

TRAVELERS COMPANIES, INC.

Form 10-Q

April 22, 2014

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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 March 31, 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**

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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

Smaller reporting company

(Do not check if a 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 April 18, 2014 was 347,471,625.

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**The Travelers Companies, Inc.**

**Quarterly Report on Form 10-Q**

**For Quarterly Period Ended March 31, 2014**

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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)

For the three months ended March 31,	2014	2013
<b>Revenues</b>		
Premiums	\$ 5,823	\$ 5,517
Net investment income	736	670
Fee income	107	97
Net realized investment gains (1)	1	10
Other revenues	41	34
<b>Total revenues</b>	<b>6,708</b>	<b>6,328</b>
<b>Claims and expenses</b>		
Claims and claim adjustment expenses	3,315	3,153
Amortization of deferred acquisition costs	950	948
General and administrative expenses	881	915
Interest expense	92	92
<b>Total claims and expenses</b>	<b>5,238</b>	<b>5,108</b>
<b>Income before income taxes</b>	<b>1,470</b>	<b>1,220</b>
Income tax expense	418	324
<b>Net income</b>	<b>\$ 1,052</b>	<b>\$ 896</b>
<b>Net income per share</b>		
Basic	\$ 2.98	\$ 2.36
Diluted	\$ 2.95	\$ 2.33
<b>Weighted average number of common shares outstanding</b>		
Basic	350.9	377.7
Diluted	354.6	381.9

(1) Total other-than-temporary impairment (OTTI) gains (losses) were \$(7) million for the three months ended March 31, 2014 and \$0 million for the three months ended March 31, 2013. Of total OTTI, credit losses of \$(9) million and \$(5) million for the three months ended March 31, 2014 and 2013, respectively, were recognized in net realized investment gains. In addition, unrealized gains from other changes in total OTTI of \$2 million and \$5 million for the three months ended March 31, 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.

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

(in millions)

For the three months ended March 31,	2014	2013
<b>Net income</b>	<b>\$ 1,052</b>	<b>\$ 896</b>
<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	537	(376)
Having credit losses recognized in the consolidated statement of income	2	9
Net changes in benefit plan assets and obligations	15	28
Net changes in unrealized foreign currency translation	(43)	(96)
<b>Other comprehensive income (loss) before income taxes</b>	<b>511</b>	<b>(435)</b>
Income tax expense (benefit)	194	(125)
<b>Other comprehensive income (loss), net of taxes</b>	<b>317</b>	<b>(310)</b>
<b>Comprehensive income</b>	<b>\$ 1,369</b>	<b>\$ 586</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)

	March 31, 2014 (Unaudited)	December 31, 2013
<b>Assets</b>		
Fixed maturities, available for sale, at fair value (amortized cost \$61,995 and \$62,196)	\$ 64,271	\$ 63,956
Equity securities, available for sale, at fair value (cost \$660 and \$686)	938	943
Real estate investments	936	938
Short-term securities	4,034	3,882
Other investments	3,539	3,441
<b>Total investments</b>	<b>73,718</b>	<b>73,160</b>
Cash	260	294
Investment income accrued	686	734
Premiums receivable	6,302	6,125
Reinsurance recoverables	9,590	9,713
Ceded unearned premiums	851	801
Deferred acquisition costs	1,836	1,804
Deferred taxes		303
Contractholder receivables	4,361	4,328
Goodwill	3,624	3,634
Other intangible assets	339	351
Other assets	2,567	2,565
<b>Total assets</b>	<b>\$ 104,134</b>	<b>\$ 103,812</b>
<b>Liabilities</b>		
Claims and claim adjustment expense reserves	\$ 50,588	\$ 50,895
Unearned premium reserves	11,917	11,850
Contractholder payables	4,361	4,328
Payables for reinsurance premiums	370	298
Deferred taxes	54	
Debt	6,347	6,346
Other liabilities	5,110	5,299
<b>Total liabilities</b>	<b>78,747</b>	<b>79,016</b>
<b>Shareholders equity</b>		
Common stock (1,750.0 shares authorized; 347.5 and 353.5 shares issued and outstanding)	21,603	21,500
Retained earnings	25,167	24,291
Accumulated other comprehensive income	1,127	810
Treasury stock, at cost (410.0 and 401.5 shares)	(22,510)	(21,805)
<b>Total shareholders equity</b>	<b>25,387</b>	<b>24,796</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 104,134</b>	<b>\$ 103,812</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 three months ended March 31,	2014	2013
<b>Common stock</b>		
Balance, beginning of year	\$ 21,500	\$ 21,161
Employee share-based compensation	45	76
Compensation amortization under share-based plans and other changes	58	63
Balance, end of period	21,603	21,300
<b>Retained earnings</b>		
Balance, beginning of year	24,291	21,352
Net income	1,052	896
Dividends	(177)	(176)
Other	1	1
Balance, end of period	25,167	22,072
<b>Accumulated other comprehensive income, net of tax</b>		
Balance, beginning of year	810	2,236
Other comprehensive income (loss)	317	(310)
Balance, end of period	1,127	1,926
<b>Treasury stock (at cost)</b>		
Balance, beginning of year	(21,805)	(19,344)
Treasury stock acquired share repurchase authorization	(650)	(300)
Net shares acquired related to employee share-based compensation plans	(55)	(58)
Balance, end of period	(22,510)	(19,702)
<b>Total shareholders equity</b>	<b>\$ 25,387</b>	<b>\$ 25,596</b>
<b>Common shares outstanding</b>		
Balance, beginning of year	353.5	377.4
Treasury stock acquired share repurchase authorization	(7.8)	(3.7)
Net shares issued under employee share-based compensation plans	1.8	2.7
Balance, end of period	347.5	376.4

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

(in millions)

<b>For the three months ended March 31,</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Net income		