

TRAVELERS COMPANIES, INC.

Form 10-Q

July 21, 2015

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-10898

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## The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

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**Minnesota**  
(State or other jurisdiction of  
incorporation or organization)

**41-0518860**  
(I.R.S. Employer  
Identification No.)

**485 Lexington Avenue**

**New York, NY 10017**

(Address of principal executive offices) (Zip Code)

**(917) 778-6000**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the Registrant's Common Stock, without par value, outstanding at July 17, 2015 was 311,205,624.

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**The Travelers Companies, Inc.**

**Quarterly Report on Form 10-Q**

**For Quarterly Period Ended June 30, 2015**

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Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME (Unaudited)**

(in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Revenues</b>				
Premiums	\$ 5,931	\$ 5,928	\$ 11,819	\$ 11,751
Net investment income	632	695	1,224	1,431
Fee income	111	112	222	219
Net realized investment gains (1)	10	16	20	17
Other revenues	22	34	47	75
<b>Total revenues</b>	<b>6,706</b>	<b>6,785</b>	<b>13,332</b>	<b>13,493</b>
<b>Claims and expenses</b>				
Claims and claim adjustment expenses	3,547	3,826	6,978	7,141
Amortization of deferred acquisition costs	963	965	1,926	1,915
General and administrative expenses	1,028	1,001	2,020	1,882
Interest expense	92	92	184	184
<b>Total claims and expenses</b>	<b>5,630</b>	<b>5,884</b>	<b>11,108</b>	<b>11,122</b>
<b>Income before income taxes</b>	<b>1,076</b>	<b>901</b>	<b>2,224</b>	<b>2,371</b>
Income tax expense	264	218	579	636
<b>Net income</b>	<b>\$ 812</b>	<b>\$ 683</b>	<b>\$ 1,645</b>	<b>\$ 1,735</b>
<b>Net income per share</b>				
Basic	\$ 2.56	\$ 1.98	\$ 5.14	\$ 4.97
Diluted	\$ 2.53	\$ 1.95	\$ 5.08	\$ 4.91
<b>Weighted average number of common shares outstanding</b>				
Basic	314.8	343.0	317.7	346.9
Diluted	318.0	346.7	321.2	350.5
<b>Cash dividends declared per common share</b>	<b>\$ 0.61</b>	<b>\$ 0.55</b>	<b>\$ 1.16</b>	<b>\$ 1.05</b>

(1) Total other-than-temporary impairment (OTTI) losses were \$(8) million and \$(1) million for the three months ended June 30, 2015 and 2014, respectively, and \$(12) million and \$(8) million for the six months ended June 30, 2015 and 2014, respectively. Of total OTTI, credit losses of \$(6) million and \$(1) million for the three months ended June 30, 2015 and 2014, respectively, and \$(9) million and \$(10) million for the six months ended June 30, 2015 and 2014, respectively.

2014, respectively, were recognized in net realized investment gains. In addition, unrealized gains (losses) from other changes in total OTTI of \$(2) million and \$0 million for the three months ended June 30, 2015 and 2014, respectively, and \$(3) million and \$2 million for the six months ended June 30, 2015 and 2014, respectively, were recognized in other comprehensive income (loss) as part of changes in net unrealized gains on investment securities having credit losses recognized in the consolidated statement of income.

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Net income</b>	\$ 812	\$ 683	\$ 1,645	\$ 1,735
<b>Other comprehensive income (loss):</b>				
Changes in net unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income	(1,065)	518	(896)	1,055
Having credit losses recognized in the consolidated statement of income	(5)	1	(10)	3
Net changes in benefit plan assets and obligations	23	15	47	30
Net changes in unrealized foreign currency translation	94	97	(180)	54
<b>Other comprehensive income (loss) before income taxes</b>	<b>(953)</b>	<b>631</b>	<b>(1,039)</b>	<b>1,142</b>
Income tax expense (benefit)	(353)	196	(328)	390
<b>Other comprehensive income (loss), net of taxes</b>	<b>(600)</b>	<b>435</b>	<b>(711)</b>	<b>752</b>
<b>Comprehensive income</b>	\$ <b>212</b>	\$ <b>1,118</b>	\$ <b>934</b>	\$ <b>2,487</b>

The accompanying notes are an integral part of the consolidated financial statements.



Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

(in millions)

	June 30, 2015 (Unaudited)	December 31, 2014
<b>Assets</b>		
Fixed maturities, available for sale, at fair value (amortized cost \$60,103 and \$60,801)	\$ 61,933	\$ 63,474
Equity securities, available for sale, at fair value (cost \$573 and \$579)	828	899
Real estate investments	980	938
Short-term securities	3,924	4,364
Other investments	3,565	3,586
<b>Total investments</b>	<b>71,230</b>	<b>73,261</b>
Cash	317	374
Investment income accrued	655	685
Premiums receivable	6,764	6,298
Reinsurance recoverables	8,965	9,260
Ceded unearned premiums	782	678
Deferred acquisition costs	1,891	1,835
Deferred taxes	216	33
Contractholder receivables	4,473	4,362
Goodwill	3,594	3,611
Other intangible assets	284	304
Other assets	2,493	2,377
<b>Total assets</b>	<b>\$ 101,664</b>	<b>\$ 103,078</b>
<b>Liabilities</b>		
Claims and claim adjustment expense reserves	\$ 48,833	\$ 49,850
Unearned premium reserves	12,153	11,839
Contractholder payables	4,473	4,362
Payables for reinsurance premiums	428	336
Debt	6,350	6,349
Other liabilities	5,306	5,506
<b>Total liabilities</b>	<b>77,543</b>	<b>78,242</b>
<b>Shareholders equity</b>		
Common stock (1,750.0 shares authorized; 311.2 and 322.2 shares issued and outstanding)	22,039	21,843
Retained earnings	28,524	27,251
Accumulated other comprehensive income	169	880
Treasury stock, at cost (451.5 and 437.3 shares)	(26,611)	(25,138)
<b>Total shareholders equity</b>	<b>24,121</b>	<b>24,836</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 101,664</b>	<b>\$ 103,078</b>

The accompanying notes are an integral part of the consolidated financial statements.



Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)**

(in millions)

For the six months ended June 30,	2015	2014
<b>Common stock</b>		
Balance, beginning of year	\$ 21,843	\$ 21,500
Employee share-based compensation	87	94
Compensation amortization under share-based plans and other changes	109	100
Balance, end of period	22,039	21,694
<b>Retained earnings</b>		
Balance, beginning of year	27,251	24,291
Net income	1,645	1,735
Dividends	(372)	(367)
Other	3	3
Balance, end of period	28,524	25,662
<b>Accumulated other comprehensive income, net of tax</b>		
Balance, beginning of year	880	810
Other comprehensive income (loss)	(711)	752
Balance, end of period	169	1,562
<b>Treasury stock, at cost</b>		
Balance, beginning of year	(25,138)	(21,805)
Treasury stock acquired share repurchase authorization	(1,400)	(1,525)
Net shares acquired related to employee share-based compensation plans	(73)	(56)
Balance, end of period	(26,611)	(23,386)
<b>Total shareholders equity</b>	<b>\$ 24,121</b>	<b>\$ 25,532</b>
<b>Common shares outstanding</b>		
Balance, beginning of year	322.2	353.5
Treasury stock acquired share repurchase authorization	(13.5)	(17.3)
Net shares issued under employee share-based compensation plans	2.5	2.8
Balance, end of period	311.2	339.0

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

(in millions)

<b>For the six months ended June 30,</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 1,645	\$ 1,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment gains	(20)	(17)
Depreciation and amortization	429	442
Deferred federal income tax expense	142	131
Amortization of deferred acquisition costs	1,926	1,915
Equity in income from other investments	(134)	(257)
Premiums receivable	(486)	(463)
Reinsurance recoverables	263	206
Deferred acquisition costs	(1,991)	(1,989)
Claims and claim adjustment expense reserves	(826)	(60)
Unearned premium reserves	362	235
Other	(435)	(550)
<b>Net cash provided by operating activities</b>	<b>875</b>	<b>1,328</b>
<b>Cash flows from investing activities</b>		
Proceeds from maturities of fixed maturities	5,314	4,915
Proceeds from sales of investments:		
Fixed maturities	1,226	785
Equity securities	28	95
Real estate investments	10	5
Other investments	354	338
Purchases of investments:		
Fixed maturities	(6,239)	(5,449)
Equity securities	(22)	(40)
Real estate investments	(69)	(36)
Other investments	(275)	(226)
Net sales of short-term securities	433	60
Securities transactions in course of settlement	183	204
Acquisition, net of cash acquired		(12)
Other	(178)	(152)
<b>Net cash provided by investing activities</b>	<b>765</b>	<b>487</b>
<b>Cash flows from financing activities</b>		
Treasury stock acquired share repurchase authorization	(1,400)	(1,525)
Treasury stock acquired net employee share-based compensation	(72)	(55)
Dividends paid to shareholders	(369)	(365)
Issuance of common stock employee share options	117	122
Excess tax benefits from share-based payment arrangements	31	24
<b>Net cash used in financing activities</b>	<b>(1,693)</b>	<b>(1,799)</b>
Effect of exchange rate changes on cash	(4)	1
Net increase (decrease) in cash	(57)	17
Cash at beginning of year	374	294
<b>Cash at end of period</b>	<b>\$ 317</b>	<b>\$ 311</b>

**Supplemental disclosure of cash flow information**

Income taxes paid	\$	597	\$	727
Interest paid	\$	183	\$	183

The accompanying notes are an integral part of the consolidated financial statements.

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**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

**Basis of Presentation**

The interim consolidated financial statements include the accounts of The Travelers Companies, Inc. (together with its subsidiaries, the Company). These financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) and are unaudited. In the opinion of the Company's management, all adjustments necessary for a fair presentation have been reflected. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. All material intercompany transactions and balances have been eliminated. The accompanying interim consolidated financial statements and related notes should be read in conjunction with the Company's consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the Company's 2014 Annual Report).

The preparation of the interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and claims and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

**Adoption of Accounting Standards Updates**

*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*

In April 2014, the Financial Accounting Standards Board (FASB) issued revised guidance to reduce diversity in practice for reporting discontinued operations. Under the previous guidance, any component of an entity that was a reportable segment, an operating segment, a reporting unit, a subsidiary or an asset group was eligible for discontinued operations presentation. The revised guidance only allows disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity) and that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. The updated guidance was effective for the quarter ending March 31, 2015. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity.

**Accounting Standards Not Yet Adopted**

*Amendments to the Consolidation Analysis*

In February 2015, the FASB issued updated guidance that makes targeted amendments to the current consolidation accounting guidance. The update is in response to accounting complexity concerns, particularly from the asset management industry. The guidance simplifies consolidation accounting by reducing the number of approaches to consolidation, provides a scope exception to registered money market funds and similar unregistered money market funds and ends the indefinite deferral granted to investment companies from applying the variable interest entity guidance.

The updated guidance is effective for annual and interim periods beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

*Simplifying the Presentation of Debt Issuance Costs*

In April 2015, the FASB issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the recognized debt liability, consistent with the treatment of debt discounts. Amortization of debt issuance costs is to be

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**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued**

**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued**

reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the updated guidance.

The updated guidance is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance will not have any effect on the Company's results of operations, financial position or liquidity.

*Additional Accounting Standards Not Yet Adopted*

*Revenue from Contracts with Customers*

In July 2015, the FASB deferred the effective date of the updated guidance on revenue recognition by one year to the quarter ending March 31, 2018. The adoption of this guidance is not expected to have a material effect on the Company's result of operations, financial position or liquidity.

For additional information regarding *Revenue from Contracts with Customers* and other accounting standards that the Company has not yet adopted, see the "Accounting Standards Not Yet Adopted" section of note 1 of notes to the consolidated financial statements in the Company's 2014 Annual Report.

**Nature of Operations**

The Company is organized into three reportable business segments: Business and International Insurance; Bond & Specialty Insurance; and Personal Insurance. These segments reflect the manner in which the Company's businesses are currently managed and represent an aggregation of products and services based on type of customer, how the business is marketed and the manner in which risks are underwritten. For more information regarding the Company's nature of operations, see the "Nature of Operations" section of note 1 of notes to the consolidated financial statements in the Company's 2014 Annual Report.



## 2. SEGMENT INFORMATION

The following tables summarize the components of the Company's revenues, operating income and total assets by reportable business segments:

(for the three months ended June 30, in millions)	Business and International Insurance		Bond & Specialty Insurance		Personal Insurance		Total Reportable Segments	
<b>2015</b>								
Premiums	\$	3,609	\$	524	\$	1,798	\$	5,931
Net investment income		487		57		88		632
Fee income		111						111
Other revenues		5		5		12		22
Total operating revenues (1)	\$	4,212	\$	586	\$	1,898	\$	6,696
Operating income (1)	\$	543	\$	151	\$	174	\$	868
<b>2014</b>								
Premiums	\$	3,631	\$	524	\$	1,773	\$	5,928
Net investment income		539		62		94		695
Fee income		112						112
Other revenues		10		6		17		33
Total operating revenues (1)	\$	4,292	\$	592	\$	1,884	\$	6,768
Operating income (1)	\$	471	\$	192	\$	75	\$	738

(1) Operating revenues for reportable business segments exclude net realized investment gains (losses). Operating income for reportable business segments equals net income excluding the after-tax impact of net realized investment gains (losses).

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 2. SEGMENT INFORMATION, Continued

(for the six months ended June 30, in millions)	Business and International Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
<b>2015</b>				
Premiums	\$ 7,229	\$ 1,028	\$ 3,562	\$ 11,819
Net investment income	941	113	170	1,224
Fee income	222			222
Other revenues	13	10	24	47
Total operating revenues (1)	\$ 8,405	\$ 1,151	\$ 3,756	\$ 13,312
Operating income (1)	\$ 1,058	\$ 275	\$ 426	\$ 1,759
<b>2014</b>				
Premiums	\$ 7,189	\$ 1,027	\$ 3,535	\$ 11,751
Net investment income	1,109	128	194	1,431
Fee income	219			219
Other revenues	22	10	43	75
Total operating revenues (1)	\$ 8,539	\$ 1,165	\$ 3,772	\$ 13,476
Operating income (1)	\$ 1,165	\$ 346	\$ 343	\$ 1,854

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- (1) Operating revenues for reportable business segments exclude net realized investment gains (losses). Operating income for reportable business segments equals net income excluding the after-tax impact of net realized investment gains (losses).

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 2. SEGMENT INFORMATION, Continued

## Business Segment Reconciliations

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Revenue reconciliation</b>				
Earned premiums				
Business and International Insurance:				
Domestic:				
Workers compensation	\$ 957	\$ 923	\$ 1,919	\$ 1,831
Commercial automobile	477	473	946	941
Commercial property	442	440	883	868
General liability	473	457	945	904
Commercial multi-peril	779	763	1,554	1,518
Other	10	11	20	21
Total Domestic	3,138	3,067	6,267	6,083
International	471	564	962	1,106
Total Business and International Insurance	3,609	3,631	7,229	7,189
Bond & Specialty Insurance:				
Fidelity and surety	240	238	465	460
General liability	240	241	476	478
Other	44	45	87	89
Total Bond & Specialty Insurance	524	524	1,028	1,027
Personal Insurance:				
Automobile	863	821	1,699	1,636
Homeowners and other	935	952	1,863	1,899
Total Personal Insurance	1,798	1,773	3,562	3,535
Total earned premiums	5,931	5,928	11,819	11,751
Net investment income	632	695	1,224	1,431
Fee income	111	112	222	219
Other revenues	22	33	47	75
Total operating revenues for reportable segments	6,696	6,768	13,312	13,476
Other revenues		1		
Net realized investment gains	10	16	20	17
Total consolidated revenues	\$ 6,706	\$ 6,785	\$ 13,332	\$ 13,493

## Income reconciliation, net of tax

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Total operating income for reportable segments	\$	<b>868</b>	\$	738	\$	<b>1,759</b>	\$	1,854
Interest Expense and Other (1)		<b>(62)</b>		(65)		<b>(126)</b>		(129)
Total operating income		<b>806</b>		673		<b>1,633</b>		1,725
Net realized investment gains		<b>6</b>		10		<b>12</b>		10
Total consolidated net income	\$	<b>812</b>	\$	683	\$	<b>1,645</b>	\$	1,735

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(1) The primary component of Interest Expense and Other was after-tax interest expense of \$60 million in each of the three months ended June 30, 2015 and 2014, and \$120 million in each of the six months ended June 30, 2015 and 2014.

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 2. SEGMENT INFORMATION, Continued

(in millions)	June 30, 2015	December 31, 2014
<b>Asset reconciliation:</b>		
Business and International Insurance	\$ 80,839	\$ 82,309
Bond & Specialty Insurance	7,585	7,525
Personal Insurance	12,692	12,798
Total assets for reportable segments	101,116	102,632
Other assets (1)	548	446
Total consolidated assets	\$ 101,664	\$ 103,078

(1) The primary components of other assets at June 30, 2015 and December 31, 2014 were other intangible assets and deferred taxes.

## 3. INVESTMENTS

**Fixed Maturities**

The amortized cost and fair value of investments in fixed maturities classified as available for sale were as follows:

(at June 30, 2015, in millions)	Amortized Cost	Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$ 2,025	\$ 28	\$ 7	\$ 2,046
Obligations of states, municipalities and political subdivisions:				
Pre-refunded	6,966	306	1	7,271
All other	24,704	888	153	25,439
Total obligations of states, municipalities and political subdivisions	31,670	1,194	154	32,710
Debt securities issued by foreign governments	2,049	52	1	2,100

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Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	1,905	147	6	2,046
All other corporate bonds	22,341	714	147	22,908
Redeemable preferred stock	113	10		123
Total	\$ 60,103	\$ 2,145	\$ 315	\$ 61,933

(at December 31, 2014, in millions)	Amortized Cost	Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$ 2,022	\$ 36	\$ 5	\$ 2,053
Obligations of states, municipalities and political subdivisions:				
Pre-refunded	7,229	332		7,561
All other	24,666	1,356	10	26,012
Total obligations of states, municipalities and political subdivisions	31,895	1,688	10	33,573
Debt securities issued by foreign governments	2,320	48		2,368
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	2,052	165	4	2,213
All other corporate bonds	22,390	844	99	23,135
Redeemable preferred stock	122	10		132
Total	\$ 60,801	\$ 2,791	\$ 118	\$ 63,474

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued****3. INVESTMENTS, Continued**

Pre-refunded bonds of \$7.27 billion and \$7.56 billion at June 30, 2015 and December 31, 2014, respectively, were bonds for which states or municipalities have established irrevocable trusts, almost exclusively comprised of U.S. Treasury securities, which were created to satisfy their responsibility for payments of principal and interest.

Proceeds from sales of fixed maturities classified as available for sale were \$1.23 billion and \$785 million during the six months ended June 30, 2015 and 2014, respectively. Gross gains of \$40 million and \$23 million and gross losses of \$3 million and \$4 million were realized on those sales during the six months ended June 30, 2015 and 2014, respectively.

**Equity Securities**

The cost and fair value of investments in equity securities were as follows:

(at June 30, 2015, in millions)	Cost		Gross Unrealized		Losses		Fair Value
	\$		\$	\$	\$	\$	
Public common stock	\$	410	\$	235	\$	6	\$ 639
Non-redeemable preferred stock		163		29		3	189
Total	\$	573	\$	264	\$	9	\$ 828

(at December 31, 2014, in millions)	Cost		Gross Unrealized		Losses		Fair Value
	\$		\$	\$	\$	\$	
Public common stock	\$	400	\$	295	\$	4	\$ 691
Non-redeemable preferred stock		179		31		2	208
Total	\$	579	\$	326	\$	6	\$ 899

Proceeds from sales of equity securities were \$28 million and \$95 million during the six months ended June 30, 2015 and 2014, respectively. Gross gains of \$5 million and \$19 million and gross losses of \$3 million and \$3 million were realized on those sales during the six months ended June 30, 2015 and 2014, respectively.

**Unrealized Investment Losses**

The following tables summarize, for all investments in an unrealized loss position at June 30, 2015 and December 31, 2014, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position. The fair value amounts reported in the tables are estimates that are prepared using the process described in note 4 herein and in note 4 of notes to the consolidated financial statements in the Company's 2014 Annual Report.



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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 3. INVESTMENTS, Continued

(at June 30, 2015, in millions)	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Fixed maturities</b>						
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$ 507	\$ 7	\$ 24	\$	\$ 531	\$ 7
Obligations of states, municipalities and political subdivisions	7,737	147	135	7	7,872	154
Debt securities issued by foreign governments	154	1			154	1
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	274	2	126	4	400	6
All other corporate bonds	5,509	114	570	33	6,079	147
Redeemable preferred stock	2				2	
Total fixed maturities	14,183	271	855	44	15,038	315
<b>Equity securities</b>						
Public common stock	51	6	29		80	6
Non-redeemable preferred stock	55	1	50	2	105	3
Total equity securities	106	7	79	2	185	9
Total	\$ 14,289	\$ 278	\$ 934	\$ 46	\$ 15,223	\$ 324

(at December 31, 2014, in millions)	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Fixed maturities</b>						
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$ 180	\$ 2	\$ 125	\$ 3	\$ 305	\$ 5
Obligations of states, municipalities and political subdivisions	173	1	797	9	970	10
Debt securities issued by foreign governments	50		24		74	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	68		192	4	260	4

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All other corporate bonds	2,148	38	2,355	61	4,503	99
Total fixed maturities	2,619	41	3,493	77	6,112	118
<b>Equity securities</b>						
Public common stock	81	4	1		82	4
Non-redeemable preferred stock	44	1	42	1	86	2
Total equity securities	125	5	43	1	168	6
Total	\$ 2,744	\$ 46	\$ 3,536	\$ 78	\$ 6,280	\$ 124

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**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued**

**3. INVESTMENTS, Continued**

Unrealized losses for all fixed maturities and equity securities reported at fair value for which fair value is less than 80% of amortized cost at June 30, 2015 totaled \$9 million, representing less than 1% of the combined fixed maturity and equity security portfolios on a pretax basis and less than 1% of shareholders' equity on an after-tax basis.

**Impairment Charges**

Impairment charges included in net realized investment gains in the consolidated statement of income were \$6 million and \$1 million for the three months ended June 30, 2015 and 2014, respectively, and \$9 million and \$10 million for the six months ended June 30, 2015 and 2014, respectively.

The cumulative credit component of other-than-temporary impairments (OTTI) on fixed maturities recognized in the consolidated statement of income for which a portion of the OTTI was recognized in other comprehensive income for fixed maturities held at June 30, 2015 and 2014 totaled \$88 million and \$109 million, respectively, representing less than 1% of the fixed maturity portfolio on a pretax basis and less than 1% of shareholders' equity on an after-tax basis at both dates. There were no significant changes in the credit component of OTTI during the three months and six months ended June 30, 2015 and 2014 from that disclosed in note 3 of notes to the consolidated financial statements in the Company's 2014 Annual Report.

**Derivative Financial Instruments**

From time to time, the Company enters into U.S. Treasury note futures contracts to modify the effective duration of specific assets within the investment portfolio. U.S. Treasury futures contracts require a daily mark-to-market and settlement with the broker. At June 30, 2015 and December 31, 2014, the Company had \$450 million and \$350 million notional value of open U.S. Treasury futures contracts, respectively. Net realized investment gains in the three months ended June 30, 2015 and 2014 and the six months ended June 30, 2015 and 2014 related to U.S. Treasury futures contracts were not significant.

**4. FAIR VALUE MEASUREMENTS**

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The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement in its entirety. The three levels of the hierarchy are as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

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**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued**

**4. FAIR VALUE MEASUREMENTS, Continued**

*Valuation of Investments Reported at Fair Value in Financial Statements*

The Company utilized a pricing service to estimate fair value measurements for approximately 98% of its fixed maturities at both June 30, 2015 and December 31, 2014.

While the vast majority of the Company's fixed maturities are included in Level 2, the Company holds a number of municipal bonds and corporate bonds which are not valued by the pricing service and estimates the fair value of these bonds using an internal pricing matrix with some unobservable inputs that are significant to the valuation. Due to the limited amount of observable market information, the Company includes the fair value estimates for these particular bonds in Level 3. The fair value of the fixed maturities for which the Company used an internal pricing matrix was \$103 million and \$92 million at June 30, 2015 and December 31, 2014, respectively. Additionally, the Company holds a small amount of other fixed maturity investments that have characteristics that make them unsuitable for matrix pricing. For these fixed maturities, the Company obtains a quote from a broker (primarily the market maker). The fair value of the fixed maturities for which the Company received a broker quote was \$111 million and \$140 million at June 30, 2015 and December 31, 2014, respectively. Due to the disclaimers on the quotes that indicate that the price is indicative only, the Company includes these fair value estimates in Level 3.

For more information regarding the valuation of the Company's fixed maturities, equity securities and other investments, see note 4 of notes to the consolidated financial statements in the Company's 2014 Annual Report.

*Fair Value Hierarchy*

The following tables present the level within the fair value hierarchy at which the Company's financial assets and financial liabilities are measured on a recurring basis at June 30, 2015 and December 31, 2014. An investment transferred between levels during a period is transferred at its fair value as of the beginning of that period.

(at June 30, 2015, in millions)	Total	Level 1	Level 2	Level 3
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<b>Invested assets:</b>				
<b>Fixed maturities</b>				

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U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$	2,046	\$	2,043	\$	3	\$	
Obligations of states, municipalities and political subdivisions		32,710		7		32,689	14	
Debt securities issued by foreign governments		2,100				2,100		
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities		2,046				2,010	36	
All other corporate bonds		22,908				22,751	157	
Redeemable preferred stock		123		3		113	7	
Total fixed maturities		61,933		2,053		59,666	214	
<b>Equity securities</b>								
Public common stock		639		637			2	
Non-redeemable preferred stock		189		71		118		
Total equity securities		828		708		118	2	
<b>Other investments</b>								
		58		18			40	
<b>Total</b>	\$	62,819	\$	2,779	\$	59,784	\$	256

During the six months ended June 30, 2015, the Company's transfers between Level 1 and Level 2 were not significant.

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued****4. FAIR VALUE MEASUREMENTS, Continued**

(at December 31, 2014, in millions)	Total	Level 1	Level 2	Level 3
<b>Invested assets:</b>				
<b>Fixed maturities</b>				
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$ 2,053	\$ 2,049	\$ 4	
Obligations of states, municipalities and political subdivisions	33,573		33,560	13
Debt securities issued by foreign governments	2,368		2,368	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	2,213		2,203	10
All other corporate bonds	23,135		22,934	201
Redeemable preferred stock	132	2	122	8
Total fixed maturities	63,474	2,051	61,191	232
<b>Equity securities</b>				
Public common stock	691	691		
Non-redeemable preferred stock	208	82	126	
Total equity securities	899	773	126	
<b>Other investments</b>	55	19		36
<b>Total</b>	\$ 64,428	\$ 2,843	\$ 61,317	\$ 268

During the year ended December 31, 2014, the Company's transfers between Level 1 and Level 2 were not significant.

There was no significant activity in Level 3 of the hierarchy during the six months ended June 30, 2015 or the year ended December 31, 2014.

**Financial Instruments Disclosed, But Not Carried, At Fair Value**

The Company uses various financial instruments in the normal course of its business. The following tables present the carrying value and fair value of the Company's financial assets and financial liabilities disclosed, but not carried, at fair value at June 30, 2015 and December 31, 2014, and the level within the fair value hierarchy at which such assets and liabilities are categorized.

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(at June 30, 2015, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Short-term securities	\$ 3,924	\$ 3,924	\$ 1,387	\$ 2,497	\$ 40
<b>Financial liabilities:</b>					
Debt	\$ 6,250	\$ 7,237		\$ 7,237	
Commercial paper	\$ 100	\$ 100		\$ 100	

(at December 31, 2014, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Financial assets:</b>					
Short-term securities	\$ 4,364	\$ 4,364	\$ 1,283	\$ 3,042	\$ 39
<b>Financial liabilities:</b>					
Debt	\$ 6,249	\$ 7,522		\$ 7,522	
Commercial paper	\$ 100	\$ 100		\$ 100	



Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued****4. FAIR VALUE MEASUREMENTS, Continued**

The Company utilized a pricing service to estimate fair value for approximately 98% of short-term securities at both June 30, 2015 and December 31, 2014. For a description of the process and inputs used by the pricing service to estimate fair value, see the Fixed Maturities section in note 4 of notes to the consolidated financial statements in the Company's 2014 Annual Report.

The Company utilized a pricing service to estimate fair value for 100% of its debt, including commercial paper, at June 30, 2015 and December 31, 2014.

The Company had no material assets or liabilities that were measured at fair value on a non-recurring basis during the six months ended June 30, 2015 or twelve months ended December 31, 2014.

**5. GOODWILL AND OTHER INTANGIBLE ASSETS****Goodwill**

The following table presents the carrying amount of the Company's goodwill by segment at June 30, 2015 and December 31, 2014:

(in millions)	June 30, 2015	December 31, 2014
Business and International Insurance (1)	\$ 2,459	\$ 2,476
Bond & Specialty Insurance	495	495
Personal Insurance	613	613
Other	27	27
Total	\$ 3,594	\$ 3,611

(1) Includes goodwill associated with the Company's international business which is subject to the impact of changes in foreign currency exchange rates.

**Other Intangible Assets**

The following tables present a summary of the Company's other intangible assets by major asset class at June 30, 2015 and December 31, 2014:

(at June 30, 2015, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
<b>Intangibles subject to amortization</b>			
Customer-related (1)	\$ 5	\$ 4	\$ 1
Fair value adjustment on claims and claim adjustment expense reserves, reinsurance recoverables and other contract-related intangibles (2)	208	142	66
Total intangible assets subject to amortization	213	146	67
<b>Intangible assets not subject to amortization</b>			
Total other intangible assets	\$ 430	\$ 146	\$ 284

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

(at December 31, 2014, in millions)	Gross Carrying Amount		Accumulated Amortization		Net
<b>Intangibles subject to amortization</b>					
Customer-related	\$ 460	\$	\$ 446	\$	\$ 14
Fair value adjustment on claims and claim adjustment expense reserves, reinsurance recoverables and other contract-related intangibles (2)	209		136		73
Total intangible assets subject to amortization	669		582		87
<b>Intangible assets not subject to amortization</b>					<b>217</b>
Total other intangible assets	\$ 886	\$	\$ 582	\$	\$ 304

(1) Certain customer-related intangible assets became fully amortized during the second quarter of 2015.

(2) The time value of money and the risk adjustment (cost of capital) components of the intangible asset run off at different rates, and, as such, the amount recognized in income may be a net benefit in some periods and a net expense in other periods.

The following presents a summary of the Company's amortization expense for other intangible assets by major asset class:

(in millions)	Three Months Ended		Six Months Ended	
	2015	June 30, 2014	2015	June 30, 2014
Customer-related	\$ 6	\$ 7	\$ 14	\$ 15
Fair value adjustment on claims and claim adjustment expense reserves, reinsurance recoverables and other contract-related intangibles	3	4	6	8
Total amortization expense	\$ 9	\$ 11	\$ 20	\$ 23

Intangible asset amortization expense is estimated to be \$7 million for the remainder of 2015, \$10 million in 2016, \$9 million in 2017, \$7 million in 2018 and \$6 million in 2019.

**6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table presents the changes in the Company's accumulated other comprehensive income (AOCI) for the six months ended June 30, 2015.

(in millions)	Changes in Net Unrealized Gains on Investment Securities Having No Credit Losses Recognized in the Consolidated Statement of Income	Changes in Net Unrealized Gains on Investment Securities Having Credit Losses Recognized in the Consolidated Statement of Income	Net Benefit Plan Assets and Obligations Recognized in Shareholders	Equity	Net Unrealized Foreign Currency Translation	Total Accumulated Other Comprehensive Income
<b>Balance, December 31, 2014</b>	\$ 1,768	\$ 198	\$ (755)		\$ (331)	\$ 880
Other comprehensive income (loss) (OCI) before reclassifications	(561)	(8)		1	(152)	(720)
Amounts reclassified from AOCI	(23)	2		30		9
Net OCI, current period	(584)	(6)		31	(152)	(711)
<b>Balance, June 30, 2015</b>	\$ 1,184	\$ 192	\$ (724)		\$ (483)	\$ 169

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

**6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME, Continued**

The following tables present the pretax components of the Company's other comprehensive income (loss) and the related income tax expense (benefit) for the three months and six months ended June 30, 2015 and 2014.

(for the three months ended June 30, in millions)	2015	2014
Changes in net unrealized gains on investment securities:		
Having no credit losses recognized in the consolidated statement of income	\$ (1,065)	\$ 518
Income tax expense (benefit)	(368)	180
Net of taxes	(697)	338
Having credit losses recognized in the consolidated statement of income		
Income tax expense (benefit)	(2)	1
Net of taxes	(3)	1
Net changes in benefit plan assets and obligations		
Income tax expense	8	5
Net of taxes	15	10
Net changes in unrealized foreign currency translation		
Income tax expense	9	11
Net of taxes	85	86
Total other comprehensive income (loss)	(953)	631
Total income tax expense (benefit)	(353)	196
<b>Total other comprehensive income (loss), net of taxes</b>	<b>\$ (600)</b>	<b>\$ 435</b>

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued****6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME, Continued**

(for the six months ended June 30, in millions)	2015	2014
Changes in net unrealized gains on investment securities:		
Having no credit losses recognized in the consolidated statement of income	\$ (896)	\$ 1,055
Income tax expense (benefit)	(312)	366
Net of taxes	(584)	689
Having credit losses recognized in the consolidated statement of income		
Income tax expense (benefit)	(10)	3
Net of taxes	(4)	1
	(6)	2
Net changes in benefit plan assets and obligations		
Income tax expense	47	30
Net of taxes	16	12
	31	18
Net changes in unrealized foreign currency translation		
Income tax expense (benefit)	(180)	54
Net of taxes	(28)	11
	(152)	43
Total other comprehensive income (loss)	(1,039)	1,142
Total income tax expense (benefit)	(328)	390
<b>Total other comprehensive income (loss), net of taxes</b>	<b>\$ (711)</b>	<b>\$ 752</b>

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

**6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME, Continued**

The following tables present the pretax and related income tax (expense) benefit components of the amounts reclassified from the Company's AOCI to the Company's consolidated statement of income for the three months and six months ended June 30, 2015 and 2014.

(for the three months ended June 30, in millions)	2015	2014
Reclassification adjustments related to unrealized gains on investment securities:		
Having no credit losses recognized in the consolidated statement of income (1)	\$ (17)	\$ (24)
Income tax expense (2)	(6)	(8)
Net of taxes	(11)	(16)
Having credit losses recognized in the consolidated statement of income (1)		
	2	1
Income tax benefit (2)		1
Net of taxes	2	
Reclassification adjustment related to benefit plan assets and obligations (3)		
	24	15
Income tax benefit (2)	9	5
Net of taxes	15	10
Reclassification adjustment related to foreign currency translation (1)		
Income tax benefit (2)		
Net of taxes		
Total reclassifications	9	(8)
Total income tax (expense) benefit	3	(2)
<b>Total reclassifications, net of taxes</b>	<b>\$ 6</b>	<b>\$ (6)</b>

- 
- (1) (Increases) decreases net realized investment gains on the consolidated statement of income.
- (2) (Increases) decreases income tax expense on the consolidated statement of income.
- (3) Increases (decreases) general and administrative expenses on the consolidated statement of income.





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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME, Continued

(for the six months ended June 30, in millions)	2015	2014
Reclassification adjustments related to unrealized gains on investment securities:		
Having no credit losses recognized in the consolidated statement of income (1)	\$ (35)	\$ (29)
Income tax expense (2)	(12)	(10)
Net of taxes	(23)	(19)
Having credit losses recognized in the consolidated statement of income (1)	2	4
Income tax benefit (2)	2	2
Net of taxes	2	2
Reclassification adjustment related to benefit plan assets and obligations (3)	47	30
Income tax benefit (2)	17	12
Net of taxes	30	18
Reclassification adjustment related to foreign currency translation (1)		
Income tax benefit (2)		
Net of taxes		
Total reclassifications	14	5
Total income tax benefit	5	4
<b>Total reclassifications, net of taxes</b>	<b>\$ 9</b>	<b>\$ 1</b>

- 
- (1) (Increases) decreases net realized investment gains on the consolidated statement of income.
- (2) (Increases) decreases income tax expense on the consolidated statement of income.
- (3) Increases (decreases) general and administrative expenses on the consolidated statement of income.

## 7. COMMON SHARE REPURCHASES

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During the three months and six months ended June 30, 2015, the Company repurchased 7.9 million and 13.5 million shares, respectively, under its share repurchase authorization, for a total cost of \$800 million and \$1.40 billion, respectively. The average cost per share repurchased was \$101.62 and \$103.85, respectively. On April 21, 2015, the Company's board of directors approved a share repurchase authorization that added an additional \$5.0 billion of repurchase capacity. At June 30, 2015, the Company had \$5.08 billion of capacity remaining under its share repurchase authorization. In addition, the Company acquired 4,448 and 0.7 million shares for a total cost of \$0.5 million and \$73 million during the three months and six months ended June 30, 2015, respectively, that were not part of the publicly announced share repurchase authorization. These shares consisted of shares retained to cover payroll withholding taxes in connection with the vesting of restricted stock awards and shares used by employees to cover the exercise price of certain stock options that were exercised.

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 8. EARNINGS PER SHARE

The following is a reconciliation of the net income and share data used in the basic and diluted earnings per share computations for the periods presented:

(in millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Basic and Diluted</b>				
Net income, as reported	\$ 812	\$ 683	\$ 1,645	\$ 1,735
Participating share-based awards allocated income	(6)	(5)	(12)	(12)
Net income available to common shareholders basic and diluted	\$ 806	\$ 678	\$ 1,633	\$ 1,723
<b>Common Shares</b>				
<b>Basic</b>				
Weighted average shares outstanding	314.8	343.0	317.7	346.9
<b>Diluted</b>				
Weighted average shares outstanding	314.8	343.0	317.7	346.9
Weighted average effects of dilutive securities stock options and performance shares	3.2	3.7	3.5	3.6
Total	318.0	346.7	321.2	350.5
<b>Net Income per Common Share</b>				
Basic	\$ 2.56	\$ 1.98	\$ 5.14	\$ 4.97
Diluted	\$ 2.53	\$ 1.95	\$ 5.08	\$ 4.91

## 9. SHARE-BASED INCENTIVE COMPENSATION

The following information relates to fully vested stock option awards at June 30, 2015:

Stock Options	Number	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value (\$ in millions)
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				Remaining		
Vested at end of period (1)	7,882,636	\$	66.99	6.3 years	\$	244
Exercisable at end of period	4,899,904	\$	53.29	4.9 years	\$	213

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

The total compensation cost for all share-based incentive compensation awards recognized in earnings was \$31 million for each of the three months ended June 30, 2015 and 2014, and \$78 million and \$75 million for the six months ended June 30, 2015 and 2014, respectively. The related tax benefits recognized in the consolidated statement of income were \$10 million and \$11 million for the three months ended June 30, 2015 and 2014, respectively, and \$26 million for each of the six months ended June 30, 2015 and 2014.

The total unrecognized compensation cost related to all nonvested share-based incentive compensation awards at June 30, 2015 was \$181 million, which is expected to be recognized over a weighted-average period of 2.0 years. The total unrecognized compensation cost related to all nonvested share-based incentive compensation awards at December 31, 2014 was \$123 million, which was expected to be recognized over a weighted-average period of 1.7 years.

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 10. PENSION PLANS, RETIREMENT BENEFITS AND SAVINGS PLANS

The following tables summarize the components of net periodic benefit cost for the Company's pension and postretirement benefit plans recognized in the consolidated statement of income.

(for the three months ended June 30, in millions)	Pension Plans		Postretirement Benefit Plans	
	2015	2014	2015	2014
<b>Net Periodic Benefit Cost:</b>				
Service cost	\$ 32	\$ 28	\$	\$
Interest cost on benefit obligation	36	37	2	3
Expected return on plan assets	(57)	(55)		
Amortization of unrecognized:				
Prior service benefit				
Net actuarial (gain) loss	24	16		(1)
Net periodic benefit cost	\$ 35	\$ 26	\$ 2	\$ 2

(for the six months ended June 30, in millions)	Pension Plans		Postretirement Benefit Plans	
	2015	2014	2015	2014
<b>Net Periodic Benefit Cost:</b>				
Service cost	\$ 65	\$ 55	\$	\$
Interest cost on benefit obligation	72	75	5	5
Expected return on plan assets	(115)	(109)		
Amortization of unrecognized:				
Prior service benefit			(1)	(1)
Net actuarial (gain) loss	48	32		(1)
Net periodic benefit cost	\$ 70	\$ 53	\$ 4	\$ 3

## 11. CONTINGENCIES, COMMITMENTS AND GUARANTEES

**Contingencies**

The major pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or to which any of the Company's properties is subject are described below.

**Asbestos and Environmental Claims and Litigation**

In the ordinary course of its insurance business, the Company has received and continues to receive claims for insurance arising under policies issued by the Company asserting alleged injuries and damages from asbestos- and environmental-related exposures that are the subject of related coverage litigation. The Company is defending asbestos- and environmental-related litigation vigorously and believes that it has meritorious defenses; however, the outcomes of these disputes are uncertain. In this regard, the Company employs dedicated specialists and aggressive resolution strategies to manage asbestos and environmental loss exposure, including settling litigation under appropriate circumstances. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims and litigation relating to asbestos and environmental claims. Any such development will be affected by future court decisions and interpretations, as well as changes in applicable legislation. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company's current reserves. In addition, the Company's estimate of ultimate claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's results of operations in future periods.

***Settlement of Asbestos Direct Action Litigation***

In January 2015, pursuant to an order issued by the federal bankruptcy court, the Company made a payment in the amount of \$579 million for the settlement of litigation that had commenced in 2001 related to the handling and settlement of

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**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued**

**11. CONTINGENCIES, COMMITMENTS AND GUARANTEES, Continued**

asbestos claims. The payment was fully accrued in the Company's financial statements at December 31, 2014 and was comprised of the \$502 million settlement amounts, plus pre- and post-judgment interest totaling \$77 million. For further information related to this litigation, see

Settlement of Asbestos Direct Action Litigation in note 16 of notes to the consolidated financial statements in the Company's 2014 Annual Report.

**Other Proceedings Not Arising Under Insurance Contracts or Reinsurance Agreements**

The Company is involved in other lawsuits, including lawsuits alleging extra-contractual damages relating to insurance contracts or reinsurance agreements, that do not arise under insurance contracts or reinsurance agreements. The legal costs associated with such lawsuits are expensed in the period in which the costs are incurred. Based upon currently available information, the Company does not believe it is reasonably possible that any such lawsuit or related lawsuits would be material to the Company's results of operations or would have a material adverse effect on the Company's financial position or liquidity.

**Gain Contingency**

On August 17, 2010, in a reinsurance dispute in New York state court captioned *United States Fidelity & Guaranty Company v. American Re-Insurance Company, et al.*, the trial court granted summary judgment for United States Fidelity and Guaranty Company (USF&G), a subsidiary of the Company, and denied summary judgment for American Re-Insurance Company, a subsidiary of Munich Re (American Re), and three other reinsurers. That summary judgment was largely affirmed on appeal, but the Court of Appeals remanded the case for trial on two discrete issues. On June 3, 2015, the trial court entered orders on pretrial motions filed by all parties and determined that the issues for trial will be limited to those remanded by the Court of Appeals. The reinsurers filed notice of their intent to appeal the trial court's orders to the Appellate Division, First Department and on June 5, 2015, requested a stay of the August 3, 2015 trial date while their appeal is pending. On July 10, 2015, the Appellate Division granted the reinsurers' request for a stay of the August 3, 2015 trial date. At June 30, 2015, the claim totaled \$498 million, comprising the \$238 million of reinsurance recoverable plus interest amounting to \$260 million as of that date. Interest will continue to accrue at an annual rate of 9% until the claim is paid. The \$238 million of reinsurance recoverable owed to USF&G under the terms of the disputed reinsurance contract has been reported as part of reinsurance recoverables in the Company's consolidated balance sheet. The interest that would be owed as part of any judgment ultimately entered in favor of USF&G is treated for accounting purposes as a gain contingency in accordance with FASB Topic 450, *Contingencies*, and accordingly has not been recognized in the Company's consolidated financial statements. For additional discussion of this gain contingency, see note 16 of notes to the consolidated financial statements in the Company's 2014 Annual Report.

**Other Commitments and Guarantees**

**Commitments**

*Investment Commitments* The Company has unfunded commitments to private equity limited partnerships and real estate partnerships in which it invests. These commitments totaled \$1.65 billion and \$1.63 billion at June 30, 2015 and December 31, 2014, respectively.

**Guarantees**

The maximum amount of the Company's contingent obligation for indemnifications related to the sale of businesses that are quantifiable was \$455 million at June 30, 2015, of which \$2 million was recognized on the balance sheet at that date.

The maximum amount of the Company's obligation for guarantees of certain investments and third-party loans related to certain investments that are quantifiable was \$150 million at June 30, 2015, approximately \$75 million of which is indemnified by a third party. The maximum amount of the Company's obligation related to the guarantee of certain insurance policy obligations of a former insurance subsidiary was \$480 million at June 30, 2015, all of which is indemnified by a third party.

For more information regarding Company guarantees, see note 16 of notes to the consolidated financial statements in the Company's 2014 Annual Report.



Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued****12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES**

The following consolidating financial statements of the Company have been prepared pursuant to Rule 3-10 of Regulation S-X. These consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the consolidated financial statements. The Travelers Companies, Inc. has fully and unconditionally guaranteed certain debt obligations of Travelers Property Casualty Corp. (TPC), which totaled \$700 million at June 30, 2015.

Prior to the merger of TPC and The St. Paul Companies, Inc. in 2004, TPC fully and unconditionally guaranteed the payment of all principal, premiums, if any, and interest on certain debt obligations of its wholly-owned subsidiary, Travelers Insurance Group Holdings, Inc. (TIGHI). Concurrent with the merger, The Travelers Companies, Inc. fully and unconditionally assumed such guarantee obligations of TPC. TPC is deemed to have no assets or operations independent of TIGHI. Consolidating financial information for TIGHI has not been presented herein because such financial information would be substantially the same as the financial information provided for TPC.

**CONSOLIDATING STATEMENT OF INCOME (Unaudited)**

For the three months ended June 30, 2015

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
<b>Revenues</b>					
Premiums	\$ 4,044	\$ 1,887	\$	\$	\$ 5,931
Net investment income	424	206	2		632
Fee income	111				111
Net realized investment gains (losses) (1)	17	(7)			10
Other revenues	19	3			22
<b>Total revenues</b>	<b>4,615</b>	<b>2,089</b>	<b>2</b>		<b>6,706</b>
<b>Claims and expenses</b>					
Claims and claim adjustment expenses	2,409	1,138			3,547
Amortization of deferred acquisition costs	651	312			963
General and administrative expenses	717	308	3		1,028
Interest expense	12		80		92
<b>Total claims and expenses</b>	<b>3,789</b>	<b>1,758</b>	<b>83</b>		<b>5,630</b>
<b>Income (loss) before income taxes</b>	<b>826</b>	<b>331</b>	<b>(81)</b>		<b>1,076</b>
Income tax expense (benefit)	198	86	(20)		264

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Net income of subsidiaries					873	(873)	
<b>Net income</b>	\$	628	\$	245	\$	812	\$ 812

(1) Total other-than-temporary impairment (OTTI) for the three months ended June 30, 2015, and the amounts comprising total OTTI that were recognized in net realized investment gains (losses) and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
Total OTTI gains (losses)	\$ (7)	\$ (1)	\$	\$	\$ (8)
OTTI losses recognized in net realized investment gains	\$ (5)	\$ (1)	\$	\$	\$ (6)
OTTI gains (losses) recognized in OCI	\$ (2)	\$	\$	\$	\$ (2)

(2) The Travelers Companies, Inc., excluding its subsidiaries.

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

## CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the three months ended June 30, 2014

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
<b>Revenues</b>					
Premiums	\$ 4,020	\$ 1,908	\$	\$	\$ 5,928
Net investment income	472	221	2		695
Fee income	111	1			112
Net realized investment gains (1)	5	11			16
Other revenues	32	2			34
<b>Total revenues</b>	<b>4,640</b>	<b>2,143</b>	<b>2</b>		<b>6,785</b>
<b>Claims and expenses</b>					
Claims and claim adjustment expenses	2,569	1,257			3,826
Amortization of deferred acquisition costs	650	315			965
General and administrative expenses	697	300	4		1,001
Interest expense	12		80		92
<b>Total claims and expenses</b>	<b>3,928</b>	<b>1,872</b>	<b>84</b>		<b>5,884</b>
<b>Income (loss) before income taxes</b>	<b>712</b>	<b>271</b>	<b>(82)</b>		<b>901</b>
Income tax expense (benefit)	186	60	(28)		218
Net income of subsidiaries			737	(737)	
<b>Net income</b>	<b>\$ 526</b>	<b>\$ 211</b>	<b>\$ 683</b>	<b>\$ (737)</b>	<b>\$ 683</b>

(1) Total other-than-temporary impairment (OTTI) for the three months ended June 30, 2014, and the amounts comprising total OTTI that were recognized in net realized investment gains (losses) and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
Total OTTI gains (losses)	\$ (1)	\$	\$	\$	\$ (1)
OTTI losses recognized in net realized investment gains	\$ (1)	\$	\$	\$	\$ (1)

OTTI gains (losses) recognized in OCI	\$	\$	\$	\$	\$
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(2) The Travelers Companies, Inc., excluding its subsidiaries.

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

## CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the six months ended June 30, 2015

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
<b>Revenues</b>					
Premiums	\$ 8,040	\$ 3,779	\$	\$	\$ 11,819
Net investment income	835	386	3		1,224
Fee income	222				222
Net realized investment gains (1)	19		1		20
Other revenues	40	7			47
<b>Total revenues</b>	<b>9,156</b>	<b>4,172</b>	<b>4</b>		<b>13,332</b>
<b>Claims and expenses</b>					
Claims and claim adjustment expenses	4,718	2,260			6,978
Amortization of deferred acquisition costs	1,293	633			1,926
General and administrative expenses	1,412	600	8		2,020
Interest expense	24		160		184
<b>Total claims and expenses</b>	<b>7,447</b>	<b>3,493</b>	<b>168</b>		<b>11,108</b>
<b>Income (loss) before income taxes</b>	<b>1,709</b>	<b>679</b>	<b>(164)</b>		<b>2,224</b>
Income tax expense (benefit)	449	179	(49)		579
Net income of subsidiaries			1,760	(1,760)	
<b>Net income</b>	<b>\$ 1,260</b>	<b>\$ 500</b>	<b>\$ 1,645</b>	<b>\$ (1,760)</b>	<b>\$ 1,645</b>

(1) Total other-than-temporary impairment (OTTI) for the six months ended June 30, 2015, and the amounts comprising total OTTI that were recognized in net realized investment gains (losses) and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
Total OTTI gains (losses)	\$ (8)	\$ (4)	\$	\$	\$ (12)
OTTI losses recognized in net realized investment gains	\$ (6)	\$ (3)	\$	\$	\$ (9)

OTTI gains (losses) recognized in OCI	\$	(2)	\$	(1)	\$	\$	\$	(3)
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(2) The Travelers Companies, Inc., excluding its subsidiaries.

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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

## CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the six months ended June 30, 2014

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
<b>Revenues</b>					
Premiums	\$ 7,964	\$ 3,787	\$	\$	\$ 11,751
Net investment income	972	456	3		1,431
Fee income	218	1			219
Net realized investment gains (1)	6	9	2		17
Other revenues	65	10			75
<b>Total revenues</b>	<b>9,225</b>	<b>4,263</b>	<b>5</b>		<b>13,493</b>
<b>Claims and expenses</b>					
Claims and claim adjustment expenses	4,790	2,351			7,141
Amortization of deferred acquisition costs	1,285	630			1,915
General and administrative expenses	1,310	565	7		1,882
Interest expense	24		160		184
<b>Total claims and expenses</b>	<b>7,409</b>	<b>3,546</b>	<b>167</b>		<b>11,122</b>
<b>Income (loss) before income taxes</b>	<b>1,816</b>	<b>717</b>	<b>(162)</b>		<b>2,371</b>
Income tax expense (benefit)	507	185	(56)		636
Net income of subsidiaries			1,841	(1,841)	
<b>Net income</b>	<b>\$ 1,309</b>	<b>\$ 532</b>	<b>\$ 1,735</b>	<b>\$ (1,841)</b>	<b>\$ 1,735</b>

(1) Total other-than-temporary impairment (OTTI) for the six months ended June 30, 2014, and the amounts comprising total OTTI that were recognized in net realized investment gains (losses) and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	Travelers (2)	Eliminations	Consolidated
Total OTTI gains (losses)	\$ (3)	\$ (5)	\$	\$	\$ (8)
OTTI losses recognized in net realized investment gains	\$ (5)	\$ (5)	\$	\$	\$ (10)

OTTI gains (losses) recognized in OCI	\$	2	\$	\$	\$	2
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(2) The Travelers Companies, Inc., excluding its subsidiaries.



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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

## CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended June 30, 2015

(in millions)	TPC	Other Subsidiaries	Travelers (1)	Eliminations	Consolidated
<b>Net income</b>	\$ 628	\$ 245	\$ 812	\$ (873)	\$ 812
<b>Other comprehensive income (loss):</b>					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	(719)	(345)	(1)		(1,065)
Having credit losses recognized in the consolidated statement of income	(5)				(5)
Net changes in benefit plan assets and obligations	1		22		23
Net changes in unrealized foreign currency translation	34	60			94
<b>Other comprehensive income (loss) before income taxes and other comprehensive loss of subsidiaries</b>	(689)	(285)	21		(953)
Income tax expense (benefit)	(246)	(115)	8		(353)
<b>Other comprehensive income (loss), net of taxes, before other comprehensive loss of subsidiaries</b>	(443)	(170)	13		(600)
Other comprehensive loss of subsidiaries			(613)	613	
<b>Other comprehensive loss</b>	(443)	(170)	(600)	613	(600)
<b>Comprehensive income</b>	\$ 185	\$ 75	\$ 212	\$ (260)	\$ 212

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(1) The Travelers Companies, Inc., excluding its subsidiaries.



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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

## CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended June 30, 2014

(in millions)	TPC	Other Subsidiaries	Travelers (1)	Eliminations	Consolidated
<b>Net income</b>	\$ 526	\$ 211	\$ 683	\$ (737)	\$ 683
<b>Other comprehensive income:</b>					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	359	155	4		518
Having credit losses recognized in the consolidated statement of income	2	(1)			1
Net changes in benefit plan assets and obligations			15		15
Net changes in unrealized foreign currency translation	51	46			97
<b>Other comprehensive income before income taxes and other comprehensive income of subsidiaries</b>	412	200	19		631
Income tax expense	129	61	6		196
<b>Other comprehensive income, net of taxes, before other comprehensive income of subsidiaries</b>	283	139	13		435
Other comprehensive income of subsidiaries			422	(422)	
<b>Other comprehensive income</b>	283	139	435	(422)	435
<b>Comprehensive income</b>	\$ 809	\$ 350	\$ 1,118	\$ (1,159)	\$ 1,118

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(1) The Travelers Companies, Inc., excluding its subsidiaries.



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## THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

## 12. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

## CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the six months ended June 30, 2015

(in millions)	TPC	Other Subsidiaries	Travelers (1)	Eliminations	Consolidated
<b>Net income</b>	\$ 1,260	\$ 500	\$ 1,645	\$ (1,760)	\$ 1,645
<b>Other comprehensive income (loss):</b>					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	(585)	(312)	1		(896)
Having credit losses recognized in the consolidated statement of income	(9)	(1)			(10)
Net changes in benefit plan assets and obligations	1	1	45		47
Net changes in unrealized foreign currency translation	(145)	(35)			(180)
<b>Other comprehensive income (loss) before income taxes and other comprehensive loss of subsidiaries</b>	(738)	(347)	46		(1,039)
Income tax expense (benefit)	(232)	(112)	16		(328)
<b>Other comprehensive income (loss), net of taxes, before other comprehensive loss of subsidiaries</b>	(506)	(235)	30		(711)
Other comprehensive loss of subsidiaries			(741)	741	
<b>Other comprehensive loss</b>	(506)	(235)	(711)	741	(711)
<b>Comprehensive income</b>	\$ 754	\$ 265	\$ 934	\$ (1,019)	\$ 934

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(1) The Travelers Companies, Inc., excluding its subsidiaries.



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For the six months ended June 30, 2014

(in millions)	TPC	Other Subsidiaries	Travelers (1)	Eliminations	Consolidated
<b>Net income</b>	\$ 1,309	\$ 532	\$ 1,735	\$ (1,841)	\$ 1,735
<b>Other comprehensive income:</b>					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	750	301	4		1,055
Having credit losses recognized in the consolidated statement of income	9	(6)			3
Net changes in benefit plan assets and obligations			30		30
Net changes in unrealized foreign currency translation	26	28			54
<b>Other comprehensive income before income taxes and other comprehensive income of subsidiaries</b>	<b>785</b>	<b>323</b>	<b>34</b>		<b>1,142</b>
Income tax expense	272	106	12		390
<b>Other comprehensive income, net of taxes, before other comprehensive income of subsidiaries</b>	<b>513</b>	<b>217</b>	<b>22</b>		<b>752</b>
Other comprehensive income of subsidiaries			730	(730)	
<b>Other comprehensive income</b>	<b>513</b>	<b>217</b>	<b>752</b>	<b>(730)</b>	<b>752</b>
<b>Comprehensive income</b>	<b>\$ 1,822</b>	<b>\$ 749</b>	<b>\$ 2,487</b>	<b>\$ (2,571)</b>	<b>\$ 2,487</b>

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(1) The Travelers Companies, Inc., excluding its subsidiaries.





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At June 30, 2015

(in millions)	TPC	Other Subsidiaries	Travelers (1)	Eliminations	Consolidated
<b>Assets</b>					
Fixed maturities, available for sale, at fair value (amortized cost \$60,103)	\$ 42,549	\$ 19,340	\$ 44	\$	\$ 61,933
Equity securities, available for sale, at fair value (cost \$573)	224	460	144		828
Real estate investments	56	924			980
Short-term securities	1,798	478	1,648		3,924
Other investments	2,628	936	1		3,565
<b>Total investments</b>	<b>47,255</b>	<b>22,138</b>	<b>1,837</b>		<b>71,230</b>
Cash	184	131	2		317
Investment income accrued	451	201	3		655
Premiums receivable	4,504	2,260			6,764
Reinsurance recoverables	5,721	3,244			8,965
Ceded unearned premiums	690	92			782
Deferred acquisition costs	1,672	219			1,891
Deferred taxes	117	55	44		216
Contractholder receivables	3,417	1,056			4,473
Goodwill	2,589	1,005			3,594
Other intangible assets	202	82			284
Investment in subsidiaries			28,057	(28,057)	
Other assets	2,170	(32)	355		2,493
<b>Total assets</b>	<b>\$ 68,972</b>	<b>\$ 30,451</b>	<b>\$ 30,298</b>	<b>\$ (28,057)</b>	<b>\$ 101,664</b>
<b>Liabilities</b>					
Claims and claim adjustment expense reserves	\$ 32,161	\$ 16,672	\$	\$	\$ 48,833
Unearned premium reserves	8,414	3,739			12,153
Contractholder payables	3,417	1,056			4,473
Payables for reinsurance premiums	243	185			428
Debt	692		5,658		6,350
Other liabilities	4,145	630	531		5,306
<b>Total liabilities</b>	<b>49,072</b>	<b>22,282</b>	<b>6,189</b>		<b>77,543</b>

<b>Shareholders equity</b>					
Common stock (1,750.0 shares authorized; 311.2 shares issued and outstanding)		390	22,039	(390)	22,039
Additional paid-in capital	11,634	6,502		(18,136)	
Retained earnings	7,711	1,012	28,512	(8,711)	28,524
Accumulated other comprehensive income	555	265	169	(820)	169
Treasury stock, at cost (451.5 shares)			(26,611)		(26,611)
<b>Total shareholders equity</b>	<b>19,900</b>	<b>8,169</b>	<b>24,109</b>	<b>(28,057)</b>	<b>24,121</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 68,972</b>	<b>\$ 30,451</b>	<b>\$ 30,298</b>	<b>\$ (28,057)</b>	<b>\$ 101,664</b>

(1) The Travelers Companies, Inc., excluding its subsidiaries.

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At December 31, 2014

(in millions)	TPC	Other Subsidiaries	Travelers (1)	Eliminations	Consolidated
<b>Assets</b>					
Fixed maturities, available for sale, at fair value (amortized cost \$60,801)	\$ 43,401	\$ 20,043	\$ 30	\$	\$ 63,474
Equity securities, available for sale, at fair value (cost \$579)	236	522	141		899
Real estate investments	56	882			938
Short-term securities	2,128	706	1,530		4,364
Other investments	2,630	955	1		3,586
<b>Total investments</b>	<b>48,451</b>	<b>23,108</b>	<b>1,702</b>		<b>73,261</b>
Cash	221	151	2		374
Investment income accrued	468	215	2		685
Premiums receivable	4,241	2,057			6,298
Reinsurance recoverables	6,156	3,104			9,260
Ceded unearned premiums	608	70			678
Deferred acquisition costs	1,622	213			1,835
Deferred taxes	23	(40)	50		33
Contractholder receivables	3,306	1,056			4,362
Goodwill	2,602	1,009			3,611
Other intangible assets	216	88			304
Investment in subsidiaries			28,821	(28,821)	
Other assets	1,931	429	17		2,377
<b>Total assets</b>	<b>\$ 69,845</b>	<b>\$ 31,460</b>	<b>\$ 30,594</b>	<b>\$ (28,821)</b>	<b>\$ 103,078</b>
<b>Liabilities</b>					
Claims and claim adjustment expense reserves	\$ 32,999	\$ 16,851	\$	\$	\$ 49,850
Unearned premium reserves	8,201	3,638			11,839
Contractholder payables	3,306				