

TRAVELERS COMPANIES, INC.

Form 10-Q

July 21, 2016

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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, 2016

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 ☒

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 18, 2016 was 288,281,317.

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The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended June 30, 2016

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(in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues				
Premiums	\$ 6,067	\$ 5,931	\$ 12,048	\$ 11,819
Net investment income	549	632	1,093	1,224
Fee income	119	115	236	229
Net realized investment gains (1)	19	10	10	20
Other revenues	31	22	84	47
Total revenues	6,785	6,710	13,471	13,339
Claims and expenses				
Claims and claim adjustment expenses	3,762	3,547	7,474	6,978
Amortization of deferred acquisition costs	989	963	1,960	1,926
General and administrative expenses	1,054	1,032	2,049	2,027
Interest expense	93	92	184	184
Total claims and expenses	5,898	5,634	11,667	11,115
Income before income taxes	887	1,076	1,804	2,224
Income tax expense	223	264	449	579
Net income	\$ 664	\$ 812	\$ 1,355	\$ 1,645
Net income per share				
Basic	\$ 2.27	\$ 2.56	\$ 4.60	\$ 5.14
Diluted	\$ 2.24	\$ 2.53	\$ 4.55	\$ 5.08
Weighted average number of common shares outstanding				
Basic	290.1	314.8	292.1	317.7
Diluted	293.6	318.0	295.6	321.2
Cash dividends declared per common share	\$ 0.67	\$ 0.61	\$ 1.28	\$ 1.16

(1) Total other-than-temporary impairment (OTTI) losses were \$(4) million and \$(8) million for the three months ended June 30, 2016 and 2015, respectively, and \$(32) million and \$(12) million for the six months ended June 30, 2016 and 2015, respectively. Of total OTTI, credit losses of \$(4) million and \$(6) million for the three months ended

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June 30, 2016 and 2015, respectively, and \$(22) million and \$(9) million for the six months ended June 30, 2016 and 2015, respectively, were recognized in net realized investment gains. In addition, unrealized gains (losses) from other changes in total OTTI of \$0 million and \$(2) million for the three months ended June 30, 2016 and 2015, respectively, and \$(10) million and \$(3) million for the six months ended June 30, 2016 and 2015, 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$ 664	\$ 812	\$ 1,355	\$ 1,645
Other comprehensive income (loss):				
Changes in net unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income	879	(1,065)	1,593	(896)
Having credit losses recognized in the consolidated statement of income	12	(5)	17	(10)
Net changes in benefit plan assets and obligations	18	23	34	47
Net changes in unrealized foreign currency translation	(35)	94	68	(180)
Other comprehensive income (loss) before income taxes	874	(953)	1,712	(1,039)
Income tax expense (benefit)	323	(353)	590	(328)
Other comprehensive income (loss), net of taxes	551	(600)	1,122	(711)
Comprehensive income	\$ 1,215	\$ 212	\$ 2,477	\$ 934

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(in millions)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Fixed maturities, available for sale, at fair value (amortized cost \$59,975 and \$58,878)	\$ 63,311	\$ 60,658
Equity securities, available for sale, at fair value (cost \$525 and \$528)	752	705
Real estate investments	929	989
Short-term securities	3,988	4,671
Other investments	3,490	3,447
Total investments	72,470	70,470
Cash	265	380
Investment income accrued	627	642
Premiums receivable	7,014	6,437
Reinsurance recoverables	8,603	8,910
Ceded unearned premiums	726	656
Deferred acquisition costs	1,954	1,849
Deferred taxes		296
Contractholder receivables	4,541	4,374
Goodwill	3,588	3,573
Other intangible assets	274	279
Other assets	2,384	2,318
Total assets	\$ 102,446	\$ 100,184
Liabilities		
Claims and claim adjustment expense reserves	\$ 47,953	\$ 48,295
Unearned premium reserves	12,520	11,971
Contractholder payables	4,541	4,374
Payables for reinsurance premiums	401	296
Deferred taxes	370	
Debt	6,436	6,344
Other liabilities	5,511	5,306
Total liabilities	77,732	76,586
Shareholders' equity		
Common stock (1,750.0 shares authorized; 288.3 and 295.9 shares issued and outstanding)	22,349	22,172
Retained earnings	30,921	29,945
Accumulated other comprehensive income (loss)	965	(157)
Treasury stock, at cost (478.1 and 467.6 shares)	(29,521)	(28,362)
Total shareholders' equity	24,714	23,598
Total liabilities and shareholders' equity	\$ 102,446	\$ 100,184

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,	2016	2015
Common stock		
Balance, beginning of year	\$ 22,172	\$ 21,843
Employee share-based compensation	95	87
Compensation amortization under share-based plans and other changes	82	109
Balance, end of period	22,349	22,039
Retained earnings		
Balance, beginning of year	29,945	27,251
Net income	1,355	1,645
Dividends	(378)	(372)
Other	(1)	
Balance, end of period	30,921	28,524
Accumulated other comprehensive income (loss), net of tax		
Balance, beginning of year	(157)	880
Other comprehensive income (loss)	1,122	(711)
Balance, end of period	965	169
Treasury stock (at cost)		
Balance, beginning of year	(28,362)	(25,138)
Treasury stock acquired share repurchase authorization	(1,100)	(1,400)
Net shares acquired related to employee share-based compensation plans	(59)	(73)
Balance, end of period	(29,521)	(26,611)
Total shareholders' equity	\$ 24,714	\$ 24,121
Common shares outstanding		
Balance, beginning of year	295.9	322.2
Treasury stock acquired share repurchase authorization	(10.0)	(13.5)
Net shares issued under employee share-based compensation plans	2.4	2.5
Balance, end of period	288.3	311.2

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)

For the six months ended June 30,	2016	2015
Cash flows from operating activities		
Net income	\$ 1,355	\$ 1,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment gains	(10)	(20)
Depreciation and amortization	413	429
Deferred federal income tax expense	75	142
Amortization of deferred acquisition costs	1,960	1,926
Equity in income from other investments	(44)	(134)
Premiums receivable	(567)	(486)
Reinsurance recoverables	316	263
Deferred acquisition costs	(2,062)	(1,991)
Claims and claim adjustment expense reserves	(387)	(826)
Unearned premium reserves	531	362
Other	(287)	(435)
Net cash provided by operating activities	1,293	875
Cash flows from investing activities		
Proceeds from maturities of fixed maturities	3,773	5,314
Proceeds from sales of investments:		
Fixed maturities	739	1,226
Equity securities	38	28
Real estate investments	69	10
Other investments	343	354
Purchases of investments:		
Fixed maturities	(5,705)	(6,239)
Equity securities	(26)	(22)
Real estate investments	(20)	(69)
Other investments	(290)	(275)
Net sales of short-term securities	681	433
Securities transactions in course of settlement	461	183
Other	(154)	(178)
Net cash provided by (used in) investing activities	(91)	765
Cash flows from financing activities		
Treasury stock acquired share repurchase authorization	(1,100)	(1,400)
Treasury stock acquired net employee share-based compensation	(59)	(72)
Dividends paid to shareholders	(375)	(369)
Payment of debt	(400)	
Issuance of debt	491	
Issuance of common stock employee share options	129	117
Excess tax benefits from share-based payment arrangements		31
Net cash used in financing activities	(1,314)	(1,693)
Effect of exchange rate changes on cash	(3)	(4)
Net decrease in cash	(115)	(57)
Cash at beginning of year	380	374

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Cash at end of period	\$	265	\$	317
Supplemental disclosure of cash flow information				
Income taxes paid	\$	467	\$	597
Interest paid	\$	180	\$	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, 2015 (the Company's 2015 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 2015 financial statements to conform to the 2016 presentation.

Adoption of Accounting Standards

Compensation – Stock Compensation: 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 Financial Accounting Standards Board (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. 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 the 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

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period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The updated guidance was effective for reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Derivatives and Hedging: Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued updated guidance to clarify when the separation of certain embedded derivative features in a hybrid financial instrument that is issued in the form of a share is required. That is, an entity will continue to evaluate whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to those of the host contract. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract. Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The updated guidance was effective for reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

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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

Consolidation: 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 was effective for reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Interest Imputation of Interest: 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 reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the updated guidance. The updated guidance was effective for reporting periods beginning after December 15, 2015. The updated guidance is consistent with the Company's accounting policy and its adoption did not have any effect on the Company's results of operations, financial position or liquidity.

Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued updated guidance regarding business combinations that requires an acquirer to recognize post-close measurement adjustments for provisional amounts in the period the adjustment amounts are determined rather than retrospectively. The acquirer is also required to recognize, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the provisional amount, calculated as if the accounting had been completed at the acquisition date. The updated guidance is to be applied prospectively effective for reporting periods beginning after December 15, 2015. In connection with business combinations which have already been completed, the adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Compensation Stock Compensation: Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued updated guidance to simplify several aspects of accounting for share-based payment transactions as follows:

Accounting for Income Taxes

Under current accounting guidance, if the deduction for a share-based payment award for tax purposes exceeds, or is less than, the compensation cost recognized for financial reporting purposes, the resulting excess tax benefit, or tax deficiency, is reported as part of additional paid-in capital. Under the updated guidance, these excess tax benefits, or tax deficiencies, are reported as part of income tax expense or benefit in the income statement. The updated guidance also removes the requirement to delay recognition of any excess tax benefit when there are no current taxes payable to which the benefit would be applied. The tax-related cash flows resulting from share-based payments are to be included with other income tax cash flows as an operating activity rather than being reported separately as a financing activity.

Forfeitures

The updated guidance permits an entity to make an accounting policy election to either account for forfeitures when they occur or continue to apply the current method of accruing the compensation cost based on the number of awards that are expected to vest.

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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

Minimum Statutory Tax Withholding Requirements

The updated guidance changes the threshold amount an entity can withhold for taxes when settling an equity award and still qualify for equity classification. A company can withhold up to the maximum statutory tax rates in the employees' applicable jurisdiction rather than withholding up to the employers' minimum statutory withholding requirement. The update also clarifies that all cash payments made to taxing authorities on behalf of employees for withheld shares are to be presented in financing activities on the statement of cash flows.

Transition

The updated guidance is effective for reporting periods beginning after December 15, 2016. Early adoption is permitted in any interim period; if early adoption is elected, the entity must adopt all of the amendments in the same reporting period and reflect any adjustments as of the beginning of the fiscal year.

The Company adopted the updated guidance effective January 1, 2016. With respect to the forfeiture accounting policy election, the Company elected to retain its policy of accruing the compensation cost based on the number of awards that are expected to vest. The adoption did not result in any cumulative effect adjustments or restatement and did not have a material effect on the Company's results of operations, financial position or liquidity.

Accounting Standards Not Yet Adopted

Leases

In February 2016, the FASB issued updated guidance to require lessees to recognize a right-to-use asset and a lease liability for leases with terms of more than 12 months. The updated guidance retains the two classifications of a lease as either an operating or finance lease (previously referred to as a capital lease). Both lease classifications require the lessee to record the right-to-use asset and the lease liability based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately

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from the amortization expense of the right-to-use asset. Operating leases will recognize lease expense (with no separate recognition of interest expense) on a straight-line basis over the term of the lease. The accounting by lessors is not significantly changed by the updated guidance. The updated guidance requires expanded qualitative and quantitative disclosures, including additional information about the amounts recorded in the financial statements.

The updated guidance is effective for reporting periods beginning after December 15, 2018, and will require that the earliest comparative period presented include the measurement and recognition of existing leases with an adjustment to equity as if the updated guidance had always been applied. Early adoption is 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.

Investments – Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued updated guidance that eliminates the requirement to retroactively apply the equity method of accounting when an investment that was previously accounted for using another method of accounting becomes qualified to apply the equity method due to an increase in the level of ownership interest or degree of influence. If the investment was previously accounted for as an available-for-sale security, any related unrealized gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for the equity method is recognized through earnings. The updated guidance is effective for reporting periods beginning after December 15, 2016, and is to be applied prospectively. Early adoption is 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.

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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

Derivatives and Hedging: Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued updated guidance clarifying that when a call (put) option in a debt instrument can accelerate the repayment of principal on the debt instrument, a reporting entity does not need to assess whether the contingent event that triggers the ability to exercise the call (put) option is related to interest rates or credit risk in determining whether the option should be accounted for separately. The updated guidance is effective for reporting periods beginning after December 15, 2016. Early adoption is 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.

Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued updated guidance for the accounting for credit losses for financial instruments. The updated guidance applies a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for financial instruments measured at amortized cost (e.g. reinsurance recoverables) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, will be recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

The updated guidance also amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists.

The updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted for reporting periods beginning after December 15, 2018. The Company will not be able to determine the impact that the updated guidance will have on its results of operations, financial position or liquidity until the updated guidance is adopted.

Additional Accounting Standards Not Yet Adopted

For information regarding additional accounting standards that the Company has not yet adopted, see the Other Accounting Standards Not Yet Adopted section of note 1 of notes to the consolidated financial statements in the Company's 2015 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 2015 Annual Report.

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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 operating 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
2016				
Premiums	\$ 3,631	\$ 518	\$ 1,918	\$ 6,067
Net investment income	420	51	78	549
Fee income	115		4	119
Other revenues	8	6	14	28
Total operating revenues (1)	\$ 4,174	\$ 575	\$ 2,014	\$ 6,763
Operating income (1)	\$ 393	\$ 202	\$ 116	\$ 711
2015				
Premiums	\$ 3,609	\$ 524	\$ 1,798	\$ 5,931
Net investment income	487	57	88	632
Fee income	111		4	115
Other revenues	5	5	12	22
Total operating revenues (1)	\$ 4,212	\$ 586	\$ 1,902	\$ 6,700
Operating income (1)	\$ 543	\$ 151	\$ 174	\$ 868

(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 and International Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2016				
Premiums	\$ 7,230	\$ 1,026	\$ 3,792	\$ 12,048
Net investment income	835	103	155	1,093
Fee income	229		7	236
Other revenues	41	9	28	78
Total operating revenues (1)	\$ 8,335	\$ 1,138	\$ 3,982	\$ 13,455
Operating income (1)	\$ 869	\$ 346	\$ 255	\$ 1,470

2015							
Premiums	\$	7,229	\$	1,028	\$	3,562	\$ 11,819
Net investment income		941		113		170	1,224
Fee income		222				7	229
Other revenues		13		10		24	47
Total operating revenues (1)	\$	8,405	\$	1,151	\$	3,763	\$ 13,319
Operating income (1)	\$	1,058	\$	275	\$	426	\$ 1,759

(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,	
	2016	2015	2016	2015
Revenue reconciliation				
Earned premiums				
Business and International Insurance:				
Domestic:				
Workers compensation	\$ 987	\$ 957	\$ 1,968	\$ 1,919
Commercial automobile	503	477	994	945
Commercial property	442	440	879	880
General liability	485	469	967	937
Commercial multi-peril	786	779	1,568	1,553
Other	9	10	14	20
Total Domestic	3,212	3,132	6,390	6,254
International	419	477	840	975
Total Business and International Insurance	3,631	3,609	7,230	7,229
Bond & Specialty Insurance:				
Fidelity and surety	239	240	469	465
General liability	235	240	469	476
Other	44	44	88	87
Total Bond & Specialty Insurance	518	524	1,026	1,028
Personal Insurance:				
Automobile	974	863	1,910	1,699
Homeowners and Other	944	935	1,882	1,863
Total Personal Insurance	1,918	1,798	3,792	3,562
Total earned premiums	6,067	5,931	12,048	11,819
Net investment income	549	632	1,093	1,224
Fee income	119	115	236	229
Other revenues	28	22	78	47
Total operating revenues for reportable segments	6,763	6,700	13,455	13,319
Other revenues	3		6	
Net realized investment gains	19	10	10	20
Total consolidated revenues	\$ 6,785	\$ 6,710	\$ 13,471	\$ 13,339
Income reconciliation, net of tax				
Total operating income for reportable segments	\$ 711	\$ 868	\$ 1,470	\$ 1,759

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Interest Expense and Other (1)	(62)	(62)	(123)	(126)
Total operating income	649	806	1,347	1,633
Net realized investment gains	15	6	8	12
Total consolidated net income	\$ 664	\$ 812	\$ 1,355	\$ 1,645

(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, 2016 and 2015, and \$120 million in each of the six months ended June 30, 2016 and 2015.

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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, 2016	December 31, 2015
Asset reconciliation:		
Business and International Insurance	\$ 81,214	\$ 79,692
Bond & Specialty Insurance	7,745	7,360
Personal Insurance	13,109	12,748
Total assets for reportable segments	102,068	99,800
Other assets (1)	378	384
Total consolidated assets	\$ 102,446	\$ 100,184

(1) The primary component of other assets at June 30, 2016 was other intangible assets and the primary components at December 31, 2015 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, 2016, 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	\$ 2,038	\$ 36	\$ 1	\$ 2,073
Obligations of states, municipalities and political subdivisions:				