UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

or

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

For the transition period from to

Commission file number 001-10898

The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

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

485 Lexington Avenue

New York, NY 10017

(Address of principal executive offices) (Zip Code)

(917) 778-6000

(Registrant s telephone number, including area code)

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 x No o

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 o No o

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 x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of the Registrant s Common Stock, without par value, outstanding at July 27, 2009 was 567,562,093.

Table of Contents

The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended June 30, 2009

TABLE OF CONTENTS

Table of Contents

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, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues				
Premiums	**$ 5,353**	$ 5,357	**$ 10,654**	$ 10,697
Net investment income	**658**	778	**1,200**	1,593
Fee income	**89**	90	**162**	195
Net realized investment gains (losses)	**13**	36	**(201)**	(26)
Other revenues	**49**	34	**82**	68
Total revenues	**6,162**	6,295	**11,897**	12,527
Claims and expenses				
Claims and claim adjustment expenses	**3,335**	3,092	**6,525**	6,113
Amortization of deferred acquisition costs	**953**	961	**1,897**	1,915
General and administrative expenses	**839**	864	**1,621**	1,717
Interest expense	**94**	91	**186**	181
Total claims and expenses	**5,221**	5,008	**10,229**	9,926
Income before income taxes	**941**	1,287	**1,668**	2,601
Income tax expense	**201**	345	**266**	692
Net income	**$ 740**	$ 942	**$ 1,402**	$ 1,909
Net income per share				
Basic	**$ 1.27**	$ 1.56	**$ 2.40**	$ 3.12
Diluted	**$ 1.27**	$ 1.54	**$ 2.38**	$ 3.08
Weighted average number of common shares outstanding				
Basic	**575.8**	598.2	**580.1**	606.7
Diluted	**579.8**	607.9	**584.9**	616.3

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net Realized Investment Gains (Losses)				
Other-than-temporary impairment losses:				
Total losses	**$ (75)**	$ (28)	**$ (259)**	$ (66)
Portion of losses recognized in accumulated other changes in equity from nonowner sources	**45**		**45**	
Other-than-temporary impairment losses	**(30)**	(28)	**(214)**	(66)

Other net realized investment gains		**43**		64		**13**		40
Net realized investment gains (losses)	**$**	**13**	$	36	**$**	**(201)**	$	(26)

See notes to consolidated financial statements (unaudited).

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(in millions)

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Fixed maturities, available for sale at fair value (including $80 and $8 subject to securities lending) (amortized cost $61,828 and $61,569)	**$ 62,967**	$ 61,275
Equity securities, at fair value (cost $386 and $461)	**382**	379
Real estate	**878**	827
Short-term securities	**6,445**	5,222
Other investments	**2,771**	3,035
Total investments	**73,443**	70,738
Cash	**282**	350
Investment income accrued	**808**	823
Premiums receivable	**6,220**	5,954
Reinsurance recoverables	**13,694**	14,232
Ceded unearned premiums	**974**	941
Deferred acquisition costs	**1,822**	1,774
Deferred tax asset	**1,428**	1,965
Contractholder receivables	**6,452**	6,350
Goodwill	**3,365**	3,366
Other intangible assets	**636**	688
Other assets	**2,202**	2,570
Total assets	**$ 111,326**	$ 109,751
Liabilities		
Claims and claim adjustment expense reserves	**$ 54,372**	$ 54,723
Unearned premium reserves	**11,184**	10,957
Contractholder payables	**6,452**	6,350
Payables for reinsurance premiums	**606**	528
Debt	**6,532**	6,181
Other liabilities	**5,260**	5,693
Total liabilities	**84,406**	84,432
Shareholders equity		
Preferred Stock Savings Plan convertible preferred stock (0.3 shares issued and outstanding at both dates)	**83**	89
Common stock (1,750.0 shares authorized; 567.5 and 585.1 shares issued and outstanding)	**19,353**	19,242
Retained earnings	**14,442**	13,314
Accumulated other changes in equity from nonowner sources	**258**	(900)
Treasury stock, at cost (148.2 and 128.8 shares)	**(7,216)**	(6,426)
Total shareholders equity	**26,920**	25,319
Total liabilities and shareholders equity	**$ 111,326**	$ 109,751

See notes to consolidated financial statements (unaudited).

4

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,	2009	2008
Convertible preferred stock savings plan		
Balance, beginning of year	**$ 89**	$ 112
Redemptions during period	**(6)**	(9)
Balance, end of period	**83**	103
Common stock		
Balance, beginning of year	**19,242**	18,990
Employee share-based compensation	**44**	71
Compensation amortization under share-based plans and other changes	**67**	76
Balance, end of period	**19,353**	19,137
Retained earnings		
Balance, beginning of year	**13,314**	11,110
Cumulative effect of adoption of FSP FAS 115-2 at April 1, 2009 (see note 1)	**71**	
Net income	**1,402**	1,909
Dividends	**(352)**	(362)
Other	**7**	(2)
Balance, end of period	**14,442**	12,655
Accumulated other changes in equity from nonowner sources, net of tax		
Balance, beginning of year	**(900)**	670
Cumulative effect of adoption of FSP FAS 115-2 at April 1, 2009 (see note 1)	**(71)**	
Change in net unrealized gain (loss) on investments:		
Having no credit losses recognized in the consolidated statement of income	**1,026**	(557)
Having credit losses recognized in the consolidated statement of income	**53**	
Net change in unrealized foreign currency translation and other changes	**150**	(34)
Balance, end of period	**258**	79
Treasury stock (at cost)		
Balance, beginning of year	**(6,426)**	(4,266)
Treasury shares acquired share repurchase authorization	**(750)**	(1,750)
Net shares acquired related to employee share-based compensation plans	**(40)**	(35)
Balance, end of period	**(7,216)**	(6,051)
Total common shareholders equity	**26,837**	25,820
Total shareholders equity	**$ 26,920**	$ 25,923
Common shares outstanding		
Balance, beginning of year	**585.1**	627.8
Shares acquired share repurchase authorization	**(18.5)**	(36.1)
Net shares issued under employee share-based compensation plans	**0.9**	1.1
Balance, end of period	**567.5**	592.8
Summary of changes in equity from nonowner sources		
Net income	**$ 1,402**	$ 1,909
Other changes in equity from nonowner sources, net of tax	**1,229**	(591)
Total changes in equity from nonowner sources	**$ 2,631**	$ 1,318

See notes to consolidated financial statements (unaudited).

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(in millions)

For the six months ended June 30,	2009	2008
Cash flows from operating activities		
Net income	**$ 1,402**	$ 1,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment losses	**201**	26
Depreciation and amortization	**415**	414
Deferred federal income tax expense (benefit)	**(31)**	26
Amortization of deferred acquisition costs	**1,897**	1,915
Equity in (income) loss from other investments	**252**	(33)
Premiums receivable	**(266)**	(205)
Reinsurance recoverables	**538**	282
Deferred acquisition costs	**(1,945)**	(1,959)
Claims and claim adjustment expense reserves	**(351)**	(424)
Unearned premium reserves	**227**	112
Other	**(550)**	(432)
Net cash provided by operating activities	**1,789**	1,631
Cash flows from investing activities		
Proceeds from maturities of fixed maturities	**2,389**	2,688
Proceeds from sales of investments:		
Fixed maturities	**1,864**	2,449
Equity securities	**31**	36
Real estate		25
Other investments	**140**	424
Purchases of investments:		
Fixed maturities	**(4,271)**	(4,413)
Equity securities	**(18)**	(46)
Real estate	**(9)**	(25)
Other investments	**(186)**	(285)
Net purchases of short-term securities	**(1,223)**	(347)
Securities transactions in course of settlement	**366**	74
Other	**(205)**	(163)
Net cash provided by (used in) investing activities	**(1,122)**	417
Cash flows from financing activities		
Payment of debt	**(141)**	(400)
Issuance of debt	**494**	496
Dividends paid to shareholders	**(350)**	(359)
Issuance of common stock employee share options	**28**	59
Treasury stock acquired share repurchase authorization	**(750)**	(1,765)
Treasury stock acquired net employee share-based compensation	**(28)**	(28)
Excess tax benefits from share-based payment arrangements	**2**	7
Net cash used in financing activities	**(745)**	(1,990)
Effect of exchange rate changes on cash	**10**	
Net increase (decrease) in cash	**(68)**	58
Cash at beginning of period	**350**	271
Cash at end of period	**$ 282**	$ 329

Supplemental disclosure of cash flow information				
Income taxes paid	**$**	**363**	$	715
Interest paid	**$**	**185**	$	184

See notes to consolidated financial statements (unaudited).

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. Certain reclassifications have been made to the 2008 financial statements and notes to conform to the 2009 presentation. 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 2008 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 consolidated financial statements and the reported amounts of revenues and claims and expenses during the reporting period. Actual results could differ from those estimates. All material intercompany transactions and balances have been eliminated.

Adoption of New Accounting Standards

Other-Than-Temporary Impairments

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2). FSP FAS 115-2 requires the recognition of an other-than-temporary impairment when an entity has the intent to sell a debt security or when it is more likely than not that an entity will be required to sell the debt security before its anticipated recovery in value.

Additionally, FSP FAS 115-2 changes the presentation and amount of other-than-temporary impairment losses recognized in the income statement for instances in which the Company does not intend to sell or it is more likely than not that the Company will not be required to sell a debt security prior to the anticipated recovery of its remaining cost basis. The Company separates the credit loss component of the impairment from the amount related to all other factors and reports the credit loss component in net realized investment gains (losses). The impairment related to all other factors is reported in accumulated other changes in equity from nonowner sources.

In addition to the changes in measurement and presentation, FSP FAS 115-2 expands the disclosures related to other-than-temporary impairments and requires all such disclosures to be included in both interim and annual periods.

The provisions of FSP FAS 115-2 were effective for interim periods ending after June 15, 2009. The adoption of FSP FAS 115-2 on April 1, 2009 resulted in an increase in retained earnings of $71 million, which was offset by a corresponding decrease in accumulated other changes in equity from nonowner sources of the same amount.

Additional Fair Value Measurement Guidance

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). FSP FAS 157-4 provides guidance for determining when a transaction is not orderly and for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements* (FAS 157), when there has been a significant decrease in the volume and level of activity for an asset or liability.

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

FSP FAS 157-4 requires the disclosure of the inputs and valuation techniques used, as well as any changes in valuation techniques and inputs used during the period, to measure fair value in interim and annual periods. In addition, FSP FAS 157-4 requires that the presentation of the fair value hierarchy be presented by major security type as described in FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (as amended by FSP FAS 115-2).

The provisions of FSP FAS 157-4 were effective for interim periods ending after June 15, 2009. The adoption of FSP FAS 157-4 on April 1, 2009 did not have a material effect on the Company s results of operations, financial position or liquidity.

Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1). FSP FAS 107-1 amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* to require disclosure of the fair value of financial instruments whenever a publicly traded company issues financial information in interim reporting periods in addition to the annual disclosure at year-end. The provisions of FSP FAS 107-1 were effective for interim periods ending after June 15, 2009. The Company adopted FSP FAS 107-1 effective April 1, 2009. See note 4.

Recognized and Non-Recognized Subsequent Events

In May 2009, the FASB issued Statement of Financial Accounting Standard No. 165, *Subsequent Events* (FAS 165). FAS 165 is consistent with existing auditing standards in defining subsequent events as events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued, but it also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. FAS 165 defines two types of subsequent events: recognized subsequent events and non-recognized subsequent events. Recognized subsequent events provide additional evidence about conditions that existed at the balance sheet date and must be reflected in the company s financial statements. Non-recognized subsequent events provide evidence about conditions that arose after the balance sheet date and are not reflected in the financial statements of a company. Certain non-recognized subsequent events may require disclosure to prevent the financial statements from being misleading. FAS 165 was effective on a prospective basis for interim or annual periods ending after June 15, 2009. The adoption of FAS 165 on April 1, 2009 had no effect on the Company s results of operations, financial position or liquidity. See note 13.

Business Combinations

In December 2007, the FASB issued Revised Statement of Financial Accounting Standards No. 141R, *Business Combinations* (FAS 141R), a replacement of FAS 141, *Business Combinations* (FAS 141). FAS 141R provides revised guidance on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. In addition, it provides revised guidance on the recognition and measurement of goodwill acquired in the business combination. FAS 141R also provides guidance specific to the recognition, classification and measurement of assets and liabilities related to insurance and reinsurance contracts acquired in a business combination. FAS 141R applies to business combinations for acquisitions occurring on or after January 1, 2009. Accordingly, FAS 141R did not impact the Company s previous transactions involving purchase accounting.

In April 2009, the FASB issued FSP FAS 141R-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (FSP FAS 141R-1), which reinstates the requirements under FAS 141 for recognizing and measuring pre-acquisition contingencies in a business combination. FSP FAS 141R-1 requires that pre-acquisition contingencies be recognized at their acquisition-date fair value if a fair value can be determined during the measurement period. If the acquisition-date fair value cannot be determined during the measurement period, a contingency is to be recognized if it is probable that an asset existed or liability had been incurred at the acquisition date and the amount can be reasonably estimated. FSP FAS 141R-1 does not prescribe specific accounting for subsequent measurement and accounting for contingencies.

The adoption of FAS 141R and FSP FAS 141(R)-1 on January 1, 2009 had no effect on the Company s results of operations, financial position or liquidity.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51* (FAS 160). FAS 160 amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. In addition, it clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements.

FAS 160 is effective on a prospective basis beginning January 1, 2009, except for the presentation and disclosure requirements which are applied on a retrospective basis for all periods presented. The adoption of FAS 160 on January 1, 2009 did not have a material effect on the Company s results of operations, financial position or liquidity.

Fair Value Measurements

In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2), which permits a one-year deferral of the application of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157) for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The adoption of FAS 157 on January 1, 2009 for non-financial assets and non-financial liabilities did not have a material effect on the Company s results of operations, financial position or liquidity.

Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133* (FAS 161). FAS 161 changes the disclosure requirements for derivative instruments and hedging activities and specifically requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of, and gains and losses on, derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The provisions of FAS 161 were effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of FAS 161 on January 1, 2009 did not result in a change in the Company s disclosure since the amount of derivatives held is not material.

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

Determination of the Useful Life of Intangible Assets

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that an entity should consider in determining the useful life of a recognized intangible asset under FAS 142, *Goodwill and Other Intangible Assets,* to include the entity s historical experience in renewing or extending similar arrangements, whether or not the arrangements have explicit renewal or extension provisions. Previously, an entity was precluded from using its own assumptions about renewal or extension of an arrangement where there was likely to be substantial cost or modifications. Entities without their own historical experience should consider the assumptions market participants would use about renewal or extension. The amendment may result in the useful life of an entity s intangible asset differing from the period of expected cash flows that was used to measure the fair value of the underlying asset using the market participant s perceived value. FSP FAS 142-3 also requires disclosure to provide information on an entity s intent and/or ability to renew or extend the arrangement.

FSP FAS 142-3 was effective for financial statements issued for fiscal years beginning after December 15, 2008 and for interim periods within those fiscal years. The adoption of FSP FAS 142-3 on January 1, 2009 did not have a material effect on the Company s results of operations, financial position or liquidity and did not require additional disclosures related to existing intangible assets.

Participating Securities Granted in Share-Based Payment Transactions

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, should be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in FAS 128, *Earnings per Share*. FSP EITF 03-6-1 redefines participating securities to include unvested share-based payment awards that contain non-forfeitable dividends or dividend equivalents as participating securities to be included in the computation of EPS pursuant to the two-class method. Outstanding unvested restricted stock and deferred stock units issued under employee compensation programs containing such dividend participation features are considered participating securities subject to the two-class method in computing EPS rather than the treasury stock method.

FSP EITF 03-6-1 was effective for financial statements issued for fiscal years beginning after December 15, 2008 and for interim periods within those years. In accordance with the provisions of FSP EITF 03-6-1, all prior-period basic and diluted EPS data presented were restated to reflect the retrospective application of FSP EITF 03-6-1 computational guidance. The adoption of FSP EITF 03-6-1 on January 1, 2009 did not have a material effect on the Company s basic or diluted EPS. See note 9.

Accounting Standards Not Yet Adopted

Accounting Standards Codification

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles- a replacement of FASB Statement No. 162* (FAS 168). FAS 168 will serve as the single source of authoritative non-governmental U.S. Generally Accepted Accounting Principles. Accordingly, all other accounting literature not included is considered non-authoritative. FAS 168 is effective on a prospective basis for interim and annual periods ending after September 15, 2009. The Company does not expect that the adoption of FAS 168 will impact 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 for Transfers of Financial Assets

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140* (FAS 166). FAS 166 requires additional disclosures for transfers of financial assets, including securitization transactions, and any continuing exposure to the risks related to transferred financial assets. FAS 166 eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. FAS 166 is effective on a prospective basis for the annual period beginning after November 15, 2009 and interim and annual periods thereafter. The Company does not expect that the provisions of FAS 166 will have a material effect on its results of operations, financial position or liquidity.

Amendments to FASB Interpretation No. 46(R), Variable Interest Entities

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167). FAS 167 amends FIN 46(R) to require an analysis of whether a company has: (1) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance, and (2) the obligation to absorb the losses that could potentially be significant to the entity or the right to receive benefits from the entity that could potentially be significant to the entity. FAS 167 also requires an entity to be re-evaluated as a variable interest entity when the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights to direct the activities that most significantly impact the entity s economic performance. FAS 167 amends FIN 46(R) to require additional disclosures about a company s involvement in variable interest entities and an ongoing assessment of whether a company is the primary beneficiary. FAS 167 is effective on a prospective basis for the annual period beginning after November 15, 2009 and interim and annual periods thereafter. The Company does not expect that the provisions of FAS 167 will have a material effect on its results of operations, financial position or liquidity.

Employers Disclosures about Postretirement Benefit Plan Assets

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*. The FSP requires an employer to provide certain disclosures about plan assets of its defined benefit pension or other postretirement plans. The required disclosures include the investment policies and strategies of the plans, the fair value of the major categories of plan assets, the inputs and valuation techniques used to develop fair value measurements and a description of significant concentrations of risk in plan assets. The FSP is effective on a prospective basis for fiscal years ending after December 15, 2009.

Nature of Operations

The Company is organized into three reportable business segments: Business Insurance; Financial, Professional & International 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. The specific business segments 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, healthcare and certain international and other runoff operations, which collectively are referred to as Business Insurance Other.

Table of Contents

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

Financial, Professional & International Insurance

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

In the second quarter of 2009, results from the Company s surety bond operation in Canada were reclassified from the Bond & Financial Products group to the International group to reflect the manner in which this operation is now managed. All prior period amounts have been restated to reflect this reclassification between groups within the segment. The reclassification had no impact on previously reported results for the Financial, Professional & International Insurance segment in total for the three months and six months ended June 30, 2008 or the three months ended March 31, 2009.

Personal Insurance

The Personal Insurance segment writes virtually all types of property and casualty insurance covering personal risks. The primary coverages in Personal Insurance are automobile and homeowners insurance sold to individuals.

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
2009				
Premiums	**$ 2,770**	**$ 810**	**$ 1,773**	**$ 5,353**
Net investment income	**451**	**107**	**100**	**658**
Fee income	**89**			**89**
Other revenues	**12**	**7**	**21**	**40**
Total operating revenues (1)	**$ 3,322**	**$ 924**	**$ 1,894**	**$ 6,140**
Operating income (1)	**$ 560**	**$ 133**	**$ 88**	**$ 781**
2008				
Premiums	$ 2,781	$ 852	$ 1,724	$ 5,357
Net investment income	540	120	118	778
Fee income	90			90
Other revenues	7	8	19	34
Total operating revenues (1)	$ 3,418	$ 980	$ 1,861	$ 6,259
Operating income (1)	$ 658	$ 204	$ 122	$ 984

(for the six months ended June 30, in millions)	Business Insurance	Financial, Professional & International Insurance	Personal Insurance	Total Reportable Segments
2009				
Premiums	**$ 5,527**	**$ 1,611**	**$ 3,516**	**$ 10,654**
Net investment income	**806**	**211**	**183**	**1,200**
Fee income	**162**			**162**
Other revenues	**18**	**13**	**42**	**73**
Total operating revenues (1)	**$ 6,513**	**$ 1,835**	**$ 3,741**	**$ 12,089**
Operating income (1)	**$ 1,107**	**$ 281**	**$ 242**	**$ 1,630**
2008				
Premiums	$ 5,567	$ 1,699	$ 3,431	$ 10,697
Net investment income	1,113	242	238	1,593
Fee income	195			195
Other revenues	13	13	40	66
Total operating revenues (1)	$ 6,888	$ 1,954	$ 3,709	$ 12,551

Operating income (1)	$ 1,341	$ 412	$ 303	$ 2,056

(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, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenue reconciliation				
Earned premiums				
Business Insurance:				
Commercial multi-peril	**$ 727**	$ 749	**$ 1,445**	$ 1,504
Workers compensation	**623**	589	**1,256**	1,169
Commercial automobile	**490**	487	**969**	986
Property	**446**	476	**892**	946
General liability	**484**	478	**966**	958
Other		2	**(1)**	4
Total Business Insurance	**2,770**	2,781	**5,527**	5,567
Financial, Professional & International Insurance:				
General liability	**233**	225	**461**	450
Fidelity and surety	**252**	263	**500**	519
International	**293**	332	**585**	666
Other	**32**	32	**65**	64
Total Financial, Professional & International Insurance	**810**	852	**1,611**	1,699
Personal Insurance:				
Automobile	**925**	919	**1,843**	1,830
Homeowners and other	**848**	805	**1,673**	1,601
Total Personal Insurance	**1,773**	1,724	**3,516**	3,431
Total earned premiums	**5,353**	5,357	**10,654**	10,697
Net investment income	**658**	778	**1,200**	1,593
Fee income	**89**	90	**162**	195
Other revenues	**40**	34	**73**	66
Total operating revenues for reportable segments	**6,140**	6,259	**12,089**	12,551
Other revenues	**9**		**9**	2
Net realized investment gains (losses)	**13**	36	**(201)**	(26)
Total consolidated revenues	**$ 6,162**	$ 6,295	**$ 11,897**	$ 12,527

Income reconciliation, net of tax

Total operating income for reportable segments	**$**	**781**	$	984	**$**	**1,630**	$	2,056
Interest Expense and Other (1)		**(49)**		(66)		**(99)**		(130)
Total operating income		**732**		918	**$**	**1,531**		