

TRAVELERS PROPERTY CASUALTY CORP
Form DEF 14A
March 17, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
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- Definitive Proxy Statement
- Definitive Additional Materials
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Travelers Property Casualty Corp.

(Name of Registrant as Specified In Its Charter)

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

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1. Title of each class of securities to which transaction applies:

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

Travelers Property Casualty Corp.
One Tower Square
Hartford, CT 06183

March 10, 2003

Dear Shareholder:

We cordially invite you to attend Travelers Property Casualty Corp.'s annual shareholders' meeting to be held on April 24, 2003 at 10:00 a.m. at the Wadsworth Atheneum, 600 Main Street, Hartford, Connecticut. This is our first shareholders' meeting since becoming a public company in March 2002, when we completed our initial public offering, and since becoming an independent public company in August 2002 when Citigroup completed its spin-off of Travelers.

At the meeting, shareholders will vote on a number of important matters. Please take the time to carefully read each of the proposals described in the attached proxy statement.

Thank you for your support of our company.

Sincerely,

Robert I. Lipp
Chairman of the Board and
Chief Executive Officer

This proxy statement and the accompanying proxy card are being mailed to Travelers Property Casualty Corp. shareholders beginning on or about March 17, 2003.

Travelers Property Casualty Corp.
One Tower Square
Hartford, CT 06183

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder:

Travelers Property Casualty Corp.'s (Travelers) annual shareholders' meeting will be held on Thursday, April 24, 2003 at 10:00 a.m. at the Wadsworth Atheneum, 600 Main Street, Hartford, Connecticut.

At the meeting, shareholders will be asked to

- Elect four members of Travelers Board of Directors;
- Approve the Travelers Property Casualty Corp. 2002 Stock Incentive Plan;
- Approve the Travelers Property Casualty Corp. Executive Performance Compensation Plan;
- Approve certain amendments to Travelers certificate of incorporation;
- Ratify the selection of KPMG LLP as Travelers independent auditors for 2003; and

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- Consider any other business properly brought before the meeting.

The close of business on February 24, 2003 is the record date for determining shareholders entitled to notice of and to vote at the annual meeting. A list of these shareholders will be available at Travelers headquarters, One Tower Square, Hartford, Connecticut, before the annual meeting.

Please sign, date and promptly return the enclosed proxy card in the enclosed envelope, or vote by telephone or internet (instructions are on your proxy card), so that your shares will be represented whether or not you attend the annual meeting.

By Order of The Board of Directors

James M. Michener
Secretary

March 10, 2003

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ABOUT THE ANNUAL MEETING

Our first annual meeting.

This is the first annual shareholders' meeting of Travelers Property Casualty Corp. (Travelers , we or our) since we completed our initial public offering of our Class A common stock in March 2002 (IPO). In August 2002, Citigroup Inc., our former parent company, distributed to its own shareholders most of our shares of Class A common stock and Class B common stock that Citigroup owned (the Spin-off). As a result, Citigroup no longer controls us, and we are an independent public company.

Who is soliciting my vote?

The Board of Directors of Travelers is soliciting your vote at the 2003 annual meeting of Travelers shareholders.

What will I be voting on?

- Election of four members of Travelers Board of Directors (see page 8);
- Approval of the Travelers Property Casualty Corp. 2002 Stock Incentive Plan (Stock Incentive Plan) (see page 23);
- Approval of the Travelers Property Casualty Corp. Executive Performance Compensation Plan (Executive Compensation Plan) (see page 29);
- Approval of certain amendments to Travelers certificate of incorporation (see page 31);
- Ratification of the selection of KPMG LLP as Travelers independent auditors for 2003 (see page 33).

How many votes do I have?

You will have one vote for each share of Travelers Class A common stock, and seven votes for each share of Travelers Class B common stock, you owned on February 24, 2003 (the record date).

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How many votes can be cast by all shareholders?

4,005,645,675 consisting of

- One vote for each of the 506,148,177 shares of Travelers Class A common stock that were outstanding on the record date, and
- Seven votes for each of the 499,928,214 shares of Travelers Class B common stock that were outstanding on the record date.

The Class A and Class B common stock will vote as a single class on all matters scheduled to be voted on at the annual meeting. There is no cumulative voting.

How many votes must be present to hold the meeting?

A majority of the votes that can be cast, or 2,002,822,839 votes, are required for a quorum.

How many votes are needed to elect directors and to approve the other proposals?

Directors are elected by a plurality of the votes cast. Each other matter submitted to the shareholders will be approved if the votes cast in favor exceed the votes cast against the matter.

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Does any single shareholder control as much as 5% of any class of Travelers common stock?

Based on Schedules 13G filed with the Securities and Exchange Commission (SEC) and/or information available to Travelers, the only shareholders known to us to control as much as 5% of the Class A or Class B common stock are:

Beneficial owner	Number of shares beneficially owned		Percentage of class beneficially owned (a)		Percentage of shares of both classes of common stock outstanding (a)	Percentage voting power of both classes of common stock outstanding (a)
	Class A	Class B	Class A	Class B		
Citigroup Inc 399 Park Avenue New York, New York 10043 (b)	52,107,114	53,698,465	10.3%	10.7%	10.5%	10.7%
AXA Financial, Inc 1290 Avenue of the Americas, New York, New York 10104 (c)	58,101,628	0	11.5%	0	5.8%	1.4%
J.P. Morgan Chase & Co 270 Park Avenue New York, NY 10017 (d)	26,536,271	0	5.2%	0	2.6%	0.6%
State Street Bank and Trust Company, Trustee 225 Franklin Street Boston, MA 02110 (e)	0	30,959,309	0	6.2%	3.1%	5.4%

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FMR Corp 82 Devonshire Street Boston, MA 02109 (f)	35,940,842	0	7.1%	0	3.6%	0.9%
Barclay s Global Investors, NA 45 Fremont Street San Francisco, CA 94105 (g)	0	34,397,105	0	6.9%	3.4%	6.0%

- (a) Based on the number of shares of common stock entitled to vote as of the record date.
- (b) These numbers are based upon the beneficial ownership, as of December 31, 2002, that Citigroup has reported in its Schedule 13G filings. Of the Class A and Class B shares Citigroup beneficially owns, 2,156,779 shares of Class A common stock and 3,747,997 shares of Class B common stock are primarily held in a fiduciary or similar capacity by various Citigroup subsidiaries.
- (c) A Schedule 13G, as amended, was filed with the SEC by AXA Financial, Inc. and the following affiliates as a group: AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle, and AXA. The shares of Class A common stock beneficially owned as of December 31, 2002 are held by various affiliates of the foregoing AXA entities, including 57,884,892 shares held by Alliance Capital Management L.P. in client discretionary investment advisory accounts. Of the 58,101,628 shares beneficially owned, the group had sole voting power as to 31,355,206 shares, shared voting power as to 14,854,096 shares, sole power to dispose as to 58,097,215 shares and shared power to dispose as to 4,413 shares.
- (d) J.P. Morgan Chase & Co. filed a Schedule 13G reporting beneficial ownership as a parent holding company of various subsidiaries. The filing states that J.P. Morgan Chase & Co. had sole voting power as to 19,495,215 shares, shared voting power as to 198,361 shares, sole power to dispose as to 25,425,333 shares, and shared power to dispose as to 1,105,056 shares.
- (e) Of the shares reported in its Schedule 13G, State Street Bank and Trust Company had sole voting power as to 20,569,396 shares, shared voting power as to 8,563,635 shares, sole power to dispose as to 22,571,186 shares, and shared power to dispose as to 8,388,123 shares.
- (f) FMR Corp. (FMR), Edward C. Johnson, 3d and Abigail P. Johnson filed a Schedule 13G with the SEC to report that they were the beneficial owners of 35,940,842 shares of Class A common stock, which amount included 2,034,066 shares that may be converted from the ownership of Travelers 4.5%

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Convertible Junior Subordinated Notes due 2032. The Schedule 13G disclosed that FMR had sole power to vote as to 1,188,662 of such shares. FMR is the parent to various subsidiaries that are beneficial owners of Class A common stock, including Fidelity Management & Research Company that serves as an investment adviser to various investment companies, Fidelity Management Trust Company, an institutional investment manager, and Strategic Advisers, Inc., an investment adviser that provides investment advisory services to individuals. Members of the Edward C. Johnson, 3d family own approximately 49% of the voting power of FMR. Mr. Johnson is Chairman of FMR and Ms. Johnson is a director of FMR.

- (g) Of the shares reported in its Schedule 13G, Barclay s Global Investors, NA had sole voting power as to 34,371,779 shares, shared voting power as to 2,150 shares, sole power to dispose as to 34,371,779 shares, and shared power to dispose as to 2,150 shares.

How do I vote?

You can vote either in person at the annual meeting or by proxy without attending the annual meeting.

To vote by proxy, you must either

- fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope,

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- vote by telephone (instructions are on the proxy card), or
- vote by Internet (instructions are on the proxy card).

Travelers employees who participate in Travelers benefit plans may receive their proxy cards separately.

If you want to vote in person at the annual meeting, and you hold your Travelers stock through a securities broker (that is, in street name), you must obtain a proxy from your broker and bring that proxy to the meeting.

Can I change my vote?

Yes. Just send in a new signed proxy card with a later date, or cast a new vote by telephone or Internet, or send a written notice of revocation to Travelers Secretary at the address on the cover of this proxy statement. If you attend the annual meeting and want to vote in person, you can request that your previously submitted proxy not be used. Otherwise, your attendance itself will not constitute a revocation of your previously submitted proxy.

What if I don't vote for some of the matters listed on my proxy card?

If you return a signed proxy card without indicating your vote, your shares will be voted for (i) the nominees for election as directors listed on the proxy card; (ii) approval of the Travelers Property Casualty Corp. 2002 Stock Incentive Plan; (iii) approval of the Travelers Property Casualty Corp. Executive Performance Compensation Plan; (iv) approval of certain amendments to Travelers certificate of incorporation; and (v) the ratification of the selection of KPMG LLP as independent auditors for 2003.

What if I vote abstain?

A vote to abstain on any matter will have no effect on the votes required to elect directors or to approve any other matter.

Can my shares be voted if I don't return my proxy card and don't attend the annual meeting?

If you don't vote your shares held in street name, your broker may be able to vote your shares on the matters scheduled to come before the meeting. However, there are pending amendments to New York Stock Exchange rules that may prohibit your broker from voting your shares on the proposal to approve the Travelers Property Casualty Corp. 2002 Stock Incentive Plan. It is possible that these amendments will be adopted after this proxy statement has been printed.

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If you don't vote your shares held in street name, and your broker doesn't vote them, the votes will be broker nonvotes, which will have no effect on the vote for any matter scheduled to be considered at the annual meeting.

If you don't vote your shares held in your name (that is shares of record), your shares will not be voted.

Could other matters be decided at the annual meeting?

We don't know of any other matters that will be considered at the annual meeting. If any other matters arise at the annual meeting, the proxies will be voted at the discretion of the proxy holders.

What happens if the meeting is postponed or adjourned?

Your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Do I need a ticket to attend the annual meeting?

Yes, you will need an admission ticket or proof of ownership of Travelers common stock to enter the meeting. If you are a shareholder of record, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the meeting, please so indicate when you vote and bring the ticket with you to the meeting. If your shares are held in the name of a bank, broker or other holder of record, your admission ticket is the left side of your voting information form. If you don't bring your admission ticket, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker is an example of proof of ownership. If you arrive at the meeting without an admission ticket, we will admit you only if we are able to verify that you are a Travelers shareholder.

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HOW WE HAVE DONE

Annual Report

Travelers annual report to shareholders for 2002 has been sent along with this proxy statement, or sent previously. We urge you to read it carefully.

Cumulative Total Return

The following graph and table compare the changes in cumulative total return of Travelers Class A common stock for the period beginning on March 22, 2002, the date of Travelers IPO, and ending on December 31, 2002, with the cumulative total return for the same period of the S&P 500 Index and a Peer Index.

The Peer Index tracks the price (weighted by market capitalization) of the common stock of the following companies that comprise the S&P Property and Casualty Insurance Index: Ace Limited, The Allstate Corporation, Ambac Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, MBIA Inc., MGIC Investment Corporation, The Progressive Corporation, SAFECO Corporation, The St. Paul Companies, Inc., Travelers Property Casualty Corp. and XL Capital LTD.

The following graph and table show the value of \$100 invested in the Class A common stock at the closing price on the March 22, 2002 IPO date, the S&P 500, and the Peer Index, for each quarter in 2002. The graph and table assume that any dividends paid were reinvested. The comparisons in this table are set forth in response to SEC disclosure requirements, and therefore are not intended to forecast future performance of Travelers common stock.

Comparison of cumulative total return for the period commencing March 22, 2002 through December 31, 2002

INDEXED RETURNS

Quarters Ended

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Company/Index	Base Period				
	22 Mar 02	Mar 02	Jun 02	Sep 02	Dec 02
Travelers Property Casualty Corp.					
Class A common stock	100	102.25	90.49	67.48	74.90
S&P 500 Index	100	99.97	86.58	71.62	77.66
S&P 500 Property & Casualty Insurance Index (Peer Index)	100	101.47	97.19	79.75	83.52

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STOCK OWNERSHIP

The following table shows the beneficial ownership of the Class A and Class B common stock by our directors and certain executive officers as of the record date.

Name	Position	Class A Common Stock Beneficially Owned Excluding Options	Class A Stock Options Exercisable Within 60 Days of the Record Date (a)	Total Common Stock Beneficially Owned	
				Class A Common Stock Including Options	Class B Common Stock
Jay S. Benet	Chief Financial Officer	52,419	111,542	163,961	6,258
Howard P. Berkowitz	Director	11,268	0	11,268	0
Kenneth J. Bialkin	Director	46,717	0	46,717	85,586
Charles J. Clarke	President and Director	69,858	227,558	297,416	2,975
Leslie B. Disharoon	Director	13,225	0	13,225	16,776
Douglas G. Elliot	Chief Operating Officer	48,399	151,657	200,056	5,402
Meryl D. Hartzband	Director	2,668	0	2,668	0
Robert I. Lipp	Chairman of the Board and Chief Executive Officer	875,067	864,864	1,739,931	12,779
James M. Michener	General	37,235	198,056	235,291	7,094

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	Counsel and Secretary				
Clarence Otis, Jr	Director	2,668	0	2,668	0
Jeffrey M. Peek	Director	11,711	0	11,711	88
Nancy A. Roseman	Director	834	0	834	0
Charles W. Scharf	Director	3,931	0	3,931	4,650
Frank J. Tasco	Director	5,658	0	5,658	1,227
Laurie J. Thomsen	Director	5,368	0	5,368	0
All Directors and Executive Officers as a group (23 persons)		1,369,423	2,117,437	3,486,860	224,153

(a) Stock options have been granted to purchase shares of Class A common stock only.

As of the record date, no director or executive officer beneficially owned as much as 1% of Class A or Class B common stock.

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Some of the Travelers shares shown in the preceding table are considered as beneficially owned under SEC rules, including shares (i) for which receipt has been deferred under the Directors' Plan, described below, (ii) held in trusts, (iii) owned by a family member, (iv) for which the director or executive officer has direct or indirect voting power but that are subject to forfeiture and restrictions on disposition, or (v) underlying stock options that may be exercised within sixty days of the record date. The following table shows the nature of the beneficial ownership, except for stock options, which are reported in the table above.

<u>Director/Officer</u>	<u>Receipt deferred (a)</u>	<u>Held in trusts</u>	<u>Owned by family member</u>	<u>Voting power, but subject to forfeiture and restrictions on disposition (b)</u>
Jay S. Benet	0	0	0	27,879 Class A 230 Class B
Howard P. Berkowitz	1,668	0	0	0
Kenneth J. Bialkin	5,061	0	295 Class A 608 Class B	0
Charles J. Clarke	0	0	0	34,282 Class A 705 Class B
Leslie B. Disharoon	5,061	0	362 Class A 745 Class B	0
Douglas G. Elliot	0	0	0	30,520 Class A 537 Class B
Meryl D. Hartzband	1,668	0	0	0

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Robert I. Lipp	0	284,598 Class A 12,262 Class B	0	32,958 Class A
James M. Michener	0	0	0	25,916 Class A 607 Class B
Clarence Otis, Jr	1,668	0	0	0
Jeffrey M. Peek	1,668	0	0	0
Nancy A. Roseman	0	0	0	0
Charles W. Scharf	1,668	0	0	0
Frank J. Tasco	5,061	0	0	0
Laurie J. Thomsen	1,668	0	1,000 Class A	0
All Directors and Executive Officers as a group (23 persons)	25,195	287,222 Class A 17,654 Class B	2,113 Class A 1,453 Class B	254,953 Class A 3,756 Class B

- (a) Represents shares of unissued Class A common stock granted under the Directors Plan (see Directors Compensation below). Receipt of the shares is deferred and credited to an account that Travelers maintains for each non-employee director.
- (b) Represents shares of Travelers restricted common stock granted under the Travelers Property Casualty Corp. 2002 Stock Incentive Plan, including shares that were granted to replace Citigroup restricted common stock in the Spin-off (see footnote (b) to the Summary Compensation Table below).

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ITEM 1 ELECTION OF DIRECTORS

Travelers certificate of incorporation provides for a classified Board of Directors whose members are divided into three classes, Class I, Class II and Class III, with each class being as nearly equal in number as possible. At each annual meeting of shareholders, nominees are elected as directors to a class with a term of office that expires at the annual meeting of shareholders held three years after, and until their successors are elected and qualified. The Board of Directors currently consists of twelve members, classified as set forth below.

The terms of office of the Class I directors expire at the 2003 annual meeting. The Board of Directors has nominated each Class I director for reelection for a three-year term of office that will expire at the annual meeting to be held in 2006, and until their successors are elected and qualified.

Below is information about the Class I nominees and all other directors, including their principal occupation, business experience and other matters.

The Class I Nominees

Kenneth J. Bialkin Mr. Bialkin, 73, has been a director of Travelers since May 2002. Mr. Bialkin is a partner at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. He joined the firm in 1988. From 1996-2000 he was a director of Travelers Insurance Group Holdings Inc., (TIGHI), Travelers predecessor public company. He also was a director of Citigroup (or its predecessor Travelers Group) from 1986 to 2002. He is a director of The Municipal Assistance Corporation for the City of New York, Tecnomatix Technologies Ltd. and Sapiens International Corporation N.V. He is a trustee of Carnegie Hall, a member of the Visiting Committee, Graduate Faculty of New School University, President of the American Jewish Historical Society, Chairman of the America-Israel Friendship League and a member of the Council on Foreign Relations.

Clarence Otis, Jr. Mr. Otis, 46, has been a director of Travelers since September 2002. He has been the Executive Vice President of Darden Restaurants, Inc., and President of its Smokey Bones Restaurants division, since December 2002. Prior to this, he was Executive Vice President and Chief Financial Officer of Darden Restaurants from April 2002 to December 2002, Senior Vice President and Chief Financial Officer from 1999-2002, Senior Vice President, Finance and Treasurer from 1997-1999, and Vice President and Treasurer from 1995-1997. Mr. Otis was also Managing Director, Public Finance (1992-1995) and Vice President, Public Finance (1991-1992) at Chemical Banking Corp.; Managing Director, Public Finance at Muriel Siebert & Company from 1990-1991; and Vice President, Public Finance at Credit Suisse First Boston from 1987-1990. He is a member of various associations including the Financial Executive Institute, Executive Leadership Council and a member of the New

York Bar.

Jeffrey M. Peek Mr. Peek, 55, has been a director of Travelers since September 2002. He has been the Vice Chairman of Credit Suisse First Boston since 2002. From 1983 to 2001, he held various executive positions at Merrill Lynch, including Executive Vice President from 1997-2001. From 1975-1983, he was a Managing Director at Warburg Paribas Becker. Mr. Peek is a director or trustee of the New York City Ballet, Teachers College at Columbia University, the Brearley School, International Tennis Hall of Fame, Business Committee for the Metropolitan Museum of Art, and Advisory Council for Bendheim Center for Finance at Princeton University.

Laurie J. Thomsen Ms. Thomsen, 45, has been a director of Travelers since September 2002. She was a Co-founding General Partner of Prism Venture Partners, a venture capital firm, from 1995-2000. Since 2000, Ms. Thomsen has been a Venture Partner of Prism Venture Partners. From 1988-1995, she was a General Partner at Harbourvest Partners (formerly Hancock Venture Partners) in Boston, and an Associate there from 1984-1988. She also was a Vice President at John Hancock Mutual Life in the Bond, Corporate Finance Department in 1984; and an Assistant Vice President at U.S. Trust Co. of New York from 1979-1984. Ms. Thomsen is a director of RealMed, The Horizons Initiative, New Profit, Inc., and a trustee of Williams College.

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Directors Continuing in Office

Class II Directors (terms expire at the 2004 annual meeting)

Howard P. Berkowitz Mr. Berkowitz, 62, has been a director of Travelers since September 2002. He is the founder and has been the Managing General Partner of HPB Associates, a New York investment firm, since 1980. He has managed investment funds since 1967, when he was a founding partner of Steinhardt, Fine, Berkowitz & Company, a hedge fund. Mr. Berkowitz is a director of the New York City Ballet, a member of the Executive Committee of the Washington Institute for Near East Policy, Co-Chair of the Conference of Presidents of Major American Jewish Organizations Peace and Security Task Force, and President and former national Chairman of the Anti-Defamation League Foundation. He has served or currently serves on the investment committees of the UJA Federation, Steadman Hawkins Sports Medicine Foundation, Cancer Research Institute, the Anti-Defamation League and the New York City Ballet.

Charles J. Clarke Mr. Clarke, 67, is our President and was Chairman and Chief Executive Officer of TIGHI just prior to December 18, 2001. He has been a director of Travelers since June 2000. Mr. Clarke was our President from January 2001 to October 2001. Prior to that time he had been our Vice Chairman from January 1998 to January 2001. Mr. Clarke had been Chief Executive Officer of Commercial Lines from January 1996 to January 1998 and was Chairman of Commercial Lines from 1990 to January 1996. He had held other executive and management positions with us for many years, and he has been with us since 1958.

Leslie B. Disharoon Mr. Disharoon, 70, has been a director of Travelers since May 2002. He was Chairman of the Board, President and Chief Executive Officer of Monumental Corporation (an insurance holding company) from 1978 to 1988. He was a director of TIGHI from 1998-2000 and a director of Citigroup and its predecessor Travelers Group from 1986 until 1998. Mr. Disharoon is a director of Aegon USA, Inc. and Mercantile Funds, Inc. He is President of the Caves Valley Club Inc.

Nancy A. Roseman Ms. Roseman, 44, has been a director of Travelers since September 2002. She has been the Dean of Williams College since 2000 where she also has been a Professor of Biology since 1991. From 1987-1991 she was a Post-Doctoral Fellow at Oregon State University.

Class III Directors (terms expire at the 2005 annual meeting)

Meryl D. Hartzband Ms. Hartzband, 48, has been a director of Travelers since September 2002. She is a Senior Principal and the Investment Director of MMC Capital, Inc., a subsidiary of Marsh & McLennan Companies, Inc. Ms. Hartzband joined MMC Capital in 1999 as Principal & Investment Director. Prior to this, she was a Managing Director for JP Morgan & Co. from 1982-1999 and an Assistant Treasurer for Chase Manhattan Bank from 1977-1980.

Robert I. Lipp Mr. Lipp, 64, has been our Chairman and Chief Executive Officer since December 18, 2001. Mr. Lipp served as Chairman of the Board of TIGHI from 1996 to 2000 and from January 2001 to October 2001, and was the Chief Executive Officer and President of TIGHI from 1996 to 1998. During 2000 he was a Vice-Chairman and member of the Office of the Chairman of Citigroup. He was Chairman and Chief Executive Officer Global Consumer Business of Citigroup from 1999 to 2000. From October 1998 to April 1999, he was Co-Chairman Global

Consumer Business of Citigroup. From 1993 to 2000, he was Chairman and Chief Executive Officer of Travelers Insurance Group Inc., a Travelers predecessor company. From 1991 to 1998, he was a Vice-Chairman and Director of Travelers Group, Inc. and from 1991 to 1993, he was Chairman and Chief Executive Officer of CitiFinancial Credit Company. Prior to joining Citigroup in 1986, Mr. Lipp spent 23 years with Chemical New York Corporation. He is a director of Accenture Ltd., Bank One Corporation, President of the New York City Ballet, a trustee of Carnegie Hall and the Massachusetts Museum of Contemporary Art, and Chairman of the Executive Committee at Williams College.

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Charles W. Scharf Mr. Scharf, 37, has been a director of Travelers since September 2002. He has been the Chief Executive Officer of Bank One's Retail Division since 2002. Prior to this, he was the Chief Financial Officer/Executive Vice President at Bank One from 2000-2002; the Chief Financial Officer of the Corporate and Investment Bank at Citigroup from 1999-2000; the Chief Financial Officer at Salomon Smith Barney from 1997-1999; and the Chief Financial Officer at Smith Barney from 1995-1997. Mr. Scharf also held various financial positions at Travelers Group from 1987-1995. He is a director of Visa U.S.A., Inc., a member of the Financial Services Roundtable and the Economic Club of Chicago as well as a director of The Lyric Opera and Lookingglass Theater.

Frank J. Tasco Mr. Tasco, 75, has been a director of Travelers since May 2002. He is the retired Chairman of the Board and Chief Executive Officer of Marsh & McLennan Companies, Inc. He was a director of TIGHI from 1996 to 2000 and was a director of Travelers Group from 1992 until 1998. He was a member of President Bush's Drug Advisory Council and was founder of New York Drugs Don't Work. Mr. Tasco is a director of Axis Specialty Limited and Phoenix House Foundation. He is a member of the Council on Foreign Relations, the Lincoln Center Consolidated Corporate Fund Leadership Committee, the Foreign Policy Association, a trustee of New York University and a trustee of the Inner-City Scholarship Fund.

Corporate Governance

On January 23, 2003, the Board of Directors adopted the Travelers Property Casualty Corp. Corporate Governance Principles (Governance Principles) and written charters for each committee of the Board (the then-existing Audit Committee charter was amended). The Governance Principles, committee charters and other corporate governance information are available on Travelers Internet website, www.travelers.com.

Director Independence

The Governance Principles include director independence standards. Under the Governance Principles, the Board will have a majority of directors who meet the applicable criteria for independence required by the New York Stock Exchange (NYSE) by the date required by the NYSE (new NYSE independence rules are currently pending). The Board must determine, based on all of the relevant facts and circumstances, whether each director satisfies the criteria for independence, which include that a director must not have a material relationship with Travelers, either directly, or indirectly as a partner, shareholder or officer of another organization that has a relationship with Travelers.

The Board has established the following guidelines to assist it in making independence determinations:

- a. A director will not be independent if, within the preceding five years: (i) the director was employed by Travelers; (ii) an immediate family member (as defined in NYSE rules) of the director was employed by Travelers as an officer; (iii) the director was employed by or affiliated with Travelers present or former independent auditor; (iv) an immediate family member of the director was employed by Travelers independent auditor as a partner, principal or manager; or (v) the director was part of an interlocking directorate in which an executive officer of Travelers served on the compensation committee of another company that concurrently employed such director.
- b. The following commercial or charitable relationships will be considered to be material relationships that would impair a director's independence: (i) if a director is an executive officer (or holds an equivalent position) of another company that does business with Travelers and the annual sales to, or purchases from, Travelers are more than two percent of the annual revenue of (a) Travelers or, (b) the other company for which the director serves as an executive officer (or equivalent position), in each case measured by the last completed fiscal year of Travelers and the other company; (ii) if a director is an executive officer (or holds an equivalent position) of another company which is indebted to Travelers, or to which Travelers is indebted, and the total amount of either company's indebtedness to the other is more than two percent of the respective company's total consolidated assets measured as of the last completed fiscal year of Travelers and the other company; and (iii) if a director serves as an officer, director or trustee of a charitable organization, and Travelers discretionary charitable contributions to the

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organization exceed five percent of that organization's total annual operating expenses (Travelers matching of employee charitable contributions will not be included in the amount of Travelers contributions for this purpose).

- c. For relationships not covered by the guidelines in (a) or (b) above, or for relationships that are covered but as to which the Board believes a director may nonetheless be independent, the determination of independence shall be made by the directors who satisfy the NYSE independence rules and the guidelines set forth in subsections (a) and (b) above. However, any determination of independence for a director who does not meet these standards must be specifically explained in Travelers proxy statement