Amended and Restated 2004 Stock Incentive Plan have an exercise price equal to the closing price on the NYSE of our common stock on the date of grant.

Dividends

From the date of award of all restricted stock unit awards, the recipient will receive cash dividend equivalents on or after the same times and in the same amounts per share as holders of common stock. The additional shares allocated to recipients of performance shares as a result of the phantom reinvestment of dividend equivalents on unvested performance shares will only be distributed upon the vesting, if any, of such performance shares in accordance with the performance share award terms.

Reload Options

Prior to the Merger, both St. Paul and TPC had stock option reload programs. St. Paul eliminated its reload program with respect to initial option grants made after February 1, 2004, and TPC eliminated its reload program with respect to initial option grants made after January 23, 2003. Holders of options granted under either of those reload programs were able to use common stock that they had owned for at least six months to pay the exercise price of those options and have shares withheld to pay income taxes on the gain that was realized upon exercise. They then received a new reload option, subject to several restrictions, to purchase the same number of shares they used to pay the exercise price and/or had withheld for taxes. The exercise price of any new reload option was equal to the closing price of our stock on the date on which the original option was exercised. We do not currently grant options with a reload feature as a part of our executive compensation program, and there are no more outstanding options with a reload feature.

Outstanding Equity Awards at December 31, 2012

The following table provides information with respect to the option awards and stock awards held by the named executive officers at December 31, 2012.

	Option Awards					Stock Awards		
Name	Option Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)	Option Expiration Date	Stock Award Grant Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
J.S. Fishman	1/25/2005	483,201(4)	0	36.97	1/25/2015			
	2/06/2006	255,678	0	44.79	2/06/2016			
	2/06/2007	203,276	0	52.76	2/06/2017			
	2/05/2008	313,984	0	47.23	2/05/2018			
	2/03/2009	263,711	0	39.19	2/03/2019			
	2/02/2010	0	367,260	51.09	2/02/2020			
	2/01/2011	0	278,301	56.81	2/01/2021			
						2/01/2011	130,622	9,381,276
	2/07/2012	0	248,356	59.74	2/07/2022			
						2/07/2012	100,622	7,226,679
J.S. Benet	1/25/2005	44,455(4)	0	36.97	1/25/2015			
	1/25/2005	73,447(5)	0	36.97	1/25/2015			
	2/06/2006	95,361	0	44.79	2/06/2016			
	2/06/2007	64,488	0	52.76	2/06/2017			
	2/05/2008	81,636	0	47.23	2/05/2018			
	2/03/2009	82,278	0	39.19	2/03/2019			
	2/02/2010	0	75,121	51.09	2/02/2020			
	2/01/2011	0	69,575	56.81	2/01/2021			
						2/01/2011	32,655	2,345,270
	2/07/2012	0	66,228	59.74	2/07/2022			
						2/07/2012	26,833	1,927,121
B.W. MacLean	4/27/2004	64,096(4)	0	42.55	4/27/2014			
	1/25/2005	40,589(4)	0	36.97	1/25/2015			
	1/25/2005	101,794(5)	0	36.97	1/25/2015			
	2/06/2006	116,091	0	44.79	2/06/2016			
	2/06/2007	78,507	0	52.76	2/06/2017			
	2/05/2008	87,916	0	47.23	2/05/2018			
	2/03/2009	88,607	0	39.19	2/03/2019			
	2/02/2010	0	83,468	51.09	2/02/2020			
	2/01/2011	0	77,306	56.81	2/01/2021			
						2/01/2011	36,284	2,605,921
	2/07/2012	0	74,507	59.74	2/07/2022			
						2/07/2012	30,187	2,168,023
W.H. Heyman	2/06/2007	55,000	0	52.76	2/06/2017			
	2/05/2008	81,636	0	47.23	2/05/2018			
	2/03/2009	45,669	0	39.19	2/03/2019			
	2/02/2010	0	83,468	51.09	2/02/2020			
	2/01/2011	0	70,348	56.81	2/01/2021			
						2/01/2011	33,018	2,371,325
	2/07/2012	0	66,228	59.74	2/07/2022			
						2/07/2012	26,833	1,927,121
A.D. Schnitzer	4/23/2007	121,560(6)	0	53.82	4/23/2017			
	2/05/2008	81,636	0	47.23	2/05/2018			
	2/03/2009	82,278	0	39.19	2/03/2019			
	2/02/2010	0	75,121	51.09	2/02/2020			
	2/01/2011	0	69,575	56.81	2/01/2021			
						2/01/2011	32,655	2,345,270
	2/07/2012	0	66,228	59.74	2/07/2022			
						2/07/2012	26,833	1,927,121

(1) Unless specified otherwise, options are exercisable 100% on the third anniversary of the option grant date.

(2) The number of shares reflected for each of the named executive officers represents the sum of (a) the maximum number of performance shares and (b) the additional shares that have been allocated to the named executive officer through December 31, 2012 as a result of the phantom reinvestment of dividend equivalents on 100% of unvested performance shares multiplied by the maximum vesting percentage. We have reflected the maximum number of performance shares for each named executive officer because results for 2011 and 2012, the first and second year of the three-year performance period for the 2/01/2011 award, were above target, and results for 2012, the first year of the three-year performance period for the 2/07/2012 awards, were also above target. The actual numbers of shares that will be distributed with respect to the 2011 and 2012 awards are not yet determinable. The awards granted on 2/01/2011 vest in proportion to actual performance over the three-year performance period ending on 12/31/2013 and the awards granted on 2/07/2012 vest in proportion to actual performance over

the three-year performance period ending on 12/31/2014. See description of performance shares in the ''Compensation Discussion and Analysis—Total Direct Compensation—Performance-Based Long-Term Stock Incentives—Performance Shares'' section.

(3) The market value is based on the closing price on the NYSE of our common stock at the end of 2012 ($71.82) multiplied by the number of outstanding shares or units, as the case may be.

(4) Options were exercisable 50% on the second anniversary of the option grant date and 25% each on the third and fourth anniversary of the option grant date.

(5) Options were exercisable 50% on the fourth anniversary of the option grant date and 50% on the fifth anniversary of the option grant date.

(6) Represents options granted to Mr. Schnitzer in connection with his commencement of employment with the Company. All of these options became exercisable as of the fourth anniversary of the option grant date. Mr. Schnitzer's option award provides that in the event of his termination of employment by us without ''Cause'' or his resignation for ''Good Reason'' (each as defined under his employment agreement), the vested portion of Mr. Schnitzer's option award will remain exercisable for the earlier of (a) one year following of the date of such termination or resignation or (b) the expiration date of the award.

Option Exercises and Stock Vested in 2012

The following table provides information regarding the values realized by our named executive officers upon the exercise of stock options and the vesting of stock awards in 2012.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
J.S. Fishman	919,287	11,258,317	153,342	11,013,072
J.S. Benet	64,096	1,511,695	31,365	2,252,674
B.W. MacLean	18,100	70,104	34,850	2,502,971
W.H. Heyman	259,934	2,750,066	34,850	2,502,971
A.D. Schnitzer	0	0	31,365	2,252,674

(1) Value realized on exercise is based on the gain, if any, equal to the difference between the fair market value of the stock acquired upon exercise on the exercise date less the exercise price, multiplied by the number of options exercised.

(2) Of these shares acquired on vesting, with respect to Mr. Fishman (12,101 shares), Mr. Benet (2,475 shares), Mr. MacLean (2,750 shares), Mr. Heyman (2,750 shares) and Mr. Schnitzer (2,475 shares) were acquired in respect of phantom dividend equivalents on performance shares that are treated as vested on December 31, 2012, the last day of the relevant three-year performance period.

(3) The value realized on vesting is based on the closing price on the NYSE of our common stock on the vesting date. If vesting occurs on a day on which the NYSE is closed, the value realized on vesting is based on the closing price on the last trading day prior to the vesting date.

Post-Employment Compensation

The Company has four active retirement plans:

- A qualified 401(k) Plan;
- A qualified pension plan—the "Pension Plan";
- A non-qualified pension restoration plan—the "Pension Restoration Plan" (which is a component of the Benefit Equalization Plan described below); and
- A non-qualified deferred compensation plan—the "Deferred Compensation Plan".

The Company has three inactive retirement plans from which benefits are still payable, but under which no additional benefits are being earned (other than earnings credits as described below):

- A non-qualified pension plan maintained by TPC prior to the Merger—the "TPC Benefit Equalization Plan" (which is a component of the Benefit Equalization Plan);
- A non-qualified deferred compensation plan maintained by TPC prior to the Merger—the "TPC Deferred Compensation Plan"; and
- A non-qualified deferred compensation plan maintained by St. Paul prior to the Merger—the "Executive Savings Plan" (which is a component of the Benefit Equalization Plan).

Information regarding the Pension Plan, the Pension Restoration Plan and the TPC Benefit Equalization Plan is provided under "Pension Benefits" below. Information regarding the Deferred Compensation Plan, the TPC Deferred Compensation Plan and the Executive Savings Plan is provided under "Non-Qualified Deferred Compensation for 2012" below.

Pension Benefits

The following table provides information regarding the pension benefits for our named executive officers under the Company's pension plans. The material terms of the plans are described following the table.

Name	Plan Name	Number of Years Credited Service(1)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
J.S. Fishman	Pension Plan	25	206,252	0
	Pension Restoration Plan(1)	29	3,838,529	0
J.S. Benet	Pension Plan	22	469,074	0
	Pension Restoration Plan	22	1,328,934	0
	TPC Benefit Equalization Plan(3)	11	224,422	0
B.W. MacLean	Pension Plan	25	443,931	0
	Pension Restoration Plan	25	1,794,844	0
	TPC Benefit Equalization Plan(3)	14	95,824	0
W.H. Heyman	Pension Plan	22	181,213	0
	Pension Restoration Plan	22	1,630,956	0
A.D. Schnitzer	Pension Plan	5	43,477	0
	Pension Restoration Plan	5	438,362	0

(1) Credited service includes (as applicable) service for time worked at TPC, Citigroup and certain of its affiliates and predecessors (prior to August 20, 2002), St. Paul and the Company. Number of years of credited service represents actual years of service. We do not have a policy with respect to granting extra years of credited service except that Mr. Fishman has four extra years of service in the Pension Restoration Plan pursuant to his employment agreement, which provided no additional value under the plan.

(2) Present value of accumulated benefit is calculated by projecting the qualified and non-qualified cash-balance accounts reflected in the tables below forward to age 65 by applying a 4.01% interest rate (except for some sub-accounts which use a 6.00% rate) and then discounting back to December 31, 2012 using a discount rate of 4.15%. These are the same assumptions the Company uses for financial reporting purposes. See Note 14 to our financial statements for the fiscal year ended December 31, 2012.

(3) Service under the TPC Benefit Equalization Plan was frozen as of January 1, 2002, and the plan was merged into the Benefit Equalization Plan as of January 1, 2009.

The Company's Pension Plan

The Company's Pension Plan is a qualified defined benefit pension plan with a cash-balance formula or, for certain grandfathered participants, a traditional final average pay formula. Each named executive officer participates in the cash-balance formula, pursuant to which the named executive officer has a hypothetical account balance that grows with interest and pay credits each year. As of December 31, 2012, the named executive officers' qualified pension account balances were as follows:

Name	12/31/2012 Qualified Account Balance(1) ($)
J.S. Fishman	207,599
J.S. Benet	455,137
B.W. MacLean	426,676
W.H. Heyman	181,285
A.D. Schnitzer	44,538

(1) These dollar amounts represent the participant's account balance rather than the present value of the accumulated benefit, which is set forth in the Pension Benefits table on page 57 and calculated as described in footnote 2 to that table.

Interest credits are applied quarterly to the prior quarter's cash-balance pension account balance. These interest credits are generally based on the yield on 10-year treasury bonds, subject to a minimum annual interest rate of 4.01%. Pay credits are calculated on an annual basis as a percentage of compensation, with the percentage determined based on the sum of age plus service at the end of the year under the following schedule:

Age + Service	Pay Credit %
< 30	2.00
30 - 39	2.50
40 - 49	3.00
50 - 59	4.00
60 - 69	5.00
> 69	6.00

Service is calculated based on elapsed time with the Company plus any service with TPC, Citigroup and certain of its affiliates and predecessors (prior to August 20, 2002) and St. Paul. Pay credits are calculated by multiplying the appropriate pay credit percentage by the named executive officer's compensation for the year, including base salary and bonus up to the qualified plan compensation limit (which for 2012 was $250,000). The plan's normal retirement age is 65. However, under the cash-balance formula, participants are eligible to receive a distribution from the plan any time after they vest (currently three years of service) and they separate from us. Once separated from us, participants may elect to receive a lump sum payment, life annuity, 50% joint and survivor annuity, 75% joint and survivor annuity, 100% joint and survivor annuity or ten-year certain and life annuity. All payment forms are actuarially equivalent. There are no special early retirement benefits under the cash balance formula.

Under the plan, the benefits of some participants may be determined in whole or in part under transition benefit rules, that is, grandfathered benefit provisions.

The Company's Benefit Equalization Plan (Non-Qualified Pension Plan)

The Benefit Equalization Plan consists of three components: (1) the Pension Restoration Plan (which is currently active); (2) the TPC Benefit Equalization Plan (currently inactive); and (3) the Executive Savings Plan (currently inactive). The Executive Savings Plan is described under "Non-Qualified Deferred Compensation for 2012" below. The Benefit Equalization Plan is not funded, and plan participants have only an unsecured contractual commitment by the Company to pay amounts owed under the plan.

Pension Restoration Plan

The Pension Restoration Plan is a non-qualified pension restoration plan, which provides non-qualified pension benefits on compensation in excess of the qualified plan compensation limit and the benefit limit (if applicable) under Internal Revenue Code income tax provisions. Benefits under the plan accrue in the same manner as described above for the Company's Pension Plan for pay in excess of the compensation limit. As of December 31, 2012, the named executive officers' non-qualified pension account balances were as follows:

Name	12/31/2012 Non-Qualified Account Balance[(1)] ($)
J.S. Fishman	3,863,607
J.S. Benet	1,337,168
B.W. MacLean	1,808,927
W.H. Heyman	1,631,612
A.D. Schnitzer	449,062

(1) These dollar amounts represent the participant's account balance rather than the present value of the accumulated benefit, which is set forth in the Pension Benefits table on page 57 and calculated as described in footnote 2 to that table.

The plan's normal retirement age is 65. However, participants are eligible to receive a distribution from the plan any time after they vest (currently three years of service) and they separate from us, subject to a six-month delayed payment requirement following separation. Once separated from us, participants will receive their benefit in ten annual installment payments (for account balances greater than $50,000) or a single lump sum payment (for balances equal to or less than $50,000). There are no special early retirement benefits. To the extent that a participant's qualified plan benefits are determined under grandfathered benefit provisions, those provisions can affect the benefits payable under the Benefit Equalization Plan.

TPC Benefit Equalization Plan (Non-Qualified Pension Plan)

The TPC Benefit Equalization Plan is a non-qualified pension plan. Benefit accruals were frozen as of January 1, 2002. As of January 1, 2009, the TPC Benefit Equalization Plan was merged into the Benefit Equalization Plan. Participants in the plan have cash balance accounts that accrue interest credits, but no pay credits. As of December 31, 2012, the named executive officers' non-qualified account balances were as follows:

Name	12/31/2012 Non-Qualified Account Balance[(1)] ($)
J.S. Benet	216,623
B.W. MacLean	94,366

(1) These dollar amounts represent the participant's account balance rather than the present value of the accumulated benefit, which is set forth in the Pension Benefits table on page 57 and calculated as described in footnote 2 to that table.

Interest credits are applied quarterly to the prior quarter's account balance. These interest credits are generally based on the yield on 10-year treasury bonds, subject to a minimum annual interest rate of 4.01%. A portion of each named executive officer's benefit is determined under a prior grandfathered formula which includes an embedded interest credit rate of 6.00%. The plan's normal retirement age is 65. However, participants are eligible to receive a distribution from the plan any time after becoming vested, attaining age 55 and separating from us. Participants may elect to receive a lump sum payment, life annuity, 50% joint and survivor annuity, 75% joint and survivor annuity or 100% joint and survivor annuity. All payment forms are actuarially equivalent. There are no special early retirement benefits. To the extent that a participant's qualified plan benefits are determined under grandfathered benefit provisions, those provisions can affect the benefits payable under the TPC Benefit Equalization Plan.

Non-Qualified Deferred Compensation for 2012

The following table provides information regarding contributions, earnings and balances for our named executive officers under the active Deferred Compensation Plan, as well as under the TPC Deferred Compensation Plan and the Executive Savings Plan, which are closed to new deferrals. Under each of the plans, no Company "match" is made on amounts deferred, and the Company does not provide any opportunity for above-market or preferential earnings, nor does it provide any minimum internal rate of return. Additionally, the Deferred Compensation Plan and the Executive Savings Plan do not permit "hardship" withdrawals. Each of these plans is further described below.

Name	Non-Qualified Deferred Compensation Plan Name	Executive Contributions in 2012 ($)	Company Contributions in 2012 ($)	Aggregate Earnings in 2012 ($)	Aggregate Withdrawals/ Distributions in 2012 ($)	Aggregate Balance at 12/31/12 ($)(1)
J.S. Fishman	Executive Savings Plan	0	0	182,950	0	1,229,300
J.S. Benet		0	0	0	0	0
B.W. MacLean	Deferred Compensation Plan	0	0	269	0	255,358
	TPC Deferred Compensation Plan	0	0	5,361	0	349,821
W.H. Heyman	Executive Savings Plan	0	0	19,580	0	306,845
A.D. Schnitzer	Deferred Compensation Plan	0	0	389,096	0	4,252,807

(1) Of the totals in this column, the following amounts have been reported in the Summary Compensation Table for this year and for previous years. The Company does not provide any of its executives with any above-market or preferential earnings on non-qualified deferred compensation.

Name	2012 ($)	Previous Years ($)	Total ($)
J.S. Fishman	0	570,660	570,660
B.W. MacLean	0	315,000	315,000
W.H. Heyman	0	214,220	214,220
A.D. Schnitzer	0	4,000,000	4,000,000

Deferred Compensation Plan

The Company's Deferred Compensation Plan is a non-qualified plan that, in 2012, allowed each U.S. employee with an annual salary of $150,000 or more to defer receipt of up to 50% of his or her salary and/or up to 100% of his or her annual bonus until a date or dates elected by the employee. Beginning in 2013, the Deferred Compensation Plan will be available to each U.S. employee who is at the Vice President level or above and eligibility will no longer be based on the amount of an employee's annual salary. Employees participating in the Deferred Compensation Plan elect the time and form of payout prior to the year in which the deferred amounts are earned. These elections are irrevocable.

Participants in the plan may receive distributions of deferred accounts in three situations: when the participant terminates employment or retires (in which case, payment will be made or commence six months after the date of the termination or retirement) or upon a distribution date the participant specifies in advance and that occurs while the participant is still an employee of the Company. If the participant's balance is greater than $10,000, the participant may elect to receive retirement distributions and in-service distributions as a lump sum or in up to ten annual installments. All other distributions will be paid in a lump sum, unless distributions in installments have already begun.

Deferrals may be allocated among 30 hypothetical investment options that generally mirror the investment options available under our qualified 401(k) Plan. As of December 31, 2012, Mr. MacLean and Mr. Schnitzer were the only named executive officers with account balances under the Deferred Compensation Plan, with balances as shown above.

The Deferred Compensation Plan is not funded, and plan participants have only an unsecured contractual commitment by the Company to pay amounts owed under the plan.

TPC Deferred Compensation Plan

The TPC Deferred Compensation Plan is a grandfathered non-qualified deferred compensation plan. Under the TPC Deferred Compensation Plan, no Company "match" was made on amounts deferred. The plan was closed to any new deferrals beginning

January 1, 2005. Deferrals may be allocated among 30 hypothetical investment options that generally mirror our qualified 401(k) Plan investment options.

"Hardship" withdrawals are available under the TPC Deferred Compensation Plan. Based upon deferral elections made prior to the year in which the compensation was earned, executives can receive payments in either a lump sum or in annual installments over a 5, 10 or 15 year period commencing in the month following retirement or age 65, with certain accounts subject to a six-month delayed payment requirement following retirement.

As of December 31, 2012, Mr. MacLean was the only named executive officer with an account balance under this inactive TPC Deferred Compensation Plan, which balance was as shown above.

The TPC Deferred Compensation Plan is not funded, and plan participants have only an unsecured contractual commitment by the Company to pay amounts owed under the plan.

Executive Savings Plan

The Executive Savings Plan is a grandfathered non-qualified excess deferral plan that has been a component of the Benefit Equalization Plan since it was established by St. Paul in 1976. It includes salary deferrals and Company matching contributions made to the plan prior to the closing of the plan to any new deferrals as of January 1, 2005. Executives will receive distribution of their vested accounts upon termination of employment from the Company. Once separated from us, executives will receive their benefits in ten annual installment payments (for account balances greater than $50,000) or a single lump sum (for balances of $50,000 or less), subject to a six-month delayed payment requirement following separation. Balances remaining at the time of the executive's death will be paid in a lump sum, except that installment payments that have already begun will continue.

Deferrals may be allocated among 30 hypothetical investment options that generally mirror the investment options available under our qualified 401(k) Plan.

As of December 31, 2012, Mr. Fishman and Mr. Heyman were the only named executive officers with account balances under this inactive Executive Savings Plan, with balances as shown above.

The Executive Savings Plan is not funded, and plan participants have only an unsecured contractual commitment by the Company to pay amounts owed under the plan.

Potential Payments to Named Executive Officers Upon Termination of Employment or Change in Control

The following table describes the potential payments and benefits under the Company's compensation and benefit plans and contractual agreements to which the named executive officers would have been entitled if a termination of employment or change in control occurred on the last business day of 2012. The only agreements, arrangements or plans that entitle executive officers to severance, perquisites or other enhanced benefits upon termination of their employment are (1) Mr. Fishman's employment agreement, (2) the individual non-solicitation and non-disclosure agreements, and non-competition agreements, executed by members of our Management Committee, each as described below, (3) the Company's Executive Severance Plan and (4) the terms of restricted stock units, performance shares and option awards.

The amounts shown in the table below do not include:

- payments and benefits to the extent they are provided generally to all salaried employees upon termination of employment and do not discriminate in scope, terms or operation in favor of the named executive officers (including welfare benefits that are provided to all U.S. retirees of the Company);
- regular pension benefits under our Pension Plan or the Benefit Equalization Plan (see "Post-Employment Compensation—Pension Benefits" above); and
- distributions of plan balances under our 401(k) Plan, the Deferred Compensation Plan, the Executive Savings Plan and the TPC Deferred Compensation Plan (see the "Compensation Discussion and Analysis—Other Compensation—Deferred Compensation" section on page 42 for information about the Company's 401(k) Plan and "Post-Employment Compensation—Non-Qualified Deferred Compensation for 2012" above for information about the Deferred Compensation Plan, the Executive Savings Plan and the TPC Deferred Compensation Plan).

Potential Payments Upon Termination of Employment or Change in Control[(1)]

Named Executive Officer	Involuntary Termination without "Cause" or, if Applicable, Voluntary Termination for "Good Reason"	Additional Value if Involuntary Termination without "Cause" or, if Applicable, Voluntary Termination for "Good Reason" Follows a Change in Control	Change in Control	Voluntary Termination without "Good Reason", including Voluntary Retirement[(2)]	Disability	Death
J.S. Fishman						
Cash Severance Payment[(3)]	$23,822,192	$0	$0	$7,313,094	$0	$0
Contractual Disability/Death Payments[(4)]	0	0	0	0	2,500,000	2,500,000
Acceleration of Equity Awards[(5)]	29,038,749	0	0	14,790,738	29,038,749	29,038,749
Present Value of Continuing Benefits[(6)]	47,144	468	0	31,894	47,144	47,144
Excise Tax Gross-up[(7)]	0	0	0	0	0	0
Total Termination Benefits	$52,908,085	$468	$0	$22,135,726	$31,585,893	$31,585,893
J.S. Benet						
Cash Severance Payment[(3)]	$8,500,143	$0	$0	$2,550,143	$0	$0
Contractual Disability/Death Payments	0	0	0	0	0	0
Acceleration of Equity Awards[(5)]	3,401,613	0	0	3,401,613	3,401,613	5,098,433
Present Value of Continuing Benefits[(6)]	38,261	0	0	32,261	29,092	29,092
Excise Tax Gross-up[(7)]	0	0	0	0	0	0
Total Termination Benefits	$11,940,017	$0	$0	$5,984,017	$3,430,705	$5,127,525
B.W. MacLean						
Cash Severance Payment[(3)]	$10,812,674	$0	$0	$3,112,674	$0	$0
Contractual Disability/Death Payments	0	0	0	0	0	0
Acceleration of Equity Awards[(5)]	3,790,699	0	0	3,790,699	3,790,699	5,682,941
Present Value of Continuing Benefits[(6)]	10,343	0	0	4,343	0	0
Excise Tax Gross-up[(7)]	0	0	0	0	0	0
Total Termination Benefits	$14,613,716	$0	$0	$6,907,716	$3,790,699	$5,682,941
W.H. Heyman						
Cash Severance Payment[(3)]	$9,506,393	$0	$0	$2,756,393	$0	$0
Contractual Disability/Death Payments	0	0	0	0	0	0
Acceleration of Equity Awards[(5)]	3,586,249	0	0	3,586,249	3,586,249	5,296,427
Present Value of Continuing Benefits[(6)]	9,983	0	0	3,983	0	0
Excise Tax Gross-up[(7)]	0	0	0	0	0	0
Total Termination Benefits	$13,102,625	$0	$0	$6,346,625	$3,586,249	$5,296,427
A.D. Schnitzer						
Cash Severance Payment[(3)]	$7,193,893	$0	$0	$2,425,143	$0	$0
Contractual Disability/Death Payments	0	0	0	0	0	0
Acceleration of Equity Awards[(5)]	0	0	0	0	3,401,613	5,098,433
Present Value of Continuing Benefits[(6)]	9,983	0	0	3,983	29,092	29,092
Excise Tax Gross-up[(7)]	0	0	0	0	0	0
Total Termination Benefits	$7,203,876	$0	$0	$2,429,126	$3,430,705	$5,127,525

(1) As discussed on page 44, the named executive officers, along with other members of our Management Committee, are each subject to a Non-Competition Agreement that entitles an executive to specified post-termination payments if the Company elects, at the time of termination, to impose a six-month non-compete period. While the Company's decision on whether or not to impose a non-compete period is dependent on the individual circumstances, the table includes payments that would be triggered assuming such an election is made by the Company.

(2) On the last business day of 2012, Messrs. Fishman, Benet, MacLean and Heyman were "retirement eligible". Under current provisions in applicable equity award grants, had Messrs. Fishman, Benet, MacLean or Heyman retired voluntarily on the last business day of 2012, each would have been entitled to acceleration of some or all of their outstanding unvested equity awards as shown under the "Voluntary Termination without 'Good Reason', including Voluntary Retirement" column above. Had the named executive officer not been retirement eligible, he would have forfeited these awards if he retired on the last business day of 2012.

Upon voluntary retirement, Messrs. Fishman and Benet are also entitled to continuing benefits that are described in footnote (6) below. Mr. Schnitzer was not "retirement eligible" under current provisions in applicable equity award grants as of the last business day of 2012.

(3) Cash Severance Payments:

- Under the terms of Mr. Fishman's employment agreement, severance payments in the event of a voluntary termination for "Good Reason" or involuntary termination without "Cause" (each as defined in his agreement) are based on three times his base salary at termination (or, if such termination occurs following a change in control, his highest base salary rate in the preceding 12-month period), plus three times the greatest of: (a) 150% of such salary; (b) his annual bonus for the immediately preceding year; and (c) if such termination occurs following a change in control, the greater of his most recent annual bonus or 150% of his base salary for the preceding year. Such severance payments would be made on the first day of the seventh month following termination, together with interest on such payment amount from the date of termination to the date of payment at the most recently issued 26-week Treasury bill rate (which is included in the table above).

- Under the terms of individual non-solicitation and non-disclosure agreements, the other named executive officers are eligible to receive a severance benefit if they are involuntarily terminated due to a reduction in force or for reasons other than cause or if they are asked to take a substantial demotion. Such benefit is equal to the executive's total monthly cash compensation for 21 to 24 months, depending on his years of service with the Company, with the total monthly cash compensation equal to, at least, 1/12th of the executive's annual base salary in effect at the time of his termination, plus the greater of (a) 1/12th of the average of the executive's two most recent cash payments under our annual incentive compensation plan or (b) 1/12th of 125% of final annual base salary.

- Under the Non-Competition Agreement, if the Company elects to impose a six-month non-compete period and the executive complies with such obligations, the executive will be entitled to receive a lump sum payment at the end of the period equal to the sum of (a) six months base salary plus (b) 50% of the executive's average annual bonus for the prior two years plus (c) 50% of the aggregate grant date fair value of the executive's average annual equity awards for the prior two years.

(4) Under the terms of Mr. Fishman's employment agreement, he or his beneficiary, as applicable, would receive a pro-rata portion of 250% of his annualized salary in the event his employment is terminated due to his death or disability.

(5) Acceleration of Equity Awards:

- "Acceleration of Equity Awards" is presented as the sum of the values as of the last business day of 2012 of the additional benefit from the acceleration of vesting, if any, of stock options, restricted stock units and performance shares that would have occurred as a result of termination under the different circumstances presented. Performance Share awards that are treated as vested as of December 31, 2012 are not included in this amount.

- For options, the additional benefit to the named executive officer resulting from the acceleration of vesting reflected in the table is the value that the named executive officer would receive if he were terminated on the last business day of 2012 and assumes that the named executive officer would receive a cash payment equal to the value of options that become vested at that date. This benefit is determined by subtracting the exercise price of the original option award from the closing stock price on the NYSE of $71.82 at December 31, 2012 and multiplying the result, if a positive number (in-the-money), by the number of option shares that would vest as a result of termination. The acceleration of vesting varies under each termination circumstance in accordance with the terms of each option grant. The value, if any, of any stock option is a function of the appreciation in the Company's stock price since the date on which the stock option was awarded to the executive officer.

- Under the terms of Mr. Fishman's award agreements, as modified by his employment agreement, in the event of death or disability, voluntary termination for good reason or involuntary termination without cause, performance shares plus dividend equivalent shares allocated to date would no longer be subject to service-based vesting conditions for the 2011-2013 and 2012-2014 performance periods. The amount reflected for Mr. Fishman in the "Acceleration of Equity Awards" is determined as described below. In the event of a qualifying retirement (in a circumstance that does not involve one of the foregoing events), a pro-rata portion of the performance shares and dividend equivalent shares attributable thereto would vest according to their original schedule (that is, at the end of the performance period), to the extent that the goals for the applicable performance period have been met. Accordingly, no acceleration of vesting of the performance shares has been reflected under the "Voluntary Retirement" circumstance.

- Under the terms of Mr. Fishman's 2011 and 2012 performance share awards, special rules would apply to the vesting terms, performance period, and settlement of these awards in the event of his death, his disability, his involuntary termination without cause, or his voluntary termination for "good reason" (disability, cause, and good reason, all as defined in his employment agreement). If his termination for any of the preceding reasons were to have occurred on the last business day of 2012, the performance period for the 2011 award would have been the one-year period from January 1, 2011 to December 31, 2011 and, for the 2012 award, the one-year period from January 1, 2012 to December 31, 2012.

- For all of the other named executive officers, in the event of a termination due to death, performance shares plus dividend equivalent shares allocated to date would vest immediately at 100% for the 2011-2013 and 2012-2014 performance periods and would then be paid out on a pro-rated basis for the number of days worked in the performance period. The amounts reflected in the "Acceleration of Equity Awards" is determined by multiplying the closing stock price of $71.82 on December 31, 2012 by the number of performance shares and related dividend equivalent shares that would be paid out upon death. In the event of disability or termination due to a qualifying retirement, a pro-rata portion of the performance shares and dividend equivalent shares attributable thereto would vest according to their original vesting schedule (that is, at the end of the performance period), to the extent that the goals for the applicable performance periods have been met. In the event of any other termination scenarios, the performance shares and dividend equivalent shares attributable thereto would be forfeited. Accordingly, no acceleration of vesting of the performance shares has been included under any termination circumstances other than death in the table above.

(6) Present Value of Continuing Benefits:

- For Mr. Fishman, the present value of continuing benefits as of the last business day of 2012 reflects three years of medical and dental premiums in the event of a voluntary termination for good reason, an involuntary termination without cause, or upon death or disability; three years of short-term disability, basic life, and accidental death and dismemberment insurance premiums in the event of termination in connection with a change in control; and two years of financial planning benefits in the event of a voluntary termination for good reason, or involuntary termination without cause, or upon death, disability or voluntary retirement.

- For Messrs. Benet and Schnitzer, the present value of continuing benefits as of the last business day of 2012 reflects the value of up to two years financial planning benefits in the event of death or disability and, in the case of Mr. Benet, voluntary retirement, and the value of nine months of outplacement services under the Company's executive severance plan in the event of voluntary termination for good reason or involuntary termination without cause. If Mr. Benet or Schnitzer has not secured viable employment within nine months, these outplacement services may be extended, at the Company's discretion, on a month-to-month basis for an additional cost to the Company of $750 per month.

- For Messrs. MacLean and Heyman, the present value of continuing benefits as of the last business day of 2012 reflects the cash value of nine months of outplacement services under the Company's executive severance plan in the event of voluntary termination for good reason or involuntary termination without cause. If either Mr. MacLean or Heyman has not secured viable employment within nine months, these outplacement services may be extended, at the Company's discretion, on a month-to-month basis for an additional cost to the Company of $750 per month.

- Under the Non-Competition Agreements, if the Company elects to impose a six-month non-compete period and the executive complies with such obligations, the executive will be entitled to reimbursement for the cost of continuing health benefits on similar economic terms as in place immediately prior to the executive's termination date during the six-month non-compete period or to payment of an equivalent amount, payable at the end of the period. In the case of Mr. Fishman, whose employment agreement provides for the continuation of health benefits as explained above in this footnote (6) for a period longer than that specified in the Non-Competition Agreement, no additional benefit is reflected with respect to his Non-Compete Agreement in the case of voluntary termination for good reason or involuntary termination without cause, or upon death or disability.

(7) Excise Tax Gross-Up:

- Other than Mr. Fishman, as of the last business day of 2012, none of our named executive officers were eligible to receive an excise tax gross-up. Under the terms of Mr. Fishman's employment agreement, in the event of a change in control, we are required to provide a tax indemnity under which, if the Internal Revenue Code subjects Mr. Fishman to an excise tax pursuant to Section 4999 in connection with any payments made under his employment agreement together with any other payments we make to him, we will reimburse him for the full tax amount and all interest or penalties and any federal, state, local income tax and social security and other employment tax so long as Mr. Fishman takes such action as we request to mitigate or challenge the tax under the circumstances. See "Summary of Key Agreements—Mr. Fishman's Employment Agreement".

- As calculated as of the last business day of 2012, Mr. Fishman would not be subject to an excise tax and therefore would not receive an excise tax gross-up. This calculation assumes that all outstanding unvested stock options are cashed out at their spread value (that is, the closing price on the NYSE at December 31, 2012, $71.82, minus the option exercise price).

Summary of Key Agreements

Mr. Fishman's Employment Agreement

As discussed above, Mr. Fishman, our Chairman and Chief Executive Officer, has an employment agreement.

The following is a summary of the severance benefits that would be provided to Mr. Fishman if he were terminated without "Cause" or if he were to resign for "Good Reason" (each as defined in his employment agreement and summarized below):

- on the first day of the seventh month following such termination, a lump sum severance payment equal to three times the sum of (1) his then current annual base salary rate and (2) the greater of (x) 150% of his base salary or (y) his annual bonus for the preceding year (with interest paid on the lump-sum amount from the termination date to the payment date at the 26-week Treasury bill rate);

- all unvested stock options, performance shares and other equity awards held by Mr. Fishman will fully vest and, in the case of options, become exercisable as of the date of such termination and remain exercisable for at least one year (or the maximum term, if shorter); and

- up to three years of continued medical and dental coverage with coverage after the "COBRA" period being provided through insurance or, if insurance is not available on commercially reasonable terms, through the Company plans with Mr. Fishman paying the full premium cost with reimbursement of such amount by the Company.

Mr. Fishman's agreement also subjects him to non-competition and non-solicitation covenants that are binding during the term of the agreement and for three years following any termination of his employment by us for Cause or by him without Good Reason (or, in the case of the non-solicitation covenants, for one year following a termination of his employment for any other reason).

If Mr. Fishman's employment is terminated after a "Change in Control" (as defined in his agreement and summarized below) by us other than for Cause or by him for Good Reason, Mr. Fishman would become entitled to specified benefits, and summarized below including:

- on the first day of the seventh month following such termination, a lump sum payment equal to three times the sum of (1) his highest annual base salary rate payable to him during the 12-month period immediately prior to termination and (2) the greatest of (x) 150% of his then current annual base salary, (y) his annual bonus for the preceding year and (z) the greater of his annual bonus or 150% of his annual base salary for the year immediately preceding the Change in Control (with interest paid on the lump-sum amount from the termination date to the payment date at the 26-week Treasury bill rate);

- all unvested stock options, performance shares and other equity awards held by Mr. Fishman will fully vest and, in the case of options, become exercisable as of the date of such termination and remain exercisable for at least one year (or the maximum term, if shorter);

- up to three years of continued medical and dental coverage, with coverage after the "COBRA" period being provided through insurance or, if insurance is not available on commercially reasonable terms, through the Company plans with Mr. Fishman paying the full premium cost with reimbursement of such amount by the Company;

- up to three years of continued coverage in those accident, disability (other than long-term disability) and life insurance programs in which he participated on the date employment terminated (provided that such continued coverage will only be provided if such termination occurs within two years following a Change in Control); and

- reimbursement for any "excess parachute payments" excise tax, including any interest and penalties on such tax (and the income, employment and excise taxes on such reimbursement).

If Mr. Fishman's employment ends by reason of death or disability (as defined in the agreement), he or his beneficiary, as applicable, receives a pro-rata portion of 250% of his annualized salary. In addition, all unvested stock options, restricted stock, performance shares and other equity awards held by Mr. Fishman will fully vest and, in the case of options, will remain exercisable for at least one year in the case of death, or three years in the case of disability (or the maximum term, if shorter).

The term "Cause" is generally defined in his employment agreement as a determination by two-thirds of the Board: (1) of Mr. Fishman's willful and continued failure to perform substantially his duties; (2) that Mr. Fishman has been convicted of, or entered a guilty plea or plea of *nolo contendere* to, a felony or crime involving moral turpitude; or (3) that Mr. Fishman has engaged in any malfeasance or fraud or dishonesty of a substantial nature in connection with his position with us or willfully engaged in conduct which materially damages our reputation.

"Good Reason" is generally defined in his agreement to include such situations as: (1) reduction in base salary or annual long-term incentive grant or specified adverse changes with respect to Mr. Fishman's annual bonus opportunity; (2) his ceasing to be Chairman of the Board or a member of the Executive Committee; (3) reduction without his consent in the scope of his duties, responsibilities, authority or reporting relationships (which, in all cases, will be deemed to occur if our stock ceases to be publicly traded or if any person or group becomes the beneficial owner of more than 40% of the voting power of our voting securities); (4) our breach of the agreement; (5) following a Change in Control, specified relocations or changes in travel obligations or failure to maintain benefits that are substantially the same as are in effect when the Change in Control occurs; or (6) our failure to extend the term of Mr. Fishman's agreement prior to his attaining age 65.

As generally defined in Mr. Fishman's agreement with us, a "Change in Control" occurs when: (1) the individuals on the Board (the "Incumbent Directors") as comprised on December 13, 2006 no longer constitute at least a majority of the Board; provided that, generally, any person elected or nominated to the Board by two-thirds of the Incumbent Directors after December 13, 2006 would also be an Incumbent Director; (2) any person is or becomes a "beneficial owner" of 30% or more of the combined voting power of our outstanding securities; (3) a merger, consolidation, statutory share exchange or similar form of corporate transaction is completed, unless immediately following such transaction the voting power of our shareholders is more than 60% of the total, no person becomes the beneficial owner of more than 30% of the outstanding voting securities eligible to elect directors of the Company, and at least a majority of the members of the Board of the Company following the transaction were Incumbent Directors at the time of the decision to execute the transaction; or (4) our shareholders approve a plan of complete liquidation or dissolution of the Company.

Mr. Fishman's 2011, 2012 and 2013 performance share awards provide additional specificity regarding the vesting and payment of the award, if his employment is terminated by us other than for Cause or by him for Good Reason, or his employment ends by reason of his death or disability:

- The service-based vesting condition applicable to the performance share award will be deemed satisfied upon any such termination of employment.
- Except in the case of Mr. Fishman's termination of employment due to death or disability, the performance share award will be paid (if at all) based on actual performance achievement through the end of the last completed fiscal year of the performance period preceding his termination of employment, or if his termination occurs prior to the completion of the first fiscal year of the performance period, based on actual performance achievement for the first full completed fiscal year of the performance period.
- In the case of Mr. Fishman's death or disability, the performance share award will be paid at the greater of (a) the amount that would be payable based on the Company's actual performance achievement, as determined above, and (b) 100% of the number of performance shares covered by the award.

Non-Solicitation and Non-Disclosure Agreements

Each of the named executive officers (other than Mr. Fishman) is eligible to receive a severance benefit if asked to take a substantial demotion or if any of them is involuntarily terminated due to a reduction in force or for reasons other than "cause". The severance benefit payable is equal to the executive's total monthly cash compensation for 21 to 24 months, depending on his years of service with the Company, with the total monthly cash compensation equal to, at least, 1/12th of the executive's annual base salary in effect at the time of the executive's termination, plus the greater of (1) 1/12th of the average of the executive's two most recent cash payments under our annual incentive compensation plan or (2) 1/12th of 125% of final annual base salary for any named executive officer serving as a Vice Chairman or an Executive Vice President or equivalent.

Equity Recapture/Recoupment Provisions

The Board has adopted a policy requiring the reimbursement and/or cancellation of all or a portion of any incentive cash bonus or equity-based incentive compensation awarded to a member of the Management Committee or a Section 16 officer in specified circumstances relating to a restatement of Company financial results involving fraud or misconduct.

In addition, in connection with equity awards, each recipient accepts the terms of an agreement that provides for the recapture by us of the equity awards during a one-year period following his or her departure, under specified circumstances. For a more detailed description of these provisions, see "Compensation Discussion and Analysis—Recapture/Forfeiture Provisions" on page 45 of this Proxy Statement.

NON-EMPLOYEE DIRECTOR COMPENSATION

The Nominating and Governance Committee of the Board recommends to the full Board for approval the amount and composition of Board compensation for non-employee directors (the "Director Compensation Program"). Directors who are our employees are not compensated for their service on the Board. In accordance with the Company's Governance Guidelines, the Nominating and Governance Committee reviews the significance and appropriateness of each of the components of the Director Compensation Program at least once every two years. The Compensation Committee's independent consulting firm, F. W. Cook, advises the Nominating and Governance Committee with respect to director compensation. The objectives of the Nominating and Governance Committee are to compensate directors in a manner that closely aligns the interests of directors with those of our shareholders, to attract and retain highly qualified directors and to structure and set total compensation in such a manner and at such levels that will not call into question any director's objectivity.

It is the Board's practice to provide a mix of cash and equity-based compensation to non-employee directors, as discussed below.

Annual Retainer

Non-employee directors (other than Mr. Kane who was elected to the Board in May 2012) were paid an annual retainer of $106,071 for their services in 2012. Annual retainers are paid in quarterly installments, in arrears at the end of each quarter, in cash or, if the director so elects, in common stock units to be credited to his or her deferred compensation account (discussed under "Director Deferral Plan" below) and distributed at a later date designated by the director. In May 2012, the amount of the annual retainer was increased from $100,000 to $110,000. As a result, each non-employee director received a first quarterly payment of $25,000, a second quarterly payment of $26,071 and third and fourth quarterly payments of $27,500 each for a total of $106,071. Mr. Kane received one quarterly payment of $11,786, which amount was pro-rated based on his time of service as a director during the second quarter, and two quarterly payments of $27,500 each for a total of $66,786. The Lead Director was paid an additional $25,000 annual cash retainer.

Committee Chair Fees

The chairs of certain committees are paid additional fees in cash in connection with their services over the course of the year. The relevant committees and the sums received are as follows: Audit Committee—$25,000; Compensation Committee—$20,000; Nominating and Governance Committee—$20,000; Investment and Capital Markets Committee—$20,000; and Risk Committee—$20,000.

Annual Deferred Stock Award

During 2012, each non-employee director was awarded $150,000 of deferred stock units, which vest in full one day prior to the date of the annual shareholder meeting occurring in the year following the year of the date of grant so long as the non-employee director continuously serves on the Board through that date. In May 2012, the value of the annual deferred stock award to non-employee directors beginning with the 2013 award was increased to $160,000 of deferred stock units. The grant date fair value of each unit was equal to the closing price of our common stock on the date of grant. These annual deferred stock awards are made under our Amended and Restated 2004 Stock Incentive Plan. The value of deferred stock units rises or falls as the price of our common stock fluctuates in the market. Dividend equivalents (in an amount equal to the common stock dividends) attributable to the deferred common stock units are deemed "reinvested" in additional deferred common stock units. The accumulated deferred stock units, and dividends thereon, in a director's account are distributed in the form of shares of our common stock either in a lump sum or in annual installments, at the director's election, beginning at least six months following termination of his or her service as a director.

Directors are subject to a stock ownership target as described under "Governance of Your Company—Director Stock Ownership" on page 15 of this Proxy Statement.

Director Deferral Plan

In addition to receiving the annual deferred stock award in the form of deferred stock units, directors may elect to have all or any portion of their annual retainer and any lead director and committee chair fees paid in cash or deferred through our Deferred Compensation Plan for Non-Employee Directors. Deferrals of the annual retainer and any lead director and committee chair fees are notionally "invested" in common stock units. Any director who elects to have any of his or her fees credited to his or her deferred compensation plan account as common stock units will be deemed to have purchased shares on the date the fees would otherwise have been paid in cash, based on the closing market price of our common stock on such date. The value of common stock units rises or falls as the price of our common stock fluctuates in the market. In addition, dividend equivalents (in an amount equal to the dividends payable on shares of our common stock) on those units are "reinvested" in additional common stock units. The accumulated common stock units, and dividends thereon, in a director's account are distributed in the form of shares of our common stock on pre-designated dates, usually following termination of service as a director. Shares of common stock issued in payment of the deferred fees are awarded under our Amended and Restated 2004 Stock Incentive Plan.

Legacy Directors' Charitable Award Program

Prior to the Merger, most directors of St. Paul participated in a Directors' Charitable Award Program, pursuant to which each participating director could designate up to four tax-exempt charitable, educational or other organizations to receive contributions from St. Paul over a period of ten years following the death of the director, in an aggregate amount over such period of up to $1 million per director. All participating St. Paul directors on April 1, 2004 became fully vested in this program upon the consummation of the Merger. This program has been discontinued; however, it continues to be actively administered with respect to the vested interests of former St. Paul directors, including Messrs. Dasburg, Duberstein, Fishman, Graev and Hodgson. All donations ultimately paid by us under this program should be deductible for purposes of Federal and other income taxes payable by us.

In addition to the five current directors listed above, there are currently 18 other former St. Paul directors participating in the Directors' Charitable Award Program. Eighteen of those 23 directors are fully vested for the $1 million charitable contribution benefit, and the other five are vested in lesser amounts. The directors who are not fully vested retired prior to the Merger and, therefore, did not become fully vested on the Merger date. The total vested liability to us for all 23 participating directors is $20,600,000.

The Company carries life insurance policies on 21 of the directors participating in the program, including each of the five current directors listed above. The face amounts of these life insurance policies total $37,596,000. Each policy covers two directors and will pay proceeds to the Company only after both directors die. Total premiums paid by us in 2012 in connection with this program were $107,987.

Director Compensation for 2012

The 2012 compensation of non-employee directors is displayed in the table below.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	All Other Compensation $	Total ($)(3)
Alan L. Beller	106,071	150,007	0	256,078
John H. Dasburg	153,392	150,007	0	303,399
Janet M. Dolan	106,071	150,007	0	256,078
Kenneth M. Duberstein	128,750	150,007	0	278,757
Lawrence G. Graev	126,071	150,007	0	276,078
Patricia L. Higgins	106,071	150,007	0	256,078
Thomas R. Hodgson	126,071	150,007	0	276,078
William J. Kane	66,786	149,973	0	216,759
Cleve L. Killingsworth Jr.	126,071	150,007	0	276,078
Donald J. Shepard	106,071	150,007	749	256,827
Laurie J. Thomsen	106,071	150,007	0	256,078

(1) All of the directors, other than Mr. Shepard, received all of their retainers and fees in cash. Mr. Shepard elected to receive the 2012 annual retainer in 1,616 common stock units which will be accumulated in Mr. Shepard's deferred compensation plan account and distributed at a later date. The table above does not include dividend equivalents attributable to the common stock units received in lieu of cash fees because they are earned at the same rate as the dividends on the Company's common stock and are not preferential. Fees earned for all directors consist of a pro-rated annual retainer of $106,071 (other than Mr. Kane, who was elected to the Board of Directors effective May 23, 2012, and his fees consist of a pro-rated annual retainer of $66,786) and Committee chair and Lead Director fees as follows: for Mr. Dasburg, Audit Committee chair fee of $25,000 and Lead Director fee of $22,321; for Mr. Duberstein, Nominating and Governance Committee chair fee of $20,000 and Lead Director fee of $2,679; for Mr. Graev, Compensation Committee chair fee of $20,000; for Mr. Hodgson, Risk Committee chair fee of $20,000; and for Mr. Killingsworth, Investment and Capital Markets Committee chair fee of $20,000.

(2) The dollar amounts represent the grant date fair value of awards of deferred stock units granted in 2012, calculated in accordance with FASB ASC Topic 718, without taking into account estimated forfeitures. In accordance with the SEC's rules, dividend equivalents of stock awards are not required to be reported because the amounts of future dividends are factored into the grant date fair value of the awards. The dividend equivalents attributable to the annual deferred stock unit awards are deemed "reinvested" in additional deferred stock units, and are distributed, together with the underlying deferred stock units, in the form of shares of our common stock beginning at least six months following termination of service as a director. For a discussion of annual deferred stock awards, see "—Annual Deferred Stock Award" above.

On February 7, 2012, each non-employee director nominated for re-election to serve for the twelve-month period running from the May 2012 annual meeting through the May 2013 annual meeting was granted 2,511 deferred stock units (determined by dividing $150,000 by the closing market price on the NYSE of our common stock of $59.74 on February 7, 2012). Mr. Kane was elected to the Board of Directors effective May 23, 2012 and was granted 2,376 deferred stock units (determined by dividing $150,000 by the closing market price on the NYSE of our common stock of $63.12 on May 23, 2012). The entire award is subject to forfeiture if a director leaves the Board prior to May 21, 2013.

(3) The total amount does not include the life insurance premiums paid in 2012 relating to the participation of Messrs. Dasburg, Duberstein, Graev and Hodgson in the legacy St. Paul Directors Charitable Award Program. The structure of the plan does not enable us to attribute premium amounts to a specific individual. For more information, please refer to the narrative discussion of the "—Legacy Directors' Charitable Award Program" above.

Outstanding Equity Awards for Non-Employee Directors at December 31, 2012

The following table provides information with respect to aggregate holdings of stock options and unvested and vested deferred stock units beneficially owned by our non-employee directors at December 31, 2012. For information regarding the stock ownership positions of our directors, see the "Share Ownership of Directors and Executive Officers" table on page 72 of this Proxy Statement.

Name	Options (#)	Unvested Deferred Stock Units[1] (#)	Vested Deferred Stock Units[1] (#)	Market Value of Vested and Unvested Deferred Stock Units[2] ($)
Alan L. Beller	0	2,580	15,705	1,313,229
John H. Dasburg	9,889	2,580	53,949	4,059,913
Janet M. Dolan	8,126	2,580	26,642	2,098,724
Kenneth M. Duberstein	14,126	2,580	41,861	3,191,753
Lawrence G. Graev	0	2,580	24,414	1,938,709
Patricia L. Higgins	0	2,580	15,705	1,313,229
Thomas R. Hodgson	0	2,580	40,809	3,116,198
William J. Kane	0	2,425	0	174,163
Cleve L. Killingsworth Jr.	0	2,580	15,705	1,313,229
Donald J. Shepard	0	2,580	11,317	998,082
Laurie J. Thomsen	10,293	2,580	27,570	2,165,373
Total	42,434	28,225	273,677	21,682,602

(1) Includes dividend equivalents credited (in the form of additional deferred stock units) on deferred stock units.

(2) The market value of the deferred stock units is calculated by multiplying the closing price on the NYSE of our common stock at the end of 2012 ($71.82) by the total number of unvested and vested deferred stock units.