

TRAVELERS COMPANIES, INC.

Form 10-Q

July 22, 2014

[Table of Contents](#)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from _____ to _____

Commission file number: 001-10898

The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(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)

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

The number of shares of the Registrant's Common Stock, without par value, outstanding at July 18, 2014 was 339,043,610.

Table of Contents

The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended June 30, 2014

TABLE OF CONTENTS

	Page
<u>Part I Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements:</u>	
<u>Consolidated Statement of Income (Unaudited) Three Months and Six Months Ended June 30, 2014 and 2013</u>	3
<u>Consolidated Statement of Comprehensive Income (Loss) (Unaudited) Three Months and Six Months Ended June 30, 2014 and 2013</u>	4
<u>Consolidated Balance Sheet June 30, 2014 (Unaudited) and December 31, 2013</u>	5
<u>Consolidated Statement of Changes in Shareholders' Equity (Unaudited) Six Months Ended June 30, 2014 and 2013</u>	6
<u>Consolidated Statement of Cash Flows (Unaudited) Six Months Ended June 30, 2014 and 2013</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	47
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	84
<u>Item 4.</u>	
<u>Controls and Procedures</u>	84
<u>Part II Other Information</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	85
<u>Item 1A.</u>	
<u>Risk Factors</u>	85
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	85
<u>Item 5.</u>	
<u>Other Information</u>	86

<u>Item 6.</u>	<u>Exhibits</u>	88
	<u>SIGNATURES</u>	88
	<u>EXHIBIT INDEX</u>	89

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,	
	2014	2013	2014	2013
Revenues				
Premiums	\$ 5,928	\$ 5,603	\$ 11,751	\$ 11,120
Net investment income	695	687	1,431	1,357
Fee income	112	82	219	179
Net realized investment gains (1)	16	167	17	177
Other revenues	34	135	75	169
Total revenues	6,785	6,674	13,493	13,002
Claims and expenses				
Claims and claim adjustment expenses	3,826	3,530	7,141	6,683
Amortization of deferred acquisition costs	965	950	1,915	1,898
General and administrative expenses	1,001	931	1,882	1,846
Interest expense	92	86	184	178
Total claims and expenses	5,884	5,497	11,122	10,605
Income before income taxes	901	1,177	2,371	2,397
Income tax expense	218	252	636	576
Net income	\$ 683	\$ 925	\$ 1,735	\$ 1,821
Net income per share				
Basic	\$ 1.98	\$ 2.44	\$ 4.97	\$ 4.80
Diluted	\$ 1.95	\$ 2.41	\$ 4.91	\$ 4.75
Weighted average number of common shares outstanding				
Basic	343.0	375.9	346.9	376.8
Diluted	346.7	379.9	350.5	380.8

(1) Total other-than-temporary impairment (OTTI) gains (losses) were \$(1) million and \$(1) million for the three months ended June 30, 2014 and 2013, respectively, and \$(8) million and \$(1) million for the six months ended June 30, 2014 and 2013, respectively. Of total OTTI, credit losses of \$(1) million and \$(2) million for the three months ended June 30, 2014 and 2013, respectively, and \$(10) million and \$(7) million for the six months ended June 30, 2014 and 2013, respectively, were recognized in net realized investment gains. In addition, unrealized gains from other changes in total OTTI of \$0 million and \$1 million for the three months ended June 30, 2014 and 2013, respectively,

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

and \$2 million and \$6 million for the six months ended June 30, 2014 and 2013, 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 (LOSS) (Unaudited)**

(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 683	\$ 925	\$ 1,735	\$ 1,821
Other comprehensive income (loss):				
Changes in net unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income	518	(1,790)	1,055	(2,166)
Having credit losses recognized in the consolidated statement of income	1	(5)	3	4
Net changes in benefit plan assets and obligations	15	26	30	54
Net changes in unrealized foreign currency translation	97	(73)	54	(169)
Other comprehensive income (loss) before income taxes	631	(1,842)	1,142	(2,277)
Income tax expense (benefit)	196	(636)	390	(761)
Other comprehensive income (loss), net of taxes	435	(1,206)	752	(1,516)
Comprehensive income (loss)	\$ 1,118	\$ (281)	\$ 2,487	\$ 305

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, 2014 (Unaudited)	December 31, 2013
Assets		
Fixed maturities, available for sale, at fair value (amortized cost \$61,841 and \$62,196)	\$ 64,583	\$ 63,956
Equity securities, available for sale, at fair value (cost \$648 and \$686)	980	943
Real estate investments	954	938
Short-term securities	3,818	3,882
Other investments	3,606	3,441
Total investments	73,941	73,160
Cash	311	294
Investment income accrued	710	734
Premiums receivable	6,589	6,125
Reinsurance recoverables	9,508	9,713
Ceded unearned premiums	762	801
Deferred acquisition costs	1,879	1,804
Deferred taxes		303
Contractholder receivables	4,371	4,328
Goodwill	3,634	3,634
Other intangible assets	328	351
Other assets	2,778	2,565
Total assets	\$ 104,811	\$ 103,812
Liabilities		
Claims and claim adjustment expense reserves	\$ 50,856	\$ 50,895
Unearned premium reserves	12,089	11,850
Contractholder payables	4,371	4,328
Payables for reinsurance premiums	397	298
Deferred taxes	239	
Debt	6,347	6,346
Other liabilities	4,980	5,299
Total liabilities	79,279	79,016
Shareholders' equity		
Common stock (1,750.0 shares authorized; 339.0 and 353.5 shares issued and outstanding)	21,694	21,500
Retained earnings	25,662	24,291
Accumulated other comprehensive income	1,562	810
Treasury stock, at cost (419.5 and 401.5 shares)	(23,386)	(21,805)
Total shareholders' equity	25,532	24,796
Total liabilities and shareholders' equity	\$ 104,811	\$ 103,812

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,	2014	2013
Common stock		
Balance, beginning of year	\$ 21,500	\$ 21,161
Employee share-based compensation	94	106
Compensation amortization under share-based plans and other changes	100	100
Balance, end of period	21,694	21,367
Retained earnings		
Balance, beginning of year	24,291	21,352
Net income	1,735	1,821
Dividends	(367)	(367)
Other	3	
Balance, end of period	25,662	22,806
Accumulated other comprehensive income, net of tax		
Balance, beginning of year	810	2,236
Other comprehensive income (loss)	752	(1,516)
Balance, end of period	1,562	720
Treasury stock (at cost)		
Balance, beginning of year	(21,805)	(19,344)
Treasury stock acquired share repurchase authorization	(1,525)	(600)
Net shares acquired related to employee share-based compensation plans	(56)	(59)
Balance, end of period	(23,386)	(20,003)
Total shareholders equity	\$ 25,532	\$ 24,890
Common shares outstanding		
Balance, beginning of year	353.5	377.4
Treasury stock acquired share repurchase authorization	(17.3)	(7.3)
Net shares issued under employee share-based compensation plans	2.8	3.4
Balance, end of period	339.0	373.5

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)

For the six months ended June 30,	2014	2013
Cash flows from operating activities		
Net income	\$ 1,735	\$ 1,821
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment gains	(17)	(177)
Depreciation and amortization	442	435
Deferred federal income tax expense	131	151
Amortization of deferred acquisition costs	1,915	1,898
Equity in income from other investments	(257)	(175)
Premiums receivable	(463)	(403)
Reinsurance recoverables	206	747
Deferred acquisition costs	(1,989)	(1,912)
Claims and claim adjustment expense reserves	(60)	(1,128)
Unearned premium reserves	235	345
Other	(550)	(350)
Net cash provided by operating activities	1,328	1,252
Cash flows from investing activities		
Proceeds from maturities of fixed maturities	4,915	3,901
Proceeds from sales of investments:		
Fixed maturities	785	572
Equity securities	95	50
Real estate investments	5	
Other investments	338	381
Purchases of investments:		
Fixed maturities	(5,449)	(4,488)
Equity securities	(40)	(40)
Real estate investments	(36)	(59)
Other investments	(226)	(209)
Net sales of short-term securities	60	81
Securities transactions in course of settlement	204	60
Acquisition, net of cash acquired	(12)	
Other	(152)	(157)
Net cash provided by investing activities	487	92
Cash flows from financing activities		
Payment of debt		(500)
Dividends paid to shareholders	(365)	(366)
Issuance of common stock employee share options	122	139
Treasury stock acquired share repurchase authorization	(1,525)	(600)
Treasury stock acquired net employee share-based compensation	(55)	(59)
Excess tax benefits from share-based payment arrangements	24	29
Net cash used in financing activities	(1,799)	(1,357)
Effect of exchange rate changes on cash	1	(9)
Net increase (decrease) in cash	17	(22)
Cash at beginning of year	294	330

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

Cash at end of period	\$	311	\$	308
Supplemental disclosure of cash flow information				
Income taxes paid	\$	727	\$	495
Interest paid	\$	183	\$	184

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

Table of Contents

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 2013 Annual Report on Form 10-K.

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.

On November 1, 2013, the Company acquired all of the issued and outstanding shares of The Dominion of Canada General Insurance Company (Dominion) for an aggregate purchase price of approximately \$1.035 billion. Dominion primarily markets personal lines and small commercial insurance business in Canada. At the acquisition date, the Company recorded at fair value \$3.91 billion of assets acquired and \$2.88 billion of liabilities assumed as part of purchase accounting, including \$16 million of identifiable intangible assets and \$273 million of goodwill. The operating income and the amount of assets acquired from Dominion were included in the Company's Financial, Professional & International Insurance segment effective at the acquisition date.

Adoption of Accounting Standards Updates

Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

In February 2013, the Financial Accounting Standards Board (FASB) issued updated guidance to resolve diversity in practice concerning the recognition, measurement, and disclosure of obligations resulting from certain joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date. The guidance requires that the reporting entity measure joint and several liability arrangements as the amount the reporting entity agreed to pay on the basis of its arrangement among the co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The updated guidance was effective for the quarter ending March 31, 2014. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity.

Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity

In March 2013, the FASB issued updated guidance to resolve diversity in practice concerning the release of the cumulative foreign currency translation adjustment into net income when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. When a company ceases to have a controlling financial interest in a subsidiary within a foreign entity, the company should recognize any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary had resided. Upon the partial sale of an equity method investment that is a foreign entity, the company should release into earnings a pro rata portion of the cumulative translation adjustment. Upon the partial sale of an equity method investment that is not a foreign entity, the company should release into earnings the cumulative translation adjustment if the partial sale represents a complete or substantially complete liquidation of the foreign entity that holds the equity method investment. The updated guidance was effective for the quarter ending March 31, 2014. The adoption of this guidance did not have any effect on the Company's results of operations, financial position or liquidity.

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

Accounting Standards Not Yet Adopted

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

In April 2014, the 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 is effective for the quarter ending March 31, 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.

Revenue from Contracts with Customers

In May 2014, the FASB issued updated guidance to clarify the principles for recognizing revenue. While insurance contracts are not within the scope of this updated guidance, the Company's fee income related to providing claims and policy management services as well as claim and loss prevention services will be subject to this updated guidance.

The updated guidance requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation.

The updated guidance is effective for the quarter ending March 31, 2017. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position, or liquidity.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued updated guidance to resolve diversity in practice concerning employee share-based payments that contain performance targets that could be achieved after the requisite service period. Many reporting entities account for performance targets that could be achieved after the requisite service period as performance conditions that affect the vesting of the award and, therefore, do not reflect the performance targets in the estimate of the grant-date fair value of the award. Other reporting entities treat those performance targets as nonvesting conditions that affect the grant-date fair value of the award.

The updated guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. As such, the performance target that affects vesting should not be reflected in estimating that fair value of the award at the grant date. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which service has been rendered. If the performance target becomes probable of being achieved before the end of the service period, the remaining unrecognized compensation cost for which requisite service has not yet been rendered is recognized prospectively over the remaining service period. The total amount of compensation cost recognized during and after the service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest.

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

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

Nature of Operations

For the periods presented in these financial statements, the Company was organized into three reportable business segments: Business Insurance; Financial, Professional & International Insurance; and Personal Insurance. These segments reflected the manner in which the Company's businesses were managed and represented an aggregation of products and services based on type of customer, how the business was marketed and the manner in which risks were underwritten. The specific business segments presented in these financial statements are as follows:

Business Insurance

The Business Insurance segment offers a broad array of property and casualty insurance and insurance-related services to its clients primarily in the United States. Business Insurance is organized into the following six groups, which collectively comprise Business Insurance Core operations: Select Accounts; Commercial Accounts; National Accounts; Industry-Focused Underwriting; Target Risk Underwriting; and Specialized Distribution.

Business Insurance also includes the Special Liability Group (which manages the Company's asbestos and environmental liabilities) and the assumed reinsurance and certain other runoff operations, which collectively are referred to as Business Insurance Other.

Financial, Professional & International Insurance

The Financial, Professional & International Insurance segment includes surety and financial liability coverages, which primarily use credit-based underwriting processes, as well as property and casualty products that are primarily marketed on a domestic basis in Canada, the United Kingdom and the Republic of Ireland, and on an international basis through Lloyd's. The segment includes the Bond & Financial Products group as well as the International group. The International group includes Dominion, which the Company acquired in November 2013 and which

writes personal lines and small commercial insurance business in Canada.

In addition, the Company owns 49.5% of the common stock of J. Malucelli Participações em Seguros e Resseguros S.A. (JMalucelli), its joint venture in Brazil. JMalucelli primarily writes surety business in Brazil, as well as other property and casualty insurance business in Brazil. The Company's investment in JMalucelli is accounted for using the equity method and is included in other investments on the consolidated balance sheet.

Personal Insurance

The Personal Insurance segment writes a broad range of property and casualty insurance covering individuals' personal risks. The primary products of automobile and homeowners insurance are complemented by a broad suite of related coverages.

On June 10, 2014, the Company announced a realignment of its management team that gave rise to a realignment of two of its three business segments, effective July 1, 2014. The Company's International Insurance group, which had previously been included in the Financial, Professional & International Insurance segment, will be combined with the Company's previous Business Insurance segment to create a new Business & International Insurance segment. The Bond & Financial Products group, which was the remaining business in the Financial, Professional & International Insurance segment, will now comprise the new Bond & Financial Products segment. The Personal Insurance segment will not be impacted by these changes. The changes were designed to reflect the realignment of the Company's management team and the manner in which the Company's businesses are managed effective July 1, 2014, 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. The newly aligned segments will be presented in the Company's financial statements beginning with the period ending September 30, 2014 and the prior periods presented will be restated to conform to the new presentation.

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

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

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 Insurance	Financial, Professional & International Insurance	Personal Insurance	Total Reportable Segments
2014				
Premiums	\$ 3,067	\$ 1,088	\$ 1,773	\$ 5,928
Net investment income	496	105	94	695
Fee income	111	1		112
Other revenues	8	8	17	33
Total operating revenues (1)	\$ 3,682	\$ 1,202	\$ 1,884	\$ 6,768
Operating income (1)	\$ 409	\$ 254	\$ 75	\$ 738
2013				
Premiums	\$ 3,018	\$ 751	\$ 1,834	\$ 5,603
Net investment income	502	91	94	687
Fee income	82			82
Other revenues	114	5	15	134
Total operating revenues (1)	\$ 3,716	\$ 847	\$ 1,943	\$ 6,506
Operating income (1)	\$ 579	\$ 154	\$ 142	\$ 875

(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).

(for the six months ended June 30, in millions)	Business Insurance	Financial, Professional & International Insurance	Personal Insurance	Total Reportable Segments
2014				
Premiums	\$ 6,083	\$ 2,133	\$ 3,535	\$ 11,751
Net investment income	1,026	211	194	1,431
Fee income	218	1		219
Other revenues	16	16	43	75
Total operating revenues (1)	\$ 7,343	\$ 2,361	\$ 3,772	\$ 13,476
Operating income (1)	\$ 1,062	\$ 449	\$ 343	\$ 1,854

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

2013								
Premiums	\$	5,960	\$	1,486	\$	3,674	\$	11,120
Net investment income		989		183		185		1,357
Fee income		179						179
Other revenues		127		10		33		170
Total operating revenues (1)	\$	7,255	\$	1,679	\$	3,892	\$	12,826
Operating income (1)	\$	1,169	\$	317	\$	339	\$	1,825

(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).

Table of Contents

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,	
	2014	2013	2014	2013
Revenue reconciliation				
Earned premiums				
Business Insurance:				
Workers compensation	\$ 923	\$ 897	\$ 1,831	\$ 1,744
Commercial automobile	473	474	941	949
Commercial property	440	418	868	827
General liability	457	444	904	881
Commercial multi-peril	763	776	1,518	1,541
Other	11	9	21	18
Total Business Insurance	3,067	3,018	6,083	5,960
Financial, Professional & International Insurance:				
Fidelity and surety	238	228	460	448
General liability	241	221	478	434
International	564	258	1,106	516
Other	45	44	89	88
Total Financial, Professional & International Insurance	1,088	751	2,133	1,486
Personal Insurance:				
Automobile	821	864	1,636	1,736
Homeowners and other	952	970	1,899	1,938
Total Personal Insurance	1,773	1,834	3,535	3,674
Total earned premiums	5,928	5,603	11,751	11,120
Net investment income	695	687	1,431	1,357
Fee income	112	82	219	179
Other revenues	33	134	75	170
Total operating revenues for reportable segments	6,768	6,506	13,476	12,826
Other revenues	1	1		(1)
Net realized investment gains	16	167	17	177
Total consolidated revenues	\$ 6,785	\$ 6,674	\$ 13,493	\$ 13,002
Income reconciliation, net of tax				
Total operating income for reportable segments	\$ 738	\$ 875	\$ 1,854	\$ 1,825
Interest Expense and Other (1)	(65)	(59)	(129)	(122)
Total operating income	673	816	1,725	1,703

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

Net realized investment gains		10		109		10		118
Total consolidated net income	\$	683	\$	925	\$	1,735	\$	1,821

(1) The primary component of Interest Expense and Other is after-tax interest expense of \$60 million and \$56 million in the three months ended June 30, 2014 and 2013, respectively, and \$120 million and \$116 million in the six months ended June 30, 2014 and 2013, respectively.

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued****2. SEGMENT INFORMATION, Continued**

(in millions)	June 30, 2014	December 31, 2013
Asset reconciliation:		
Business Insurance	\$ 74,470	\$ 73,746
Financial, Professional & International Insurance	16,856	16,691
Personal Insurance	12,948	12,870
Total assets for reportable segments	104,274	103,307
Other assets (1)	537	505
Total consolidated assets	\$ 104,811	\$ 103,812

(1) The primary components of other assets at both dates were other intangible assets and accrued over-funded benefit plan assets related to the Company's qualified domestic pension plan.

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, 2014, in millions)	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	\$ 2,060	\$ 40	\$ 6	\$ 2,094
Obligations of states, municipalities and political subdivisions:				
Pre-refunded	8,096	359		8,455
All other	25,309	1,341	80	26,570