

TRAVELERS COMPANIES, INC.

Form 10-Q

April 21, 2015

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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 March 31, 2015

or

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

For the transition period from _____ to _____

Commission file number: 001-10898

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 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 x 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

Accelerated
filer

Non-accelerated filer

Smaller reporting company

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(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 17, 2015 was 318,698,313.

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The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended March 31, 2015

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(in millions, except per share amounts)

For the three months ended March 31,	2015	2014
Revenues		
Premiums	\$ 5,888	\$ 5,823
Net investment income	592	736
Fee income	111	107
Net realized investment gains (1)	10	1
Other revenues	25	41
Total revenues	6,626	6,708
Claims and expenses		
Claims and claim adjustment expenses	3,431	3,315
Amortization of deferred acquisition costs	963	950
General and administrative expenses	992	881
Interest expense	92	92
Total claims and expenses	5,478	5,238
Income before income taxes	1,148	1,470
Income tax expense	315	418
Net income	\$ 833	\$ 1,052
Net income per share		
Basic	\$ 2.58	\$ 2.98
Diluted	\$ 2.55	\$ 2.95
Weighted average number of common shares outstanding		
Basic	320.8	350.9
Diluted	324.5	354.6

(1) Total other-than-temporary impairment (OTTI) losses were \$(4) million and \$(7) million for the three months ended March 31, 2015 and 2014, respectively. Of total OTTI, credit losses of \$(3) million and \$(9) million for the three months ended March 31, 2015 and 2014, respectively, were recognized in net realized investment gains. In addition, unrealized gains (losses) from other changes in total OTTI of \$(1) million and \$2 million for the three months ended March 31, 2015 and 2014, respectively, were recognized in other comprehensive income (loss) as part of changes in net unrealized gains on investment securities having credit losses recognized in the consolidated statement of income.

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

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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,	2015	2014
Net income	\$ 833	\$ 1,052
Other comprehensive income (loss):		
Changes in net unrealized gains on investment securities:		
Having no credit losses recognized in the consolidated statement of income	169	537
Having credit losses recognized in the consolidated statement of income	(5)	2
Net changes in benefit plan assets and obligations	24	15
Net changes in unrealized foreign currency translation	(274)	(43)
Other comprehensive income (loss) before income taxes	(86)	511
Income tax expense	25	194
Other comprehensive income (loss), net of taxes	(111)	317
Comprehensive income	\$ 722	\$ 1,369

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, 2015 (Unaudited)	December 31, 2014
Assets		
Fixed maturities, available for sale, at fair value (amortized cost \$59,916 and \$60,801)	\$ 62,769	\$ 63,474
Equity securities, available for sale, at fair value (cost \$563 and \$579)	866	899
Real estate investments	929	938
Short-term securities	4,490	4,364
Other investments	3,565	3,586
Total investments	72,619	73,261
Cash	308	374
Investment income accrued	628	685
Premiums receivable	6,528	6,298
Reinsurance recoverables	9,142	9,260
Ceded unearned premiums	830	678
Deferred acquisition costs	1,847	1,835
Deferred taxes		33
Contractholder receivables	4,396	4,362
Goodwill	3,590	3,611
Other intangible assets	292	304
Other assets	2,511	2,377
Total assets	\$ 102,691	\$ 103,078
Liabilities		
Claims and claim adjustment expense reserves	\$ 48,994	\$ 49,850
Unearned premium reserves	11,954	11,839
Contractholder payables	4,396	4,362
Payables for reinsurance premiums	485	336
Deferred taxes	126	
Debt	6,349	6,349
Other liabilities	5,540	5,506
Total liabilities	77,844	78,242
Shareholders equity		
Common stock (1,750.0 shares authorized; 318.7 and 322.2 shares issued and outstanding)	21,982	21,843
Retained earnings	27,906	27,251
Accumulated other comprehensive income	769	880
Treasury stock, at cost (443.6 and 437.3 shares)	(25,810)	(25,138)
Total shareholders equity	24,847	24,836
Total liabilities and shareholders equity	\$ 102,691	\$ 103,078

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,	2015	2014
Common stock		
Balance, beginning of year	\$ 21,843	\$ 21,500
Employee share-based compensation	66	45
Compensation amortization under share-based plans and other changes	73	58
Balance, end of period	21,982	21,603
Retained earnings		
Balance, beginning of year	27,251	24,291
Net income	833	1,052
Dividends	(178)	(177)
Other		1
Balance, end of period	27,906	25,167
Accumulated other comprehensive income, net of tax		
Balance, beginning of year	880	810
Other comprehensive income (loss)	(111)	317
Balance, end of period	769	1,127
Treasury stock (at cost)		
Balance, beginning of year	(25,138)	(21,805)
Treasury stock acquired share repurchase authorization	(600)	(650)
Net shares acquired related to employee share-based compensation plans	(72)	(55)
Balance, end of period	(25,810)	(22,510)
Total shareholders equity	\$ 24,847	\$ 25,387
Common shares outstanding		
Balance, beginning of year	322.2	353.5
Treasury stock acquired share repurchase authorization	(5.6)	(7.8)
Net shares issued under employee share-based compensation plans		