TRAVELERS PROPERTY CASUALTY CORP
Form 424B4
March 22, 2002

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-82388

PROSPECTUS

$850,000,000

TRAVELERS PROPERTY CASUALTY CORP.

TRAVELERS LOGO

4.5% CONVERTIBLE JUNIOR SUBORDINATED NOTES DUE 2032

We are offering $850 million aggregate principal amount of our 4.5% Convertible Junior Subordinated Notes due 2032. The notes will mature on April 15, 2032. The notes will bear interest at a fixed rate of 4.5% per year. Interest on the notes will be payable quarterly in arrears on January 15, April 15, July 15, and October 15 of each year, commencing July 15, 2002 (subject to our right to defer interest payments as described in this prospectus). We may redeem some or all of the notes on or after April 18, 2007 under the circumstances and at the prices described in this prospectus. If at any time after March 27, 2003 the 20-trading day average closing price of our class A common stock is at least 20% above the then applicable conversion price (and in certain other circumstances described in this prospectus), the notes are convertible by holders into shares of our class A common stock at a conversion rate of 1.0808 shares of class A common stock for each $25 principal amount of notes (equivalent to an initial conversion price of $23.13 per share of class A common stock), subject to adjustment in certain events and subject to our right to elect a cash settlement under the circumstances described in this prospectus.

The notes will be unsecured obligations and will be subordinated in right of payment to all of our senior indebtedness. The notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

Concurrently with this offering, we are also making an initial public offering of 210,000,000 shares of our class A common stock, plus up to an additional 21,000,000 shares of our class A common stock if the underwriters for that offering exercise their over-allotment option in full.

Prior to this offering and the concurrent initial public offering of our class A common stock, there has been no public market for the notes or our class A common stock. The notes have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "TPK." Our class A common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "TAP.A."

INVESTING IN THE NOTES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 14.

Neither the Securities and Exchange Commission nor any state securities or insurance commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER NOTE	TOTAL
Public Offering Price(1)	$25.000	$850,000,000
Underwriting Discount	$ 0.625	$ 21,250,000
Proceeds to Travelers Property Casualty Corp. (before expenses)	$24.375	$828,750,000

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(1) Plus accrued interest, if any, from March 27, 2002.

We have also granted the underwriters an option to purchase up to an additional $42.5 million aggregate principal amount of notes to cover over-allotments.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York, on March 27, 2002.

SALOMON SMITH BARNEY

CREDIT SUISSE FIRST BOSTON
GOLDMAN, SACHS & CO.
MERRILL LYNCH & CO.
RAMIREZ & CO., INC.
UTENDAHL CAPITAL PARTNERS, L.P.

March 21, 2002

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" sections and our historical consolidated financial statements and the notes to those financial statements, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to "Travelers," "we," "us," and "our" refer to Travelers Property Casualty Corp. (formerly known as The Travelers Insurance Group Inc.), a Connecticut corporation, and its consolidated operations, and any reference to "TIGHI" refers to our wholly-owned subsidiary, Travelers Insurance Group Holdings Inc. (formerly known as Travelers Property Casualty Corp.), a Delaware corporation, and its consolidated operations. However, except where indicated, these references and the other information in this prospectus do not include those operations that have been transferred by us prior to the completion of this offering as part of our corporate reorganization described below. Unless the context otherwise requires, references to "Citigroup" refer to Citigroup Inc. and its subsidiaries other than Travelers. References to "common stock" refer collectively to our class A common stock and our class B common stock. We are a holding company and have no direct operations. Our principal asset is the capital stock of TIGHI and its insurance subsidiaries. This prospectus contains terms that are specific to the insurance industry and may be technical in nature. We have included a glossary of these terms, commencing on page G-1.

OUR COMPANY

We are a leading property and casualty insurance company in the United States. We provide a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals. We conduct our operations through our wholly-owned subsidiaries in two business segments: Commercial Lines, which provides a variety of commercial coverages to a broad spectrum of business clients, and Personal Lines, which primarily offers automobile and homeowners insurance to individuals. Commercial coverages and personal coverages accounted for 58% and 42%, respectively, of our combined net written premiums for the year ended December 31, 2001. After giving pro forma effect to this offering and the concurrent offering of our class A common stock, and the use of the proceeds from the offerings, our corporate reorganization and related transactions, at December 31, 2001, we had total assets and shareholders' equity of $57.6 billion and $9.7 billion, respectively.

We are an indirect wholly-owned subsidiary of Citigroup. Citigroup is a diversified holding company whose businesses provide a broad range of financial services to consumer and corporate customers around the world.

COMMERCIAL LINES

We are the third largest writer of commercial lines insurance in the United States based on 2000 direct written premiums as compiled and published by A.M. Best. Our Commercial Lines segment offers a broad array of property and casualty insurance and insurance-related services to our clients. Commercial Lines is organized into the following five marketing and underwriting groups, each of which focuses on a particular client base or product grouping to provide products and services that specifically address clients' needs:

- National Accounts provides large corporations with casualty products and services and includes our residual market business which offers workers' compensation products and services to the involuntary market;

- Commercial Accounts provides property and casualty products to mid-sized businesses, property products to large businesses and boiler and machinery products to businesses of all sizes, and includes dedicated groups focused on the construction industry, trucking industry, agribusiness, and ocean and inland marine;

- Select Accounts provides small businesses with property and casualty products, including packaged property and liability policies;

- Bond provides a wide range of customers with specialty products built around our market leading surety bond business along with an expanding executive liability practice; and

- Gulf serves all sizes of customers through specialty programs, with particular emphasis on management and professional liability products.

The commercial coverages which we market include workers' compensation, general liability, including product liability, multiple peril, commercial automobile, property including fire and allied lines, and a variety of other coverages. We also underwrite specialty coverages, including general liability for selected product liability risks, umbrella and excess liability coverage, directors' and officers' liability insurance, errors and omissions insurance, fidelity and surety bonds, excess SIPC protection, fiduciary liability insurance and other professional liability insurance. In addition, we offer various risk management services, generally including claims management, loss control and engineering services, to businesses that choose to self-insure some exposures, to states and insurance carriers that participate in state involuntary workers' compensation pools and to employers seeking to manage workers' compensation medical and disability costs.

We distribute our commercial products through approximately 6,300 independent agencies and brokers located throughout the United States, supported by a network of approximately 80 field offices and two customer service centers. We have made significant investments in enhanced technology utilizing Internet-based applications that make doing business with us easier and more efficient for our independent agencies and brokers. For the year ended December 31, 2001, Commercial Lines generated net written premiums of approximately $5.7 billion.

PERSONAL LINES

We are the second largest writer of personal lines insurance through independent agents and the eighth largest writer of personal lines insurance overall in the United States, based on 2000 direct written premiums as compiled and published by A.M. Best. We write most types of property and casualty insurance covering personal risks. Personal Lines had approximately 5.4 million policies in force at December 31, 2001. The primary coverages in Personal Lines are personal automobile and homeowners insurance sold to individuals.

Personal Lines products are distributed primarily through approximately 7,600 independent agencies located throughout the United States, supported by personnel in 12 marketing regions and six customer service centers. We have made significant investments in enhanced technology utilizing Internet-based applications that make doing business with us easier and more efficient for our independent agents. We also market through additional distribution channels, including sponsoring organizations such as employers' and consumer associations, and joint marketing arrangements with other insurers. For the year ended December 31, 2001, Personal Lines generated net written premiums of approximately $4.1 billion.

OUR COMPETITIVE ADVANTAGES

We believe that we are uniquely positioned within the property and casualty insurance industry to benefit from an improving underwriting environment. Our competitive advantages are based on:

- superior financial strength as a result of strong capitalization levels and consistent operating returns;

- a recognized brand name with leading market positions, broad scale and product breadth in many commercial and personal product lines and geographies;

- an experienced management team with a broad complement of skills;

- a consistent record of strong operating returns which are driven by a performance-based management and underwriting culture;

- proprietary management information systems that support detailed attention to risk management and returns analysis in order to maximize underwriting results;

- demonstrated long-term commitment to the independent agency and broker distribution system with a consistent underwriting philosophy;

- industry-leading technology which enables us to cost effectively provide differentiated service to agents and customers; and

- proven acquisition and integration expertise which will allow us to participate in consolidation within the property and casualty industry.

OUR STRATEGY

Management has established the following key strategic objectives for us:

FOCUS ON CORE PRODUCT LINES USING A DISCIPLINED AND PERFORMANCE-BASED UNDERWRITING APPROACH

We will continue to focus on our core property and casualty insurance product lines and markets for which we have developed selective and consistent underwriting policies that have been demonstrated to be effective over time. We emphasize a profit-oriented approach to underwriting rather than focusing on premium volume or market share.

MAINTAIN FINANCIAL STRENGTH

We believe that we are well capitalized and that our financial strength creates a competitive advantage in retaining and attracting business. We plan to maintain our sound financial position through selective underwriting practices and a high quality investment portfolio.

ENHANCE OUR POSITION AS A COST-EFFECTIVE PROVIDER OF PROPERTY AND CASUALTY INSURANCE

We believe that a critical competitive advantage in the property and casualty insurance industry is our success in controlling expense ratios. Our low expense ratios combined with superior risk selection and excellent execution allow for both competitive pricing and appropriate underwriting returns.

EMPHASIZE CUSTOMER-ORIENTED FOCUS

We continue to provide new products and services within our core product lines and markets to foster simpler, closer relationships with customers, including agents, brokers and insureds. We also enhance customer relations by providing timely, responsive pricing quotes and claims service.

MANAGE DISTRIBUTION RELATIONSHIPS AND CAPITALIZE ON OUR BRAND NAME AND BROAD PRODUCT OFFERINGS

We maintain strong relationships with our distribution force. As a result of our recognized franchise and our broad array of insurance products and services and specialized expertise, we are able to offer our agents and brokers significant product expansion opportunities.

LEVERAGE TECHNOLOGY TO IMPROVE SERVICE AND ENHANCE OUR AGENCY DISTRIBUTION CHANNELS

We have been a leading developer of technology-based solutions for the insurance industry, which enable our independent agents to quote and issue policies directly from their agencies. The technologies we have developed provide an ease-of-doing-business environment with our distribution force, which we believe is a significant competitive advantage.

ACTIVELY PARTICIPATE IN INDUSTRY CONSOLIDATION

We have successfully acquired and integrated companies as a means to grow our company. Our market presence and strong balance sheet and cash flow, together with management's demonstrated experience, create an effective platform for our participation in industry consolidation.

UTILIZE SOPHISTICATED MODELING AND RAPID RESPONSE SYSTEMS TO MANAGE CATASTROPHIC EXPOSURE

We control exposure in high-risk areas through a variety of underwriting approaches, including the employment of sophisticated computer modeling techniques to analyze significant natural catastrophe exposures and establish geographic limits on policy writing designed to maximize returns on catastrophe exposed business. We have also developed a state-of-the-art rapid response catastrophe claims unit.

EMPLOY DEDICATED SPECIALISTS AND AGGRESSIVE RESOLUTION STRATEGIES TO MANAGE ENVIRONMENTAL AND ASBESTOS LOSS EXPOSURE

Our environmental and asbestos claims are managed by a dedicated group of professionals which has operated as a separate unit since 1986. We believe that this approach gives us consistency in claims handling and policy coverage interpretation and facilitates our early identification of exposures and aggressive resolution of coverage uncertainties.

COMPANY HISTORY

Our predecessor companies have been in the insurance business for more than 130 years. We are a Connecticut corporation that was formed in 1979. Recently we changed our name from The Travelers Insurance Group Inc. to Travelers Property Casualty Corp. In December 1993, Citigroup acquired us. In January 1996, we formed TIGHI to hold our property and casualty insurance subsidiaries. In April

1996, TIGHI purchased from Aetna Services, Inc. all of the outstanding capital stock of Aetna's significant property and casualty insurance subsidiaries for approximately $4.2 billion in cash. In April 1996, TIGHI also completed an initial public offering of its common stock.

During April 2000, we completed a cash tender offer and merger, as a result of which TIGHI became our wholly-owned subsidiary. In the tender offer and merger, we acquired all of TIGHI's outstanding shares of common stock not owned by us, representing approximately 14.8% of its outstanding common stock, for approximately $2.4 billion in cash financed by a loan from Citigroup. The "Company History" section later in this prospectus includes a discussion and analysis of the costs and benefits to Citigroup and us in connection with the tender offer and merger.

DIVIDENDS PAYABLE

In February 2002, our board of directors declared a dividend of $1.0 billion to Citigroup in the form of a non-interest bearing note payable on December 31, 2002. We expect to repay this note from future earnings, to the extent available. We refer to this note in this prospectus as the "2002 note."

In February 2002, our board of directors also declared a dividend of $3.7 billion to Citigroup in the form of a $3.7 billion note payable in two installments. The first installment of $150 million will be payable in May 2004 and the second installment of $3.55 billion will be payable in February 2017. This note begins to bear interest after May 9, 2002 at a rate of 7.25% per annum. This note may be prepaid at any time in whole or in part without penalty or premium. We expect that substantially all of this note will be prepaid with the proceeds of the offerings. We refer to this note in this prospectus as the "special note."

In March 2002, our board of directors declared a dividend of $395 million to Citigroup in the form of a note which begins to bear interest after May 9, 2002 at a rate of 6.00% per annum. This note is due in March 2007 and may be prepaid in whole or in part at any time without penalty or premium. We refer to this note in the prospectus as the "2007 note."

OUR CORPORATE REORGANIZATION

In connection with the offerings, we have effected a corporate reorganization, under which:

- we transferred substantially all of our assets to Citigroup, other than the capital stock of TIGHI;

- Citigroup assumed all of our third-party liabilities, other than liabilities relating to TIGHI and TIGHI's active employees;

- we have effected a recapitalization whereby the previously outstanding shares of our common stock, all of which were owned by Citigroup, have been exchanged for 269,000,000 shares of class A common stock and 500,000,000 shares of class B common stock. The number of shares of class A

common stock to be owned by Citigroup may be increased by up to an additional 21,000,000 shares (for a total of 290,000,000 shares of class A common stock), to the extent that the underwriters in the concurrent offering do not exercise their option to purchase class A common stock to cover over-allotments; and

- we have amended and restated our certificate of incorporation and bylaws.

In this prospectus, we refer to these transactions as our "corporate reorganization." In addition, we sold the stock of CitiInsurance International Holdings Inc. on February 28, 2002 to Citigroup for $403 million, its net book value. We have applied $138 million of the proceeds from this sale to repay intercompany indebtedness to Citigroup. As a result of the corporate reorganization and the sale of CitiInsurance, TIGHI and its insurance subsidiaries became our principal asset.

THE TAX-FREE DISTRIBUTION

We are currently an indirect wholly-owned subsidiary of Citigroup. After the completion of the concurrent offering, Citigroup will beneficially own all of our outstanding class B common stock and 290 million shares of our class A common stock, representing 94.8% of the combined voting power of all classes of our voting securities and 79% of the equity interest in us, assuming the over-allotment option in that offering is not exercised.

Citigroup has informed us that by year-end 2002 it plans to make a tax-free distribution to its stockholders of a portion of its ownership interest in us, which, together with the shares being issued in the concurrent offering, will represent approximately 90.1% of our common equity (more than 90% of the combined voting power of our then outstanding voting securities). In this prospectus, we refer to this proposed transaction as the "distribution." Following the distribution, Citigroup would remain a holder of approximately 9.9% of our common equity (less than 10% of the combined voting power of our outstanding voting securities). The distribution and Citigroup's continued ownership of shares thereafter are subject to Citigroup's receipt of a private letter ruling from the Internal Revenue Service that the distribution will be tax-free to Citigroup, its stockholders and us, as well as various other conditions. These other conditions may include receipt of any necessary third-party consents and regulatory approvals, the existence of satisfactory market conditions and the satisfaction of any conditions which may be imposed by the Internal Revenue Service. It is expected that the ruling will require Citigroup to divest the remaining shares it holds within five years following the distribution and to vote the shares it continues to hold following the distribution pro rata with the shares held by the public. We cannot assure you that the conditions to the distribution will be satisfied or that Citigroup will consummate the distribution. In any event, Citigroup has no obligation to consummate the distribution by the end of 2002 or at all, whether or not these conditions are satisfied.

BENEFITS OF THE DISTRIBUTION

We will be focused on the property and casualty insurance industry. Separation of our company from Citigroup will allow our management and board of directors to focus on the property and casualty industry. Strategic decisions about our business opportunities would not need to be coordinated with the strategies and opportunities of Citigroup.

Management incentives can be directly aligned with shareholder interests. Management incentives can be designed with a significant equity component. As a stand-alone property and casualty company, compensation of management can be directly aligned with the performance of our common stock. We believe strongly in the performance leverage of this concept.

We will have greater capital management flexibility. Separation of our company from Citigroup would also benefit us by enhancing our capital planning flexibility. We would no longer have to compete with other Citigroup operations for funding from Citigroup.

We believe that the property and casualty industry is fragmented and that there will be a significant number of consolidation opportunities. As a separate company, we would be able to invest retained

earnings in growing our business and in acquisitions, or alternatively, in achieving earnings per share growth through share repurchases.

Our regulatory environment will be simplified. As a subsidiary of Citigroup, we comply with all insurance company regulatory requirements, as well as Bank Holding Company Act regulations. Once separate from Citigroup, we will no longer be subject to Bank Holding Company Act regulations. This will simplify our regulatory compliance and put us in a regulatory position consistent with our competition.

We will benefit from the elimination of real and perceived distribution conflicts. We distribute the vast majority of our products through independent agencies and brokers. Agencies and brokers can choose from a number of insurance companies. We believe that they will be attracted to a company clearly dedicated to the property and casualty business and committed to the independent agency system.

Our principal executive offices are located at One Tower Square, Hartford, Connecticut 06183, and our telephone number is (860) 277-0111.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see "Description of the Notes."

Issuer........................	Travelers Property Casualty Corp.
Securities Offered............	$850 million aggregate principal amount of 4.5% Convertible Junior Subordinated Notes due 2032. We have also granted the underwriters an over-allotment option to purchase $42.5 million aggregate principal amount of additional notes.
Maturity......................	April 15, 2032, unless earlier redeemed, repurchased or converted.
Interest......................	4.5% per year payable quarterly in arrears on January 15, April 15, July 15, and October 15 of each year, commencing on July 15, 2002.
Interest Payment Deferral.....	We will have the right to defer interest payments on the notes for an extension period not exceeding 20 consecutive interest periods during which no interest shall be due and payable. A deferral of interest payments cannot extend, however, beyond the maturity of the notes. During any extension period, except as described under "Description of the Notes -- Principal, Maturity and Interest -- Deferral of Interest Payments," we will not be permitted to (1) declare or pay any dividends or make any distributions on our capital stock

or redeem, purchase, acquire or make a liquidation payment on any of our capital stock, or make any guarantee payments relating to the foregoing, or (2) make an interest, principal or premium payment on, or repay, repurchase or redeem, any of our debt securities that rank equal with or junior to the notes.

Conversion.................... Subject to our right to elect a cash settlement as described below and unless previously redeemed or repurchased, the notes are convertible into shares of our class A common stock at the option of the holder at any time after March 27, 2003 and prior to 5:00 p.m., New York City time, on April 15, 2032 if at any time (1) the average of the daily closing prices of our class A

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common stock for the 20 consecutive trading days immediately prior to the conversion date is at least 20% above the then applicable conversion price on such conversion date, (2) the notes have been called for redemption, (3) specified corporate transactions described in this prospectus have occurred or (4) specified credit rating events with respect to the notes described in this prospectus have occurred. The notes will be convertible at an initial conversion rate of 1.0808 shares of our class A common stock for each $25 principal amount of notes (equivalent to an initial conversion price of $23.13 per share of class A common stock), subject to adjustment in certain events. The right to convert notes that have been called for redemption will terminate at the close of business on the business day immediately preceding the applicable redemption date. No fractional shares of class A common stock will be issued as a result of a conversion. Instead, fractional interests will be paid in cash.

From March 27, 2003, and until the next business day following the date of the distribution (provided that the distribution has not occurred by March 27, 2003), we may elect to make a cash settlement in respect of any notes surrendered for conversion. The amount of cash that we will pay if we elect a cash settlement will be equal to the value of the underlying shares of class A common stock.

See "Description of the Notes -- Conversion."

Optional Redemption........... On or after April 18, 2007, at any time or from time to time, the notes may be redeemed at our option, in whole or in part, in cash at the redemption prices set forth in this prospectus,

	together with any accrued and unpaid interest to, but excluding, the redemption date. See "Description of the Notes -- Optional Redemption."
Mandatory Redemption..........	None.
Ranking......................	The notes will be our general unsecured obligations and will be subordinated in right of payment to all of our existing and future senior indebtedness (as defined in "Description of the Notes -- Subordination") to the extent set forth in the indenture. As of the date of this prospectus, after giving effect to the offerings and the use of proceeds therefrom, we would have had $1.55 billion of senior indebtedness outstanding to which the notes would be subordinated. In addition, the notes will be effectively subordinated to all existing and future indebtedness and other liabilities of any of our current or future subsidiaries. As of the date of this prospectus, our subsidiaries had $1.38 billion of indebtedness outstanding. The indenture will not limit the amount of other indebtedness or liabilities that we or our subsidiaries may incur or securities that we or our subsidiaries may issue in the future. You should read the information under the headings "Risk Factors -- Risks Relating to the Notes -- We are not required to pay you under the notes unless we first make

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	other required payments" for more information on the subordination of the notes.
Use of Proceeds..............	We will receive net proceeds from this offering of approximately $825 million (or $866 million if the underwriters' over-allotment option is exercised in full). We expect to apply proceeds from this offering to prepay intercompany indebtedness to Citigroup. See "Use of Proceeds."
Trading......................	The notes have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "TPK." Our class A common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "TAP.A."

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CONCURRENT OFFERING

Class A common stock offered......................	210,000,000 shares

Common stock to be outstanding after the concurrent initial public offering...............	500,000,000 shares of class A common stock 500,000,000 shares of class B common stock
Common stock to be held by Citigroup following the concurrent initial public offering......................	290,000,000 shares of class A common stock 500,000,000 shares of class B common stock
Use of proceeds...............	We will use the net proceeds from the concurrent initial public offering to prepay intercompany indebtedness to Citigroup.
Dividend policy...............	We intend to pay quarterly cash dividends on all classes of our common stock at an initial rate of $0.06 per share of common stock, commencing in the first quarter of 2003, subject to financial results and declaration by our board of directors. See "Dividend Policy" for a discussion of the factors that will affect the determination by our board of directors to declare dividends, as well as other matters concerning our dividend policy.
Voting rights	
Class A common stock........	One vote per share
Class B common stock........	Seven votes per share
New York Stock Exchange symbol........................	Our class A common stock has been approved for listing, subject to official notice of issuance, on the New York Stock Exchange under the symbol "TAP.A."

Unless otherwise indicated, all information in this prospectus:

- reflects the consummation of our corporate reorganization, including the recapitalization, whereby the then outstanding shares of our common stock, all of which were owned by Citigroup, have been exchanged for 269,000,000 shares of class A common stock and 500,000,000 shares of class B common stock. The number of shares of class A common stock to be owned by Citigroup may be increased by up to an additional 21,000,000 shares (for a total of 290,000,000 shares of class A common stock), to the extent that the underwriters in the concurrent offering do not exercise their option to purchase class A common stock to cover over-allotments;

- assumes the over-allotment option has not been exercised;

- excludes approximately 16.0 million shares of class A common stock issuable upon the exercise of stock options to be issued on the date of this offering, none of which are currently exercisable, at an exercise price equal to the initial public offering price;

- excludes an indeterminate number of shares of our restricted common stock which we may use to replace Citigroup restricted stock held by our employees and an indeterminate number of shares of common stock issuable upon the exercise of options which will be granted in exchange for Citigroup options we may assume, if and when the distribution occurs. If the distribution were to occur today, the aggregate number of restricted shares we would issue and shares subject to options we would grant in connection with the replacement and exchange of Citigroup awards would be approximately 4.6 million shares of our common stock and 84.5 million shares of our common stock, respectively; and

- excludes a maximum of 36.7 million shares of our class A common stock that may be initially issuable in the future upon conversion of the notes, or a maximum of 38.6 million shares if the over-allotment option is exercised in full.

SUMMARY FINANCIAL DATA

The summary financial data for each of the fiscal years in the three-year period ended December 31, 2001 have been derived from our audited financial statements. See "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our financial statements retroactively reflect our corporate reorganization for all periods presented. All financial data and ratios presented in this prospectus have been prepared using U.S. generally accepted accounting principles, unless otherwise indicated.

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(IN MILLIONS, EXCEPT PER SHARE DATA)		
INCOME STATEMENT DATA:			
Revenues:			
Premiums	$9,411	$8,462	$8,009
Net investment income	2,034	2,162	2,093
Fee income	347	312	275
Realized investment gains	323	47	112
Other revenues	116	88	84
Total revenues	12,231	11,071	10,573
Claims and expenses:			
Claims and claim adjustment expenses	7,765	6,473	6,059
Amortization of deferred acquisition costs	1,539	1,298	1,260
Interest expense	205	296	238
General and administrative expenses	1,333	1,140	1,177
Total claims and expenses	10,842	9,207	8,734
Income before federal income taxes, minority interest and cumulative effect of changes in accounting principles	1,389	1,864	1,839
Federal income taxes	327	492	479

Income before minority interest and cumulative effect of changes in accounting principles	1,062	1,372	1,360
Minority interest, net of tax	--	60	224
Income before cumulative effect of changes in accounting principles	1,062	1,312	1,136
Cumulative effect of changes in accounting principles(a)	3	--	(112)
Net income	$1,065	$1,312	$1,024
Pro forma earnings per share(b)	$ 1.06	N/A	N/A
Dividends per common share(c)	$ 0.53	--	--

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	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(DOLLARS IN MILLIONS)		
OTHER DATA:			
Statutory data(d):			
Ratio of net premiums written to surplus	1.36x	1.28x	1.07x
Policyholders' surplus (at period end)	$7,687	$6,904	$7,656
Loss and loss adjustment expense (LAE) ratio(e)	80.7%	75.1%	74.3%
Underwriting expense ratio(e)	27.3	27.0	28.8
Combined ratio before policyholder dividends(e)	108.0	102.1	103.1
Combined ratio(e)	108.3	102.5	103.7
Statutory industry data:			
Combined ratio for property and casualty insurers	114.4(f)	110.4	107.9

	AS OF DECEMBER 31, 2001	
	ACTUAL	AS ADJUSTED(G)
	(IN MILLIONS)	
BALANCE SHEET DATA:		
Total investments	$32,619	$32,843
Total assets	57,778	57,599
Claims and claim adjustment expense reserves	30,737	30,737
Total debt	2,077	2,855
Total liabilities	46,192	46,970
TIGHI-obligated mandatorily redeemable securities of subsidiary trusts holding solely junior subordinated debt securities of TIGHI	900	900
Shareholders' equity	10,686	9,729
Shareholders' equity excluding accumulated other changes in equity from nonowner sources	10,444	9,487

(a) Cumulative effect of changes in accounting principles, net of tax (1) for the year ended December 31, 2001 includes a gain of $4 million as a result of a change in accounting for derivative instruments and hedging activities and a loss of $1 million as a result of a change in accounting for securitized financial assets; and (2) for the year ended December 31, 1999 includes a loss of $135 million as a result of a change in accounting for insurance-related assessments and a gain of $23 million as a result of a change in accounting for insurance and reinsurance contracts that do not transfer insurance risk.

(b) The unaudited pro forma earnings per share amounts reflect the recapitalization effected as part of our corporate reorganization. Pro forma earnings per share does not include the effects of our Capital Accumulation Program and Stock Option Plan described in the section of this prospectus entitled "Arrangements Between Our Company and Citigroup -- Intercompany Transactions During the Past Three Years" as these plans utilize Citigroup common stock. Conversion of the Citigroup common stock in these plans to our common stock is contingent upon the distribution occurring. Pro forma earnings per share also does not reflect conversion of our convertible junior subordinated notes.

(c) Dividends per common share amounts reflect the recapitalization effected as part of our corporate reorganization.

(d) Our statutory data have been derived from the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices and filed with insurance regulatory authorities.

(e) The loss and LAE ratio represents the ratio of incurred losses and loss adjustment expenses to net premiums earned. The underwriting expense ratio represents the ratio of underwriting expenses incurred to net premiums

written. The combined ratio represents the sum of the loss and LAE ratio and the underwriting expense ratio and, where applicable, the ratio of dividends to policyholders to net earned premiums.

(f) Information provided is for the nine months ended September 30, 2001 for the companies included in the A.M. Best Industry Composite.

(g) The as adjusted amounts give effect to the following transactions as if they had occurred on December 31, 2001: (1) our receipt of net proceeds of $4.5 billion from the offerings and the use of these proceeds to prepay indebtedness to Citigroup, (2) the sale of CitiInsurance International Holdings Inc. to Citigroup for $403 million and our application of $138 million of the proceeds to repay indebtedness to Citigroup, (3) the issuance of the 2007 note in a principal amount of $395 million, (4) the issuance of the special note in a principal amount of $3.7 billion and (5) the issuance of the $1.0 billion 2002 note.

Immediately following the offerings, $1.65 billion of intercompany indebtedness will remain outstanding (including $1.0 billion outstanding under the 2002 note).

RISK FACTORS

Before investing in our notes, you should carefully consider the following risk factors. These risks could materially affect our business, profitability or financial condition and cause the trading price of our notes to decline.

RISKS RELATING TO THE NOTES

WE ARE NOT REQUIRED TO PAY YOU UNDER THE NOTES UNLESS WE FIRST MAKE OTHER REQUIRED PAYMENTS

Our obligations under the notes will rank junior to all of our existing and future senior indebtedness. This means that we cannot make any payments on the notes if we default on a payment of senior indebtedness and do not cure the default within the applicable grace period or if the senior indebtedness becomes immediately due because of a default and has not yet been paid in full. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the notes due to an event of default under the indenture pursuant to which the notes are issued and in certain other events, our assets will be available to pay obligations on the notes only after all of our senior indebtedness has been paid, and there may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. In addition, our obligations under the notes will be effectively subordinated to all existing and future indebtedness and other liabilities of any of our current or future subsidiaries.

The incurrence of additional indebtedness by us or our subsidiaries could adversely affect our ability to pay our obligations on the notes. The indenture pursuant to which the notes will be issued will not limit our ability or that of our subsidiaries to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the notes.

DEFERRAL OF INTEREST PAYMENTS WOULD HAVE ADVERSE TAX CONSEQUENCES FOR YOU AND MAY ADVERSELY AFFECT THE TRADING PRICE OF THE NOTES

If interest payments on the notes are deferred, you will be required to recognize interest income for United States federal income tax purposes in respect of interest payments on the notes held by you before you receive any cash distributions relating to this interest. In addition, you will not receive this cash if you sell the notes before the end of any deferral period or before the record date relating to interest payments which are to be paid.

We have no current intention of deferring interest payments on the notes and believe that such deferral is a remote possibility. However, if we exercise our right in the future, the notes may trade at a price that does not fully reflect the value of accrued but unpaid interest on the notes. If you sell the notes during an interest deferral period, you may not receive the same return on investment as someone else who continues to hold the notes. In addition, the existence of our right to defer payments of interest on the notes may mean that the market price for the notes may be more volatile than other securities that do not have these rights.

YOU SHOULD NOT RELY ON THE INTEREST PAYMENTS ON THE NOTES THROUGH THEIR MATURITY DATE -- THEY MAY BE REDEEMED AT OUR OPTION

The notes may be redeemed at our option, at any time or from time to time, in whole or in part, on or after April 18, 2007, in cash at the redemption prices set forth in this prospectus, together with any accrued and unpaid interest to, but excluding, the redemption date. You should assume that this redemption option will be exercised if we are able to refinance at a lower interest rate or it is otherwise in our interest to redeem the notes.

THE MARKET PRICES FOR THE NOTES AND OUR CLASS A COMMON STOCK MAY BE VOLATILE

The initial public offering price of our class A common stock has been determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of

our class A common stock after the initial public offering or the price at which our class A common stock may be sold in the public market after the offering. Factors such as quarterly variations in our financial results, announcements by us or others, developments affecting us and general market volatility could cause the market price of our class A common stock to fluctuate significantly. These market fluctuations may harm the market price of the notes and our class A common stock into which the notes are convertible. Accordingly, the notes that an investor may purchase, whether pursuant to the offer made by this prospectus or in the secondary market, may trade at a discount to the price that the investor paid to purchase the notes.

AN ACTIVE TRADING MARKET FOR THE NOTES MAY NOT DEVELOP

We cannot assure you that a trading market will exist for the notes. If an active market for the notes fails to develop or to be sustained, the price and liquidity of the notes could be reduced. Future trading prices of the notes will depend on many factors, including, among other things, trading prices of our class A common stock, prevailing interest rates, the market for similar securities, our performance and other factors.

RISKS RELATING TO OUR BUSINESS

CATASTROPHE LOSSES COULD MATERIALLY REDUCE OUR PROFITABILITY

Our property and casualty insurance operations expose us to claims arising out of catastrophes. We have experienced, and will in the future experience, catastrophe losses which may materially reduce our profitability or harm our financial condition. Catastrophes can be caused by various natural events, including hurricanes, windstorms, earthquakes, hail, severe winter weather and fires. During the past five years catastrophe losses, net of reinsurance and taxes, ranged from a high of $106 million to a low of $15 million, excluding the impact of the terrorist attack on September 11th. Catastrophe losses can vary widely and significantly exceed our recent historic results. Catastrophes can also be man-made, such as the terrorist attack of September 11th. During 2001, we recorded a charge of $490 million representing the estimated loss for both reported and unreported claims incurred and related claim adjustment expenses, net of reinsurance recoverables and taxes, related to the terrorist attack on September 11th. The incidence and severity of catastrophes are inherently unpredictable. It is possible that both the frequency and severity of man-made catastrophic events will increase.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes and earthquakes may produce significant damage in larger areas, especially those that are heavily populated. Although catastrophes can cause losses in a variety of our property and casualty lines, most of our catastrophe-related claims in the past have related to homeowners and commercial property coverages. The geographic distribution of our business subjects us to catastrophe exposure from hurricanes in the Northeast, Florida, Gulf Coast and Mid Atlantic regions as well as catastrophe exposure from earthquakes in California, the New Madrid and Pacific Northwest regions.

Claims resulting from natural or man-made catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business could also be affected. We believe that increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophic events in the future. In addition, states have from time to time passed legislation that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from withdrawing from catastrophe-prone areas.

OUR BUSINESS COULD BE HARMED BECAUSE OUR POTENTIAL EXPOSURE FOR ASBESTOS CLAIMS AND RELATED LITIGATION IS VERY DIFFICULT TO PREDICT

We have established loss reserves for asbestos claims. There is a high degree of uncertainty with respect to future exposure from asbestos claims because of significant issues surrounding the liabilities of the insurers; risks inherent in major litigation, including more aggressive asbestos-related litigation against insurers, including us; and diverging legal interpretations and judgments in different jurisdictions. These uncertainties include, among other things:

- the extent of coverage under insurance policies;

- whether or not particular claims are subject to an aggregate limit;

- the number of occurrences involved in particular claims; and

- new theories of insured and insurer liability.

In addition, insurers generally, including us, are experiencing an increase in the number of asbestos-related claims due to, among other things, more intensive advertising by lawyers seeking asbestos claimants, the increasing focus by plaintiffs on new and previously peripheral defendants and an increase in the number of entities seeking bankruptcy protection as a result of asbestos-related liabilities. In addition to contributing to the increase in claims, the bankruptcy proceedings may have the effect of significantly accelerating and increasing loss payments by insurers, including us.

Increasingly, policyholders have been asserting that their claims for asbestos-related insurance are not subject to aggregate limits on coverage and that each individual bodily injury claim should be treated as a separate occurrence under the policy. We expect this trend to continue. Although it is difficult to predict whether these policyholders will be successful on both issues, to the extent both issues are resolved in their favor, our coverage obligations under the policies at issue would be materially increased and bounded only by the applicable per occurrence limits and the number of asbestos bodily injury claims against the policyholders. Accordingly, it is difficult to predict the ultimate size of the claims for coverage not subject to aggregate limits.

In addition, proceedings have recently been launched directly against insurers, including us, challenging insurers' conduct in respect of asbestos claims, including in some cases with respect to previous settlements. Some plaintiffs have also joined us as defendants in asbestos personal injury cases that are close to trial. We anticipate the filing of other direct actions against insurers, including us, in the future. Particularly in light of jurisdictional issues, it is difficult to predict the outcome of these proceedings, including whether the plaintiffs will be able to sustain these actions against insurers based on novel legal theories of liability.

Particularly during the last few months of 2001 and continuing into 2002, the asbestos-related trends described above have both accelerated and become more visible.

Given the factors described above, it is not presently possible to quantify the ultimate exposure or range of exposure represented by asbestos claims and related litigation. We have established reserves that represent our best estimate of ultimate claims and claim adjustment expenses at December 31, 2001 based upon known facts and current law. However, these claims and related litigation, particularly if current trends continue to accelerate, could result in liability exceeding these reserves by an amount that could be material to our operating results and financial condition in future periods. Because the level of uncertainty continues to increase and in order to strengthen our ability and flexibility to advance our strategic goals following the public offering, Citigroup has offered to enter into an agreement under which it will provide us with significant financial support for asbestos claims and related litigation, up to $800 million, reduced by the tax effect of the highest applicable federal income tax rate, which we believe will substantially enhance our ability to manage possible adverse developments in the future. This agreement with Citigroup is described in more detail in the "Arrangements Between Our Company and Citigroup" section of this prospectus.

OUR BUSINESS COULD BE HARMED BECAUSE OUR POTENTIAL EXPOSURE FOR ENVIRONMENTAL CLAIMS IS VERY DIFFICULT TO PREDICT

There is also a high degree of uncertainty with respect to future exposure from environmental claims for reasons similar to those described above for asbestos claims.

As a result of various state and federal regulatory efforts aimed at environmental remediation, particularly Superfund, the insurance industry continues to be involved in litigation involving policy coverage and liability issues. In addition to regulatory pressures, the results of court decisions affecting the industry's coverage positions continue to be inconsistent and have expanded coverage beyond its original intent. Accordingly, the ultimate responsibility and liability for environmental remediation costs remain uncertain.

Given the factors described above, it is not presently possible to quantify the ultimate exposure or range of exposure represented by environmental claims. We have established reserves that represent our best estimate of ultimate claims and claim adjustment expenses at December 31, 2001 based upon known facts and current law. However, these claims could result in liability exceeding these reserves by an amount that could be material to our operating results in future periods.

WE MAY INCUR ADDITIONAL INCOME STATEMENT CHARGES IF OUR PROPERTY AND CASUALTY LOSS RESERVES ARE INSUFFICIENT

We maintain property and casualty loss reserves to cover our estimated ultimate unpaid liability for losses and loss adjustment expenses with respect to reported and unreported claims incurred as of the end of each accounting period. Reserves do not represent an exact calculation of liability, but instead represent estimates, generally utilizing actuarial projection techniques at a given accounting date. These reserve estimates are expectations of what the ultimate settlement and administration of claims will cost based on our assessment of facts and circumstances then known, review of historical settlement patterns, estimates of trends in claims severity, frequency, legal theories of liability and other factors. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, there may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the insurer. Reserve estimates are continually refined in a regular ongoing process as historical loss experience develops and additional claims are reported and settled. Adjustments to reserves are reflected in the results of the periods in which the estimates are changed. Because establishment of reserves is an inherently uncertain process involving estimates, currently established reserves may not be sufficient. If estimated reserves are insufficient, we will incur additional income statement charges.

The inherent uncertainties of estimating insurance reserves are generally greater for casualty coverages, particularly reserves for environmental and asbestos losses, than for property coverages. This is due primarily to the longer period of time that typically elapses before a definitive determination of ultimate loss can be made, changing theories of legal liability involving some types of claims and changing political climates.

REINSURANCE MAY NOT BE ADEQUATE TO PROTECT US AGAINST LOSSES

We use reinsurance to help manage our exposure to property and casualty risks. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect our business volume and profitability. Although the reinsurer is liable to us to the extent of the ceded reinsurance, we remain liable as the direct insurer on all risks reinsured. As a result, ceded reinsurance arrangements do not eliminate our obligation to pay claims. We are subject to credit risk with respect to our ability to recover amounts due from reinsurers. Reinsurance may not be adequate to protect us against losses and may not be available to us in the future at commercially reasonable rates.

Lloyd's of London, one of our largest reinsurers, restructured its operations in 1996 with respect to claims for years prior to 1993 and reinsured these into Equitas Limited. Approximately $248 million was recoverable by us from Equitas as of December 31, 2001. The outcomes of the restructuring of Lloyd's are uncertain, and the impact, if any, on collectibility of amounts recoverable by us from Equitas cannot be quantified at this time. An unfavorable resolution of these matters could reduce our future profitability.

THE EFFECTS OF EMERGING CLAIM AND COVERAGE ISSUES ON OUR BUSINESS ARE UNCERTAIN

As industry practices and legal, judicial, social, and other environmental conditions change, unexpected and unintended issues related to claim and coverage may emerge. These issues can have a negative effect on our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. Recent examples of emerging claims and coverage issues include:

- increases in the number and size of water damage claims related to expenses for testing and remediation of mold conditions;

- increases in the number and size of claims relating to construction defects, which often present complex coverage and damage valuation questions;

- changes in interpretation of the named insured provision with respect to the uninsured/underinsured motorist coverage in commercial automobile policies; and

- a growing trend of plaintiffs targeting property and casualty insurers, including us, in purported class action litigation relating to claim-handling and other practices, particularly with respect to the handling of personal lines automobile and homeowners claims.

The effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict and could harm our business.

OUR BUSINESSES ARE HEAVILY REGULATED AND CHANGES IN REGULATION MAY REDUCE OUR PROFITABILITY AND LIMIT OUR GROWTH

We are subject to extensive regulation and supervision in the jurisdictions in which we conduct business. This regulation is generally designed to protect the interests of policyholders, as opposed to shareholders and other investors, and relates to authorization for lines of business, capital and surplus requirements, investment limitations, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, premium rates and a variety of other financial and nonfinancial components of an insurance company's business.

In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the National Association of Insurance Commissioners, or NAIC, and state insurance regulators are reexamining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws. In addition, Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal regulation or to allow an optional federal incorporation, similar to banks. We cannot predict with certainty the effect any proposed or future legislation or NAIC initiatives may have on the conduct of our business. In addition, the insurance laws or regulations adopted or amended from time to time may be more restrictive or may result in higher costs than current requirements.

Although the United States federal government does not directly regulate the insurance business, changes in federal legislation and administrative policies in several areas, including changes in the Gramm-Leach-Bliley Act, financial services regulation and federal taxation, can significantly harm the insurance industry and us.

ASSESSMENTS AND OTHER SURCHARGES FOR GUARANTY FUNDS AND SECOND-INJURY FUNDS AND OTHER MANDATORY POOLING ARRANGEMENTS MAY REDUCE OUR PROFITABILITY

Virtually all states require insurers licensed to do business in their state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies. These obligations are funded by assessments that are expected to increase in the future as a result of recent insolvencies. Many states also have laws that established second-injury funds to provide compensation to injured employees for aggravation of a prior condition or injury which are funded by either assessments based on paid losses or premium surcharge mechanisms. In addition, as a condition to the ability to conduct business in various states, our insurance subsidiaries are required to participate in mandatory property and casualty shared market mechanisms or pooling arrangements, which provide various types of insurance coverage to individuals or other entities that otherwise are unable to purchase that coverage from private insurers. The effect of these assessments and mandatory shared-market mechanisms or changes in them could reduce our profitability in any given period or limit our ability to grow our business.

OUR INDEMNITY OBLIGATIONS TO CITIGROUP MAY EFFECTIVELY PRECLUDE TRANSACTIONS WHICH WOULD BE BENEFICIAL TO OUR SHAREHOLDERS

Citigroup could be required to recognize a gain on the distribution if we issue a significant amount of our stock in capital raising transactions or in acquisitions within two years after the date of the distribution, if such transactions or acquisitions, together with the distribution, are treated as part of a plan. We have agreed to indemnify Citigroup for any taxes arising out of the failure of the distribution to qualify as tax-free as a result of our action or inaction. This indemnity may preclude us from pursuing transactions that might otherwise be beneficial to our shareholders.

A DOWNGRADE IN THE CLAIMS-PAYING AND FINANCIAL STRENGTH RATINGS OF THE TRAVELERS PROPERTY CASUALTY POOL COULD SIGNIFICANTLY REDUCE THE NUMBER OF INSURANCE POLICIES WE WRITE

Claims-paying and financial strength ratings have become an increasingly important factor in establishing the competitive position of insurance companies. At December 31, 2001, The Travelers Property Casualty Pool, which represented 79% of net written premiums in 2001, was rated A++ (1(st) of 16) by A.M. Best and AA- (4(th) of 21) by Standard & Poor's. Our claims-paying and financial strength ratings have not changed since November 2000 when the A.M. Best rating was upgraded from A+ to A++. Rating agencies review their ratings periodically, and our current ratings may not be maintained in the future. A significant downgrade in these ratings could lead to a significant reduction in the number of insurance policies we write. The ratings are not in any way a measure of protection offered to investors in our notes and should not be relied upon with respect to making an investment in our notes.

LOSS OR SIGNIFICANT RESTRICTION OF THE USE OF CREDIT SCORING IN THE PRICING AND UNDERWRITING OF PERSONAL LINES PRODUCTS COULD REDUCE OUR FUTURE PROFITABILITY

Personal Lines uses credit scoring as a factor in making risk selection and pricing decisions where allowed by state law. Recently, some consumer groups and regulators have questioned whether the use of credit scoring unfairly discriminates against people with low incomes, minority groups and the elderly and are calling for the prohibition or restriction on the use of credit scoring in underwriting and pricing. Laws or regulations enacted in a large number of states that significantly curtail the use of credit scoring in the underwriting process could reduce our future profitability.

OUR INVESTMENT PORTFOLIO MAY SUFFER REDUCED RETURNS OR LOSSES WHICH COULD REDUCE OUR PROFITABILITY

Investment returns are an important part of our overall profitability, and fluctuations in the fixed income or equity markets could impair our profitability, financial condition or cash flows. For the year ended December 31, 2001, net investment income and net realized capital gains accounted for approximately 19% of our consolidated revenues.

Fluctuations in interest rates affect our returns on, and the market value of, fixed income and short-term investments, which comprised approximately 88% of the market value of our investment portfolio as of December 31, 2001. For 2001 and 2000 the change in net unrealized gains in our investment portfolio reflected a decrease of $232 million and an increase of $936 million, respectively, primarily due to the impact on our fixed maturity portfolio from market interest rate movements. In addition, defaults by third parties, primarily from investments in liquid corporate and municipal bonds, who fail to pay or perform on their obligations could reduce our investment income and realized investment gains or result in investment losses.

We invest a portion of our assets in equity investments, primarily through private equity and arbitrage partnerships, which are subject to greater volatility than our fixed income investments. Partnership investments generally provide higher expected return, but present greater risk and are more illiquid than our fixed income investments. The yield on our investment portfolio was impacted by the capital markets environment as reflected in a decrease in our overall average yield on our investment portfolio from 7.5% in 2000 to 6.8% in 2001. General economic conditions, stock market conditions and many other factors beyond our control can adversely affect the value of our equity investments and our ability to control the timing of the realization of investment income.

THE INABILITY OF OUR SUBSIDIARIES TO PAY DIVIDENDS TO US IN SUFFICIENT AMOUNTS WOULD HARM OUR ABILITY TO MEET OUR OBLIGATIONS AND PAY FUTURE DIVIDENDS

We are a holding company, and we have no operations. Our principal asset is the capital stock of TIGHI and its insurance subsidiaries. We rely primarily on dividends from our subsidiaries to meet our obligations for payment of interest and principal on outstanding debt obligations, dividends to shareholders and corporate expenses. The ability of our insurance subsidiaries to pay dividends to us in the future will depend on their statutory surplus, on earnings and on regulatory restrictions. Our principal insurance subsidiaries are domiciled in the State of Connecticut. Connecticut law governing the payment of dividends by domestic insurance companies provides that an insurer domiciled in Connecticut must obtain the prior approval of the state insurance commissioner for the declaration or payment of any dividend that together with other distributions made within the preceding twelve months exceeds the greater of 10% of the insurer's surplus as of the preceding December 31, or the insurer's net income for the twelve-month period ending the preceding December 31, in each case determined in accordance with statutory accounting practices.

This declaration or payment is further limited by adjusted unassigned surplus, as determined in accordance with Connecticut insurance laws. The insurance holding company laws of other states in which our subsidiaries are domiciled generally contain similar, although in some instances somewhat more restrictive, limitations on the payment of dividends. The inability of our insurance subsidiaries to pay dividends to us in an amount sufficient to meet debt service and preferred stock dividend obligations, if any, and other cash requirements, could harm us. During 2002, a significant portion of dividends from our insurance subsidiaries is likely to be subject to approval from the Connecticut Insurance Department, depending upon the amount and timing of the payments.

In addition, the ability of TIGHI to pay us dividends is subject to the terms of the TIGHI trust mandatorily redeemable securities which prohibit TIGHI from paying dividends in the event it has failed to pay or has deferred dividends or is in default under the trust mandatorily redeemable securities.

INTENSE COMPETITION FOR OUR PRODUCTS COULD HARM OUR ABILITY TO MAINTAIN OR INCREASE OUR PROFITABILITY AND PREMIUM VOLUME

The property and casualty insurance business is highly competitive, and we believe that it will remain highly competitive in the foreseeable future. Our primary commercial lines competitors, based upon direct written premiums as reported by A.M. Best, as of December 31, 2000, are American International Group Inc., Zurich/Farmers Group, CNA Financial Corp., Liberty Mutual Insurance

Companies and St. Paul Companies, Inc., which compete with us across a broad array of product lines. Personal Lines insurance is

written by hundreds of companies of varying sizes. The five largest personal lines companies, based on automobile and homeowners direct written premiums as reported by A.M. Best, as of December 31, 2000, are State Farm Group, Allstate Corp., Zurich/Farmers Group, Nationwide Group and Progressive Corp. These companies sell through various distribution channels, including independent agents, captive agents and directly to the consumer. We compete with domestic and foreign insurers, some of which have greater financial resources than we do. In addition, several property and casualty insurers writing commercial lines of business now offer products for alternative forms of risk protection, including large deductible programs and various forms of self-insurance that utilize captive insurance companies and risk retention groups. Continued growth in alternative forms of risk protection could reduce our premium volume. Following the terrorist attack on September 11th, a number of new insurers and reinsurers have been formed to compete in our industry, and a number of existing market participants have raised new capital which may enhance their ability to compete. We are also aware that other financial institutions are now able to offer services similar to our own as a result of the Gramm-Leach-Bliley Act, which was adopted in November 1999.

CYCLICALITY OF THE PROPERTY CASUALTY INSURANCE INDUSTRY MAY CAUSE FLUCTUATIONS IN OUR RESULTS

The property casualty insurance business, especially commercial lines businesses, have been historically characterized by periods of intense price competition which could have an adverse effect on our results. Our Commercial Lines business strategy is to price business to acceptable profit levels and to decline business where pricing does not afford acceptable returns. We have reduced business during periods of severe competition and price declines and grown when pricing allows an acceptable return.

The personal lines industry is characterized by an automobile underwriting cycle of loss cost trends. Environmental factors which effect loss cost trends include inflation in the cost of automobile repairs, medical care and litigation of liability claims. Other factors, such as improved automobile safety features, legislation changes, and general economic conditions also have an impact on changes in loss costs. The personal lines homeowners loss costs move with inflation in the cost of building materials and labor costs and with demand caused by weather related catastrophes. Personal lines insurers, including us, are generally unable to increase premium rates until some time after the costs associated with the coverage have increased, primarily as a result of state insurance regulation laws. Therefore, in a period of increasing loss costs, profit margins decline.

As a result, the property casualty insurance business historically has been characterized by periods of intense price competition due to excess underwriting capacity as well as periods when shortages of underwriting capacity have permitted attractive premium levels. We expect to continue to experience the effects of this cyclicality which, during down periods, could harm our financial condition, profitability or cash flows.

RISKS RELATING TO OUR RELATIONSHIP WITH CITIGROUP

CONTROL OF OUR COMPANY BY CITIGROUP PRIOR TO THE DISTRIBUTION AND HOLDING OF CITIGROUP'S STOCK BY SOME OF OUR DIRECTORS AND OFFICERS MAY RESULT IN CONFLICTS OF INTEREST

After the completion of the concurrent offering, Citigroup will beneficially own all of our outstanding class B common stock and 290 million shares of our class A common stock, representing 94.8% of the combined voting power of all classes of our voting securities and 79% of the equity interest in us, assuming the over-allotment option in that offering is not exercised.

As long as Citigroup owns shares of our common stock representing more than 50% of the voting power of our outstanding voting securities, Citigroup will generally be able to determine the outcome of all corporate actions requiring shareholder approval, including the election of directors. As a result, Citigroup will be in a position to continue to control most of our significant corporate actions.

Under the provisions of our certificate of incorporation, the prior consent of Citigroup is effectively required in connection with various corporate actions by us until such time as Citigroup ceases beneficially to own at least 20% of the combined voting power of all our outstanding voting securities.

Because Citigroup's interests may differ from ours, actions Citigroup takes with respect to us, as our controlling shareholder, may not be favorable to us. As a result, conflicts of interest may arise between us and Citigroup in a number of areas relating to our past and ongoing relationships.

In addition, some of our directors and a number of our executive officers own substantial amounts of Citigroup stock and options to purchase Citigroup stock. Their ownership of Citigroup stock could create, or appear to create, potential conflicts of interest when directors and officers are faced with decisions that could have different implications for us and Citigroup.

CITIGROUP AND ITS DIRECTORS AND OFFICERS WILL HAVE LIMITED LIABILITY FOR BREACH OF FIDUCIARY DUTY

Our certificate of incorporation provides that, subject to any contractual provision to the contrary, Citigroup will have no obligation to refrain from:

- engaging in the same or similar business activities or lines of business as we do; or

- doing business with any of our clients or customers.

Under our certificate of incorporation, neither Citigroup nor any officer or director of Citigroup, except as provided in our certificate of incorporation, will be liable to us or to our shareholders for breach of any fiduciary duty by reason of any of these activities.

TRANSITIONAL ARRANGEMENTS WITH CITIGROUP ARE NOT THE RESULT OF ARM'S-LENGTH NEGOTIATIONS AND MAY NOT BE SUSTAINED AT THE SAME LEVEL AS WHEN WE WERE CONTROLLED BY CITIGROUP

We currently have, and after the concurrent offering will continue to have, contractual arrangements which require Citigroup and its affiliates to provide transitional services and shared arrangements to us. If the distribution occurs, we cannot assure you that these services and shared arrangements will be sustained at the same level as when we were controlled by Citigroup or that we will obtain the same benefits. After the expiration of these contracts, we may not be able to replace these services and arrangements in a timely manner or on terms and conditions, including cost, as favorable as those we have received from Citigroup.

These agreements were made in the context of a parent-subsidiary relationship and were negotiated in the overall context of the planned distribution. After the distribution, we may have to pay higher prices for similar services from unaffiliated third parties.

IF CITIGROUP ENGAGES IN THE SAME TYPE OF BUSINESS WE CONDUCT, OUR ABILITY TO SUCCESSFULLY OPERATE AND EXPAND OUR BUSINESS MAY BE HAMPERED

Because Citigroup may engage in the same activities in which we engage, there is a risk that we may be in direct competition with Citigroup over insurance underwriting activities. To address these potential conflicts, we have adopted a corporate opportunity policy which has been incorporated into our certificate of incorporation. This policy provides that if any of our officers or directors are also officers or directors of Citigroup and any such individual acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both us and Citigroup, the opportunity will belong to Citigroup, unless the opportunity is expressly offered to our director or officer in writing solely in his or her capacity as a director or officer of our company. Mr. Lipp, our chairman and chief executive officer, will continue to be a member of Citigroup's board of directors until April 16, 2002.

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Due to the tremendous resources of Citigroup, including financial resources and name recognition, Citigroup could have a significant competitive advantage over us should it decide to engage in the type of business we conduct, which may cause our business to be severely affected.

RISKS RELATING TO THE DISTRIBUTION

WE MAY NOT REALIZE THE EXPECTED BENEFITS FROM THE DISTRIBUTION

Citigroup has informed us that by year-end 2002 it plans to make a tax-free distribution to its stockholders of a portion of its ownership interest in us, which, together with the shares being issued in the concurrent offering, will represent approximately 90.1% of our common equity (more than 90% of the combined voting power of our then outstanding voting securities). Following the distribution, Citigroup will remain a holder of approximately 9.9% of our common equity (less than 10% of the combined voting power of our voting securities). The distribution is subject to Citigroup's receipt of a private letter ruling from the Internal Revenue Service that it will be tax-free to Citigroup, its stockholders and us, as well as various other conditions. We cannot assure you that these conditions will be satisfied or that Citigroup will consummate the distribution. In any event, Citigroup has no obligation to consummate the distribution by the end of 2002 or at all, whether or not these conditions are satisfied. If the distribution does not occur at all we will not realize the benefits of the distribution described elsewhere in this prospectus. Even if the distribution is completed, we may not obtain these benefits.

In addition, the distribution will entail significant costs, which may be greater than those we have planned for, that we will incur regardless of whether we are able to realize any benefits of the distribution. Moreover, we will bear the negative effects of the distribution, including loss of access to the financial, managerial and professional resources from which we have benefited in the past, regardless of whether we ever realize any benefits from the distribution.

THERE MAY BE FUTURE SALES OF A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK, INCLUDING SHARES OF COMMON STOCK AS A RESULT OF THE PLANNED DISTRIBUTION BY CITIGROUP, WHICH MAY DEPRESS THE PRICE OF OUR SHARES

Any sales of a substantial number of our shares in the public market, or the perception that such sales might occur, may cause the market price of our shares to decline. Upon completion of the concurrent offering, all shares we are offering in that offering will be freely tradable without restriction, unless the shares are owned by one of our affiliates. In addition, Citigroup has informed us that by year-end 2002 it plans to make a tax-free distribution to its stockholders of a portion of its ownership interest in us, which, together with the shares being issued in the concurrent offering, will represent approximately 90.1% of our common equity (more than 90% of the combined voting power of our then outstanding voting securities). Substantially all of these shares of common stock would be eligible for immediate resale in the public market. We are unable to predict whether significant numbers of shares will be sold in the open market in anticipation of or following the distribution. We have also granted Citigroup demand registration rights with respect to shares of our common stock it will hold upon completion of the concurrent offering. Citigroup may exercise its demand registration rights and any shares so registered will be freely tradable in the public market unless owned by one of our affiliates. In addition, an indeterminate number of shares may be issued in connection with our replacement of Citigroup restricted stock awards or shares issuable upon the exercise of options which will be granted in exchange for Citigroup options we may assume, if and when the distribution occurs. If the distribution were to occur today, the aggregate number of restricted shares we would issue and shares subject to options we would grant in connection with the replacement and exchange of Citigroup awards would be approximately 4.6 million shares of our common stock and 84.5 million shares of our common stock, respectively.

BECAUSE OF DIFFERENCES IN VOTING POWER BETWEEN THE CLASS A COMMON STOCK AND THE CLASS B COMMON STOCK, THE MARKET PRICE OF THE CLASS A COMMON STOCK MAY BE LESS THAN THE MARKET PRICE OF THE CLASS B COMMON STOCK FOLLOWING THE DISTRIBUTION

After the distribution, the class B common stock will be publicly traded. Shares of class B common stock have seven votes per share while shares of class A common stock have one vote per share. Because the class B common stock has greater voting power per share than the class A common stock, some investors may prefer the class B common stock as a means of investing in us. The differences in voting power between the class B common stock and the class A common stock may cause the class B common stock to trade at a higher market price than the class A common stock.

YOU MAY BE PREVENTED FROM RECOGNIZING A CHANGE OF CONTROL PREMIUM ON THE SALE OF CLASS A COMMON STOCK

Citigroup currently owns all of our outstanding common stock. After completion of the concurrent offering and prior to the distribution, Citigroup will beneficially own all of our outstanding class B common stock and 290 million shares of our class A common stock, together representing 94.8% of the combined voting power of all classes of our voting securities. For as long as Citigroup owns a majority of our voting securities, a takeover of our company will require Citigroup's approval. Because the class B common stock has greater aggregate voting power than the class A common stock, the accumulation of a significant block of class B common stock following the planned distribution could result in a change of control without the affirmative vote of holders of class A common stock.

In addition, provisions of our certificate of incorporation, bylaws, our shareholder rights plan and provisions of applicable Connecticut law may discourage, delay or prevent a merger or other change of control that a shareholder may consider favorable.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this prospectus may include forward-looking statements which reflect our current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us in general and the insurance and reinsurance sectors specifically, both as to underwriting and investment matters. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to those described under "Risk Factors" above. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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COMPANY HISTORY

Our predecessor companies have been in the insurance business for more than 130 years. We are a Connecticut corporation that was formed in 1979. Recently we changed our name from The Travelers Insurance Group Inc. to Travelers Property Casualty Corp. In December 1993, Citigroup acquired us. In January 1996, we formed TIGHI to hold our property and casualty insurance subsidiaries. In April 1996, TIGHI purchased from Aetna Services, Inc., formerly Aetna Life and Casualty Company, all of the outstanding capital stock of Aetna's significant property and casualty insurance subsidiaries, which we refer to in this prospectus as Aetna P&C, for approximately $4.2 billion in cash. In April 1996, TIGHI also completed an initial public offering of its common stock.

During April 2000, we completed a cash tender offer and merger, as a result of which TIGHI became our wholly-owned subsidiary. In the tender offer and merger, we acquired all of TIGHI's outstanding shares of common stock that were not already owned by us, representing approximately 14.8% of TIGHI's outstanding common stock, for approximately $2.4 billion in cash financed by a loan from Citigroup. Citigroup loaned us the funds to consummate the tender offer and the merger and to pay related fees and expenses. Citigroup obtained the funds from existing working capital sources. In connection with the tender offer, the independent directors of our board were advised by Morgan Stanley. Citigroup was advised by Salomon Smith Barney. Total fees paid for investment banking and legal expenses totalled $22.3 million.

Total interest expense incurred by us on the loan from Citigroup to finance the tender offer was $79 million and $113 million for the years ended December 31, 2001 and 2000, respectively.

Total cash dividends paid or expected to be paid to Citigroup by us subsequent to the tender offer and prior to the distribution are estimated to be $4.1 billion and $526 million in 2002 and 2001, respectively. Additionally, a $1.0 billion dividend was declared during February 2002 in the form of a non-interest bearing note payable to Citigroup on December 31, 2002. There were no dividend payments to Citigroup subsequent to the tender offer for the year ended December 31, 2000.

Based on the $2.4 billion purchase price paid by Citigroup to acquire the minority shares of TIGHI, the implied value for us in April 2000 was $16.2 billion. At the public offering price for the class A common stock, the implied value for us is $18.5 billion, representing a 14% increase in the value of our company, excluding dividends paid or expected to be paid by us.

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USE OF PROCEEDS

The net proceeds from this offering will be approximately $825 million, after deducting underwriting discounts and commissions and the estimated expenses of this offering payable by us. If the over-allotment option is exercised in full, the net proceeds will be approximately $866 million.

The net proceeds from the concurrent offering of our class A common stock will be approximately $3.7 billion, or $4.1 billion if the over-allotment option for that offering is exercised in full.

We will use all of the net proceeds from the offerings to prepay intercompany indebtedness to Citigroup. The indebtedness to be prepaid includes all or a portion of the notes payable to Citigroup described elsewhere in this prospectus.

DIVIDEND POLICY

We intend to pay quarterly cash dividends on all classes of our common stock at an initial rate of $0.06 per share of common stock, commencing in the first quarter of 2003. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, legal requirements, regulatory constraints and other factors as the board of directors deems relevant.

Under our certificate of incorporation, for so long as Citigroup controls at least a majority of the voting power of the outstanding class B common stock, the prior consent of Citigroup would effectively be required before we can declare or pay any dividends in excess of our regular quarterly dividends as contemplated above. In addition, our subsidiaries are, and we and our subsidiaries may in the future become, subject to debt instruments or other agreements that further limit our ability to pay dividends.

We have the option to defer interest payments on the notes. If we elect to defer interest payments, we will not be permitted, with limited exceptions, to pay dividends on our common stock during a deferral period.

In addition, the ability of TIGHI to pay us dividends is subject to the terms of the TIGHI trust mandatorily redeemable securities which prohibit TIGHI from paying dividends in the event it has failed to pay or has deferred dividends or is in default under the trust mandatorily redeemable securities.

During the year ended December 31, 2001, we paid $526 million of dividends to Citigroup. In February and March 2002, our board of directors declared three dividends in the aggregate amount of $5.1 billion, payable to Citigroup.

We are a holding company and have no direct operations. Our ability to pay dividends in the future will depend on us receiving dividends from our insurance subsidiaries. Our insurance subsidiaries are subject to the laws of the states in which they are domiciled and are consequently limited in the amount of dividends that they can pay.

CAPITALIZATION

Set forth below is our capitalization as of December 31, 2001:

- on an actual basis, and

- on an as adjusted basis to give effect to the following events, as if each such event had occurred on December 31, 2001:

  - the sale of CitiInsurance International Holdings Inc. to Citigroup for $403 million and our application of $138 million of the proceeds to repay indebtedness to Citigroup;

  - the issuance of the special note in a principal amount of $3.7 billion;

  - the issuance of the 2007 note in a principal amount of $395 million;

  - the issuance of the 2002 note in a principal amount of $1.0 billion; and

  - our receipt of net proceeds of $4.5 billion from the offerings and the use of the proceeds to prepay indebtedness to Citigroup.

The information presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	AS OF DECEMBER 31, 2001	
	ACTUAL	AS ADJUSTED
	(IN MILLIONS)	
DEBT:		
Payable to affiliates(a):		
Line of credit	$ 500	$ 105
Notes payable	1,197	1,545
Convertible junior subordinated notes due 2032(b)	--	825
Other long-term debt	380	380
Total debt	2,077	2,855
TIGHI-obligated mandatorily redeemable securities of subsidiary trusts holding solely junior subordinated debt securities of TIGHI	900	900
SHAREHOLDERS' EQUITY(c):		
Common stock and additional paid-in capital(b)	4,440	8,578
Retained earnings	6,004	909

Accumulated other changes in equity from nonowner sources	242	242
Total shareholders' equity	10,686	9,729
Total capitalization	$13,663	$13,484

(a) Immediately following the offerings, the as adjusted debt payable to affiliates will consist of $105 million outstanding under the line of credit, $1.0 billion outstanding under the 2002 note, $150 million outstanding under the special note, and $395 million outstanding under the 2007 note. If the over-allotment options for the offerings are exercised in full, the amount outstanding under the line of credit will be $500 million and the aggregate amount outstanding under the notes payable will be $1.15 billion.

(b) If the over-allotment option for this offering is exercised in full, the as adjusted convertible junior subordinated notes due 2032 will increase by $41 million, and the as adjusted common stock and additional paid-in capital will decrease by a corresponding amount.

(c) At December 31, 2001, we had 15,000 shares of common stock authorized, of which 1,500 were issued and outstanding. After our recent corporate reorganization, we have authorized capital consisting of (1) 50 million shares of preferred stock, none of which is issued and outstanding, (2) 1.5 billion shares of class A common stock, of which 500 million will be issued and outstanding after this offering and (3) 1.5 billion shares of class B common stock of which 500 million will be issued and outstanding after this offering.

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SELECTED HISTORICAL FINANCIAL INFORMATION

The selected historical financial data for each of the fiscal years in the five-year period ended December 31, 2001 have been derived from our financial statements which have been audited by KPMG LLP. These historical results are not necessarily indicative of results to be expected for any future period and the year to date results are not necessarily indicative of our full-year performance. The selected financial data presented below should be read in conjunction with the audited financial statements and accompanying notes included in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The audited financial statements for the three years ended December 31, 2001 have been included elsewhere in this prospectus. Our financial statements retroactively reflect our corporate reorganization for all periods presented.

	YEAR ENDED DECEMBER 31,			
	2001	2000	1999	1998
	(IN MILLIONS, EXCEPT PER SHARE DAT			
INCOME STATEMENT DATA:				
Revenues:				
Premiums	$ 9,411	$ 8,462	$ 8,009	$ 7,796

Net investment income	2,034	2,162	2,093	2,102
Fee income	347	312	275	306
Realized investment gains	323	47	112	145
Other revenues	116	88	84	105
Total revenues	12,231	11,071	10,573	10,454
Claims and expenses:				
Claims and claim adjustment expenses	7,765	6,473	6,059	5,947
Amortization of deferred acquisition costs	1,539	1,298	1,260	1,197
Interest expense	205	296	238	185
General and administrative expenses	1,333	1,140	1,177	1,311
Total claims and expenses	10,842	9,207	8,734	8,640
Income before federal income taxes, minority interest and cumulative effect of changes in accounting principles	1,389	1,864	1,839	1,814
Federal income taxes	327	492	479	487
Income before minority interest and cumulative effect of changes in accounting principles	1,062	1,372	1,360	1,327
Minority interest, net of tax	--	60	224	223
Income before cumulative effect of changes in accounting principles	1,062	1,312	1,136	1,104
Cumulative effect of changes in accounting principles, net of tax and minority interest(a)	3	--	(112)	--
Net income	$ 1,065	$ 1,312	$ 1,024	$ 1,104
Pro forma earnings per share(b)	$ 1.06	N/A	N/A	N/A
Dividends per common share(c)	$ 0.53	--	--	--
Ratio of earnings to fixed charges	6.58x	6.48x	7.45x	8.75x

	YEAR ENDED DECEMBER 31,			
	2001	2000	1999	1998
	(DOLLARS IN MILLIONS)			
OTHER DATA:				
Statutory data(d):				
Ratio of net premiums written to surplus	1.36x	1.28x	1.07x	1.14x
Policyholders' surplus (at period end)	$7,687	$6,904	$7,656	$7,079
Loss and loss adjustment expense (LAE) ratio(e)	80.7%	75.1%	74.3%	73.6%
Underwriting expense ratio(d)	27.3	27.0	28.8	28.6
Combined ratio before policyholder dividends(e)	108.0	102.1	103.1	102.2
Combined ratio(e)	108.3	102.5	103.7	102.7
Statutory industry data:				
Combined ratio for property and casualty insurers	114.4(e)	110.4	107.9	106.0

	AS OF DECEMBER 31, 2001	2000	1999	1998
	(IN MILLIONS)			
BALANCE SHEET DATA:				
Total investments	$32,619	$30,754	$29,843	$31,901
Total assets	57,778	53,850	50,795	51,751
Claims and claim adjustment expense reserves	30,737	28,442	29,003	29,589
Total debt	2,077	3,006	2,148	3,192
Total liabilities(g)	46,192	43,736	43,455	45,080
TIGHI-obligated mandatorily redeemable securities of subsidiary trusts holding solely junior subordinated debt securities of TIGHI	900	900	900	900
Shareholder's equity	10,686	9,214	6,440	5,771
Shareholder's equity excluding accumulated other changes in equity from nonowner sources	10,444	8,813	6,611	5,006

(a) Cumulative effect of changes in accounting principles, net of tax (1) for the year ended December 31, 2001 includes a gain of $4 million as a result of a change in accounting for derivative instruments and hedging activities and a loss of $1 million as a result of a change in accounting for securitized financial assets; and (2) for the year ended December 31, 1999 includes a loss of $135 million as a result of a change in accounting for insurance-related assessments and a gain of $23 million as a result of a change in accounting for insurance and reinsurance contracts that do not transfer insurance risk.

(b) The unaudited pro forma earnings per share amounts reflect the recapitalization we effected as part of our corporate reorganization. Pro forma earnings per share does not include the effects of the Company's Capital Accumulation Program and Stock Option Plan described in the disclosure of Intercompany Transactions During the Past Three Years as these plans utilize Citigroup common stock. Conversion of the Citigroup common stock in these plans to Travelers Property Casualty Corp. common stock is contingent upon the distribution occurring. Pro forma earnings per share also does not reflect conversion of our convertible junior subordinated notes.

(c) Dividends per common share amounts reflect the recapitalization we effected as part of our corporate reorganization.

(d) Our statutory data have been derived from the financial statements of our insurance subsidiaries prepared in accordance with statutory accounting practices and filed with insurance regulatory authorities.

(e) The loss and LAE ratio represents the ratio of incurred losses and loss adjustment expenses to net premiums earned. The underwriting expense ratio represents the ratio of underwriting expenses incurred to net premiums written. The combined ratio represents the sum of the loss and LAE ratio and the underwriting expense ratio and, where applicable, the ratio of dividends to policyholders to net earned premiums.

(f) Information provided is for the nine months ended September 30, 2001 for the companies included in the A.M. Best Industry Composite.

(g) Other liabilities include a minority interest liability of $1.4 billion, $1.5 billion and $1.3 billion at December 31, 1999, 1998 and 1997, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements of us and our subsidiaries and related notes included elsewhere in this prospectus. These financial statements retroactively reflect our corporate reorganization for all periods presented.

OUR CORPORATE REORGANIZATION

In connection with the offerings, we have effected a corporate reorganization, under which:

- we transferred substantially all of our assets to affiliates of Citigroup, other than the capital stock of TIGHI;

- Citigroup assumed all of our third-party liabilities, other than liabilities relating to TIGHI and TIGHI's active employees;

- we have effected a recapitalization whereby the previously outstanding shares of our common stock, all of which were owned by Citigroup, have been exchanged for 269,000,000 shares of class A common stock and 500,000,000 shares of class B common stock. The number of shares of class A common stock to be owned by Citigroup may be increased by up to an additional 21,000,000 shares (for a total of 290,000,000 shares of class A common stock), to the extent that the underwriters in the concurrent offering do not exercise their option to purchase class A common stock to cover over-allotments; and

- we have amended and restated our certificate of incorporation and bylaws.

As a result of these transactions, TIGHI and its insurance subsidiaries became our principal asset.

OTHER TRANSACTIONS

On February 28, 2002, we sold the stock of CitiInsurance to Citigroup for $403 million, its net book value. We have applied $138 million of the proceeds from this sale to repay intercompany indebtedness to Citigroup. In addition, we have purchased from Citigroup the premises located at One Tower Square, Hartford, Connecticut and other properties for $68 million.

After the completion of the concurrent offering, Citigroup will beneficially own all of our outstanding class B common stock and 290 million shares of our class A common stock, representing 94.8% of the combined voting power of all classes of our voting securities and 79% of the equity interest in us, assuming the over-allotment option in that offering is not exercised. Citigroup is a diversified holding company whose businesses provide a broad range of financial services to consumer and corporate customers around the world. The periodic reports of Citigroup provide additional business and financial information concerning that company and its consolidated subsidiaries.

Citigroup has informed us that by year-end 2002 it plans to make a tax-free distribution to its stockholders of a portion of its ownership interest in us, which, together with the shares being issued in the concurrent offering, will represent approximately 90.1% of our common equity (more than 90% of the combined voting power of our then outstanding voting securities). Following the distribution, Citigroup would remain a holder of approximately 9.9% of our common equity (less than 10% of the combined voting power of our then outstanding voting securities). The distribution and Citigroup's continued ownership of shares thereafter are subject to Citigroup's receipt of a private letter ruling from the Internal Revenue Service that the distribution will be tax-free to Citigroup, its stockholders and us, as well as various other conditions. It is expected that the ruling will require Citigroup to divest the remaining shares it holds within five years following the distribution and to vote the shares it continues to hold following the distribution pro rata with the shares held by the public. We cannot assure you that these conditions will be satisfied or that Citigroup will consummate the distribution. In any event, Citigroup has no obligation to consummate the distribution by the end of 2002 or at all, whether or not these conditions are satisfied. See "Risk Factors -- Risks Relating to the Distribution -- We may not realize the expected benefits from the distribution."

Prior to the completion of the offerings, we will enter into an agreement with Citigroup that will provide that in the event that in any fiscal year we record additional asbestos-related income statement charges in excess of $150 million, net of any reinsurance, Citigroup will pay to us the amount of any such excess up to a cumulative aggregate of $800 million, reduced by the tax effect of the highest applicable federal income tax rate.

CONSOLIDATED OVERVIEW

We provide a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals, primarily in the United States.

During April 2000, we completed a cash tender offer and merger, as a result of which TIGHI became our wholly-owned subsidiary. In the tender offer and merger, we acquired all of TIGHI's outstanding shares of common stock that were not already owned by us, representing approximately 14.8% of TIGHI's outstanding common stock, for approximately $2.4 billion in cash financed by a loan from Citigroup.

On May 31, 2000, we completed our acquisition of the surety business of Reliance Group Holdings, Inc., or Reliance Surety, for $580 million. In connection with the acquisition, we entered into a reinsurance arrangement for pre-existing business, and the resulting net cash outlay for this transaction was approximately $278 million. This transaction included the acquisition of an intangible asset of approximately $450 million, which is being amortized over 15 years. Accordingly, the results of operations and the assets and liabilities acquired from Reliance Surety are included in the financial statements beginning June 1, 2000. This acquisition was accounted for as a purchase.

In the third quarter of 2000, we purchased the renewal rights to a portion of Reliance Surety's commercial lines middle-market book of business, or Reliance Middle Market. We also acquired the renewal rights to Frontier Insurance Group, Inc.'s environmental, excess and surplus lines casualty businesses and some classes of surety business.

On October 1, 2001, we paid $329 million to Citigroup for The Northland Company and its subsidiaries and Associates Lloyds Insurance Company. In addition, on October 3, 2001, the capital stock of CitiCapital Insurance Company, formerly known as Associates Insurance Company, with a net book value of $356 million was contributed to us by Citigroup. See notes 1 and 2 to our consolidated financial statements.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	2001	2000	1999
		(IN MILLIONS)	
Revenues	$12,231	$11,071	$10,573
Income before cumulative effect of changes in accounting principles and minority interest	$ 1,062	$ 1,372	$ 1,360
Minority interest, net of tax	--	60	224
Cumulative effect of changes in accounting principles, net of tax and minority interest	3	--	(112)
Net income(a)	$ 1,065	$ 1,312	$ 1,024

(a) Net income includes $209 million, $31 million and $72 million of realized investment gains in 2001, 2000 and 1999, respectively. Included in realized investment gains were after-tax impairment charges related to other than temporary declines in value of $95 million, $20 million and $28 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Net income was $1.065 billion in 2001, $1.312 billion in 2000 and $1.024 billion in 1999. Net income for 2001 did not include any minority interest, due to the April 2000 completed cash tender offer and merger, compared to 2000 and 1999 which reflect minority interest of $60 million and $224 million, respectively. Net income for 2001 included $3 million of restructuring charges related primarily to the downsizing of direct marketing activities and associated telemarketing operations in Personal Lines. Also included in 2001 was a charge of $1 million related to the initial adoption of the FASB Emerging Issues

Task Force EITF 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets" (EITF 99-20), and a benefit of $4 million related to the initial adoption of Financial Accounting Standards Board No. 133, "Accounting for Derivative Instruments and Hedging Activity" (FAS 133). The net benefit of $3 million due to the adoption of these accounting changes has been accounted for as a cumulative effect of changes in accounting principles. Net income in 1999 included a charge of $135 million related to the initial adoption of the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants' (AcSEC) Statement of Position 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments" (SOP 97-3), and a benefit of $23 million related to the initial adoption of AcSEC Statement of Position 98-7, "Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Insurance Risk" (SOP 98-7). The net charge of $112 million due to the initial adoption of these Statements of Position has also been accounted for as a cumulative effect of changes in accounting principles.

Operating income, which excludes realized investment gains in all years, minority interest in 2000 and 1999, restructuring charges and the cumulative effect of changes in accounting principles in 2001 and 1999 described above, was $856 million in 2001, $1.341 billion i