TRAVELERS COMPANIES, INC.
Form 10-Q
October 20, 2016
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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 September 30, 2016

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 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 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 October 17, 2016 was 284,058,764.

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The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended September 30, 2016

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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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues				
Premiums	**$ 6,209**	$ 6,032	**$ 18,257**	$ 17,851
Net investment income	**582**	614	**1,675**	1,838
Fee income	**116**	116	**352**	345
Net realized investment gains (1)	**23**	15	**33**	35
Other revenues	**31**	21	**115**	68
Total revenues	**6,961**	6,798	**20,432**	20,137
Claims and expenses				
Claims and claim adjustment expenses	**3,856**	3,382	**11,330**	10,360
Amortization of deferred acquisition costs	**1,012**	987	**2,972**	2,913
General and administrative expenses	**1,057**	1,028	**3,106**	3,055
Interest expense	**89**	94	**273**	278
Total claims and expenses	**6,014**	5,491	**17,681**	16,606
Income before income taxes	**947**	1,307	**2,751**	3,531
Income tax expense	**231**	379	**680**	958
Net income	**$ 716**	$ 928	**$ 2,071**	$ 2,573
Net income per share				
Basic	**$ 2.48**	$ 3.00	**$ 7.09**	$ 8.13
Diluted	**$ 2.45**	$ 2.97	**$ 7.00**	$ 8.04
Weighted average number of common shares outstanding				
Basic	**286.0**	307.6	**290.0**	314.3
Diluted	**289.8**	311.0	**293.6**	317.7
Cash dividends declared per common share	**$ 0.67**	$ 0.61	**$ 1.95**	$ 1.77

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(1) Total other-than-temporary impairment (OTTI) losses were $(4) million and $(14) million for the three months ended September 30, 2016 and 2015, respectively, and $(36) million and $(26) million for the nine months ended September 30, 2016 and 2015, respectively. Of total OTTI, credit losses of $(4) million and $(14) million for the three months ended September 30, 2016 and 2015, respectively, and $(26) million and $(23) million for the nine

months ended September 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 for both of the three months ended September 30, 2016 and 2015, and $(10) million and $(3) million for the nine months ended September 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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net income	**$ 716**	$ 928	**$ 2,071**	$ 2,573
Other comprehensive income (loss):				
Changes in net unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income	**(455)**	67	**1,138**	(829)
Having credit losses recognized in the consolidated statement of income	**6**	(3)	**23**	(13)
Net changes in benefit plan assets and obligations	**16**	24	**50**	71
Net changes in unrealized foreign currency translation	**(31)**	(227)	**37**	(407)
Other comprehensive income (loss) before income taxes	**(464)**	(139)	**1,248**	(1,178)
Income tax expense (benefit)	**(159)**	(2)	**431**	(330)
Other comprehensive income (loss), net of taxes	**(305)**	(137)	**817**	(848)
Comprehensive income	**$ 411**	$ 791	**$ 2,888**	$ 1,725

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)

	September 30, 2016 (Unaudited)		December 31, 2015	
Assets				
Fixed maturities, available for sale, at fair value (amortized cost $60,149 and $58,878)	**$**	**63,036**	$	60,658
Equity securities, available for sale, at fair value (cost $510 and $528)		**744**		705
Real estate investments		**929**		989
Short-term securities		**4,803**		4,671
Other investments		**3,452**		3,447
Total investments		**72,964**		70,470
Cash		**269**		380
Investment income accrued		**586**		642
Premiums receivable		**6,785**		6,437
Reinsurance recoverables		**8,665**		8,910
Ceded unearned premiums		**741**		656
Deferred acquisition costs		**1,975**		1,849
Deferred taxes				296
Contractholder receivables		**4,580**		4,374
Goodwill		**3,585**		3,573
Other intangible assets		**271**		279
Other assets		**2,366**		2,318
Total assets	**$**	**102,787**	$	100,184
Liabilities				
Claims and claim adjustment expense reserves	**$**	**48,168**	$	48,295
Unearned premium reserves		**12,706**		11,971
Contractholder payables		**4,580**		4,374
Payables for reinsurance premiums		**431**		296
Deferred taxes		**171**		
Debt		**6,436**		6,344
Other liabilities		**5,856**		5,306
Total liabilities		**78,348**		76,586
Shareholders equity				
Common stock (1,750.0 shares authorized; 284.1 and 295.9 shares issued and outstanding)		**22,419**		22,172
Retained earnings		**31,443**		29,945
Accumulated other comprehensive income (loss)		**660**		(157)
Treasury stock, at cost (482.9 and 467.6 shares)		**(30,083)**		(28,362)
Total shareholders equity		**24,439**		23,598
Total liabilities and shareholders equity	**$**	**102,787**	$	100,184

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 CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(in millions)

For the nine months ended September 30,	2016	2015
Common stock		
Balance, beginning of year	**$ 22,172**	$ 21,843
Employee share-based compensation	**123**	105
Compensation amortization under share-based plans and other changes	**124**	151
Balance, end of period	**22,419**	22,099
Retained earnings		
Balance, beginning of year	**29,945**	27,251
Net income	**2,071**	2,573
Dividends	**(571)**	(561)
Other	**(2)**	
Balance, end of period	**31,443**	29,263
Accumulated other comprehensive income (loss), net of tax		
Balance, beginning of year	**(157)**	880
Other comprehensive income (loss)	**817**	(848)
Balance, end of period	**660**	32
Treasury stock (at cost)		
Balance, beginning of year	**(28,362)**	(25,138)
Treasury stock acquired share repurchase authorization	**(1,650)**	(2,150)
Net shares acquired related to employee share-based compensation plans	**(71)**	(73)
Balance, end of period	**(30,083)**	(27,361)
Total shareholders equity	**$ 24,439**	$ 24,033
Common shares outstanding		
Balance, beginning of year	**295.9**	322.2
Treasury stock acquired share repurchase authorization	**(14.7)**	(20.8)
Net shares issued under employee share-based compensation plans	**2.9**	2.8
Balance, end of period	**284.1**	304.2

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 nine months ended September 30,	2016	2015
Cash flows from operating activities		
Net income	**$ 2,071**	$ 2,573
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment gains	**(33)**	(35)
Depreciation and amortization	**624**	620
Deferred federal income tax expense	**29**	105
Amortization of deferred acquisition costs	**2,972**	2,913
Equity in income from other investments	**(114)**	(214)
Premiums receivable	**(340)**	(300)
Reinsurance recoverables	**248**	247
Deferred acquisition costs	**(3,096)**	(2,998)
Claims and claim adjustment expense reserves	**(139)**	(874)
Unearned premium reserves	**725**	542
Other	**116**	95
Net cash provided by operating activities	**3,063**	2,674
Cash flows from investing activities		
Proceeds from maturities of fixed maturities	**6,648**	8,805
Proceeds from sales of investments:		
Fixed maturities	**865**	1,555
Equity securities	**71**	38
Real estate investments	**69**	15
Other investments	**569**	505
Purchases of investments:		
Fixed maturities	**(9,004)**	(9,972)
Equity securities	**(36)**	(31)
Real estate investments	**(30)**	(116)
Other investments	**(422)**	(389)
Net purchases of short-term securities	**(135)**	(782)
Securities transactions in course of settlement	**511**	103
Other	**(240)**	(222)
Net cash used in investing activities	**(1,134)**	(491)
Cash flows from financing activities		
Treasury stock acquired share repurchase authorization	**(1,650)**	(2,150)
Treasury stock acquired net employee share-based compensation	**(71)**	(73)
Dividends paid to shareholders	**(569)**	(557)
Payment of debt	**(400)**	
Issuance of debt	**491**	392
Issuance of common stock employee share options	**164**	142
Excess tax benefits from share-based payment arrangements		42
Net cash used in financing activities	**(2,035)**	(2,204)
Effect of exchange rate changes on cash	**(5)**	(9)
Net decrease in cash	**(111)**	(30)
Cash at beginning of year	**380**	374

Cash at end of period	**$**	**269**	$	344
Supplemental disclosure of cash flow information				
Income taxes paid	**$**	**648**	$	882
Interest paid	**$**	**223**	$	217

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 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 updated guidance clarifies 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.

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 updated 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.

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 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.

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 is contingently exercisable, the event that triggers the ability to exercise the option is considered to be clearly and closely related to the debt instrument (i.e., the economic characteristics and risks of the option are related to interest rates or credit risks) and the entity does not have to assess 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. Based on the financial instruments currently held by the Company, there would not be a material effect on the Company s results of operations, financial position or liquidity if the new guidance were able to be adopted in the current accounting period. The impact on the Company s results of operations, financial position or liquidity at the date of adoption of the updated guidance will be determined by the financial instruments held by the Company and the economic conditions at that time.

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 September 30, in millions)	Business and International Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2016				
Premiums	**$ 3,692**	**$ 529**	**$ 1,988**	**$ 6,209**
Net investment income	**445**	**53**	**84**	**582**
Fee income	**111**		**5**	**116**
Other revenues	**10**	**4**	**14**	**28**
Total operating revenues (1)	**$ 4,258**	**$ 586**	**$ 2,091**	**$ 6,935**
Operating income (1)	**$ 457**	**$ 146**	**$ 158**	**$ 761**
2015				
Premiums	$ 3,653	$ 539	$ 1,840	$ 6,032
Net investment income	471	56	87	614
Fee income	112		4	116
Other revenues	5	4	9	18
Total operating revenues (1)	$ 4,241	$ 599	$ 1,940	$ 6,780
Operating income (1)	$ 546	$ 196	$ 241	$ 983

(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 nine months ended September 30, in millions)	Business and International Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2016				
Premiums	**$ 10,922**	**$ 1,555**	**$ 5,780**	**$ 18,257**
Net investment income	**1,280**	**156**	**239**	**1,675**
Fee income	**340**		**12**	**352**
Other revenues	**51**	**13**	**42**	**106**
Total operating revenues (1)	**$ 12,593**	**$ 1,724**	**$ 6,073**	**$ 20,390**
Operating income (1)	**$ 1,326**	**$ 492**	**$ 413**	**$ 2,231**

2015								
Premiums	$	10,882	$	1,567	$	5,402	$	17,851
Net investment income		1,412		169		257		1,838
Fee income		334				11		345
Other revenues		18		14		33		65
Total operating revenues (1)	$	12,646	$	1,750	$	5,703	$	20,099
Operating income (1)	$	1,604	$	471	$	667	$	2,742

(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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenue reconciliation				
Earned premiums				
Business and International Insurance:				
Domestic:				
Workers compensation	**$ 1,003**	$ 970	**$ 2,971**	$ 2,889
Commercial automobile	**503**	485	**1,497**	1,430
Commercial property	**441**	444	**1,320**	1,324
General liability	**504**	484	**1,471**	1,421
Commercial multi-peril	**788**	791	**2,356**	2,344
Other	**9**	10	**23**	30
Total Domestic	**3,248**	3,184	**9,638**	9,438
International	**444**	469	**1,284**	1,444
Total Business and International Insurance	**3,692**	3,653	**10,922**	10,882
Bond & Specialty Insurance:				
Fidelity and surety	**245**	254	**714**	719
General liability	**239**	240	**708**	716
Other	**45**	45	**133**	132
Total Bond & Specialty Insurance	**529**	539	**1,555**	1,567
Personal Insurance:				
Automobile	**1,026**	893	**2,936**	2,592
Homeowners and Other	**962**	947	**2,844**	2,810
Total Personal Insurance	**1,988**	1,840	**5,780**	5,402
Total earned premiums	**6,209**	6,032	**18,257**	17,851
Net investment income	**582**	614	**1,675**	1,838
Fee income	**116**	116	**352**	345
Other revenues	**28**	18	**106**	65
Total operating revenues for reportable segments	**6,935**	6,780	**20,390**	20,099
Other revenues	**3**	3	**9**	3
Net realized investment gains	**23**	15	**33**	35
Total consolidated revenues	**$ 6,961**	$ 6,798	**$ 20,432**	$ 20,137
Income reconciliation, net of tax				

Total operating income for reportable segments	**$ 761**	$ 983	**$ 2,231**	$ 2,742
Interest Expense and Other (1)	**(60)**	(65)	**(183)**	(191)
Total operating income	**701**	918	**2,048**	2,551
Net realized investment gains	**15**	10	**23**	22
Total consolidated net income	**$ 716**	$ 928	**$ 2,071**	$ 2,573

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(1) The primary component of Interest Expense and Other was after-tax interest expense of $57 million and $61 million in the three months ended September 30, 2016 and 2015, respectively, and $177 million and $181 million in the nine months ended September 30, 2016 and 2015, respectively.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

2. SEGMENT INFORMATION, Continued

(in millions)	September 30, 2016	December 31, 2015
Asset reconciliation:		
Business and International Insurance	**$ 81,232**	$ 79,692
Bond & Specialty Insurance	**7,945**	7,360
Personal Insurance	**13,327**	12,748
Total assets for reportable segments	**102,504**	99,800
Other assets (1)	**283**	384
Total consolidated assets	**$ 102,787**	$ 100,184

(1) The primary component of other assets at September 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 September 30, 2016, in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	**$ 2,046**	**$ 27**	**$ 2**	**$ 2,071**
Obligations of states, municipalities and political subdivisions:				
Local general obligation	**13,930**	**754**	**9**	**14,675**
Revenue	**10,668**	**608**	**6**	**11,270**
State general obligation	**1,878**	**95**	**3**	**1,970**
Pre-refunded	**5,138**	**227**		**5,365**
Total obligations of states, municipalities and political subdivisions	**31,614**	**1,684**	**18**	**33,280**

Debt securities issued by foreign governments	**1,703**	**54**		**1,757**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**1,651**	**128**	**1**	**1,778**
All other corporate bonds	**23,039**	**1,039**	**31**	**24,047**
Redeemable preferred stock	**96**	**7**		**103**
Total	**$ 60,149**	**$ 2,939**	**$ 52**	**$ 63,036**

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

3. INVESTMENTS, Continued

(at December 31, 2015, in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 2,202	$ 8	$ 16	$ 2,194
Obligations of states, municipalities and political subdivisions:				
Local general obligation	12,744	577	3	13,318
Revenue	9,492	472	4	9,960
State general obligation	1,978	97	2	2,073
Pre-refunded	5,813	247		6,060
Total obligations of states, municipalities and political subdivisions	30,027	1,393	9	31,411
Debt securities issued by foreign governments	1,829	45	1	1,873
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	1,863	124	6	1,981
All other corporate bonds	22,854	523	288	23,089
Redeemable preferred stock	103	7		110
Total	$ 58,878	$ 2,100	$ 320	$ 60,658

Pre-refunded bonds of $5.37 billion and $6.06 billion at September 30, 2016 and December 31, 2015, respectively, were bonds for which states or municipalities have established irrevocable trusts, almost exclusively comprised of U.S. Treasury securities, which were created to satisfy their responsibility for payments of principal and interest.

Proceeds from sales of fixed maturities classified as available for sale were $865 million and $1.56 billion during the nine months ended September 30, 2016 and 2015, respectively. Gross gains of $60 million and $74 million and gross losses of $10 million and $6 million were realized on those sales during the nine months ended September 30, 2016 and 2015, respectively.

Equity Securities

The cost and fair value of investments in equity securities were as follows:

(at September 30, 2016, in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Public common stock	**$ 394**	**$ 218**	**$ 3**	**$ 609**
Non-redeemable preferred stock	**116**	**24**	**5**	**135**
Total	**$ 510**	**$ 242**	**$ 8**	**$ 744**

(at December 31, 2015, in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Public common stock	$ 386	$ 164	$ 7	$ 543
Non-redeemable preferred stock	142	26	6	162
Total	$ 528	$ 190	$ 13	$ 705

Proceeds from sales of equity securities classified as available for sale were $71 million and $38 million during the nine months ended September 30, 2016 and 2015, respectively. Gross gains of $12 million and $7 million and gross losses of $3 million and $4 million were realized on those sales during the nine months ended September 30, 2016 and 2015, respectively.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

3. INVESTMENTS, Continued

Unrealized Investment Losses

The following tables summarize, for all investments in an unrealized loss position at September 30, 2016 and December 31, 2015, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position. The fair value amounts reported in the tables are estimates that are prepared using the process described in note 4 herein and in note 4 of notes to the consolidated financial statements in the Company s 2015 Annual Report.

(at September 30, 2016, in millions)	Less than 12 months Fair Value	Less than 12 months Gross Unrealized Losses	12 months or longer Fair Value	12 months or longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
Fixed maturities						
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 146	$ 1	$ 10	$ 1	$ 156	$ 2
Obligations of states, municipalities and political subdivisions	2,255	18	14		2,269	18
Debt securities issued by foreign governments	31				31	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	116		20	1	136	1
All other corporate bonds	1,002	7	502	24	1,504	31
Redeemable preferred stock			7		7	
Total fixed maturities	3,550	26	553	26	4,103	52
Equity securities						
Public common stock	9	1	20	2	29	3
Non-redeemable preferred stock	5		60	5	65	5
Total equity securities	14	1	80	7	94	8
Total	$ 3,564	$ 27	$ 633	$ 33	$ 4,197	$ 60

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

3. INVESTMENTS, Continued

	Less than 12 months		12 months or longer		Total	
(at December 31, 2015, in millions)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Fixed maturities						
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 1,820	$ 15	$ 28	$ 1	$ 1,848	$ 16
Obligations of states, municipalities and political subdivisions	928	7	142	2	1,070	9
Debt securities issued by foreign governments	172	1			172	1
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	473	4	57	2	530	6
All other corporate bonds	7,725	197	710	91	8,435	288
Redeemable preferred stock	8				8	
Total fixed maturities	11,126	224	937	96	12,063	320
Equity securities						
Public common stock	48	6	33	1	81	7
Non-redeemable preferred stock	47	3	38	3	85	6
Total equity securities	95	9	71	4	166	13
Total	$ 11,221	$ 233	$ 1,008	$ 100	$ 12,229	$ 333

Unrealized losses for all fixed maturities and equity securities reported at fair value for which fair value is less than 80% of amortized cost at September 30, 2016 totaled $8 million, representing less than 1% of the combined fixed maturity and equity security portfolios on a pre-tax basis and less than 1% of shareholders equity on an after-tax basis.

Impairment Charges

Impairment charges included in net realized investment gains in the consolidated statement of income were $4 million and $14 million for the three months ended September 30, 2016 and 2015, respectively, and $26 million and $23 million for the nine months ended September 30, 2016 and 2015, respectively.

The cumulative amount of credit losses on fixed maturities held at September 30, 2016 and 2015, that were recognized in the consolidated statement of income from other-than-temporary impairments (OTTI) and for which a portion of the OTTI was recognized in other comprehensive income (loss) in the consolidated balance sheet was $86 million at both dates. These credit losses represent less than 1% of the fixed maturity portfolio on a pre-tax basis and less than 1% of shareholders equity on an after-tax basis at both dates. There were no significant changes in the credit component of OTTI during the nine months ended September 30, 2016 and 2015 from that disclosed in note 3 of notes to the consolidated financial statements in the Company s 2015 Annual Report.

Derivative Financial Instruments

From time to time, the Company enters into U.S. Treasury note futures contracts to modify the effective duration of specific assets within the investment portfolio. U.S. Treasury futures contracts require a daily mark-to-market and settlement with the broker. At both September 30, 2016 and December 31, 2015, the Company had $400 million notional value of open U.S. Treasury futures contracts. Net realized investment gains and losses related to U.S. Treasury futures contracts in the three months and nine months ended September 30, 2016 and 2015 were not significant.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

4. FAIR VALUE MEASUREMENTS

The Company s estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company s significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement in its entirety. The three levels of the hierarchy are as follows:

- Level 1 **-** Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.

- Level 2 **-** Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

- Level 3 **-** Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company s own assumptions about the inputs that market participants would use.

Valuation of Investments Reported at Fair Value in Financial Statements

The Company utilized a pricing service to estimate fair value measurements for approximately 98% of its fixed maturities at both September 30, 2016 and December 31, 2015.

While the vast majority of the Company s fixed maturities are included in Level 2, the Company holds a number of municipal bonds and corporate bonds which are not valued by the pricing service and estimates the fair value of these bonds using an internal pricing matrix with some unobservable inputs that are significant to the valuation. Due to the limited amount of observable market information, the Company includes the fair value estimates for these particular bonds in Level 3. The fair value of the fixed maturities for which the Company used an internal pricing matrix was $146 million and $101 million at September 30, 2016 and December 31, 2015, respectively. Additionally, the Company holds a small amount of other fixed maturity investments that have characteristics that make them unsuitable for matrix pricing. For these fixed maturities, the Company obtains a quote from a broker (primarily the market maker). The fair value of the fixed maturities for which the Company received a broker quote was $73 million and $117 million at September 30, 2016 and December 31, 2015, respectively. Due to the disclaimers on the quotes that indicate that the price is indicative only, the Company includes these fair value estimates in Level 3.

For more information regarding the valuation of the Company s fixed maturities, equity securities and other investments, see note 4 of notes to the consolidated financial statements in the Company s 2015 Annual Report.

Fair Value Hierarchy

The following tables present the level within the fair value hierarchy at which the Company s financial assets and financial liabilities are measured on a recurring basis at September 30, 2016 and December 31, 2015. An investment transferred between levels during a period is transferred at its fair value as of the beginning of that period.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

4. FAIR VALUE MEASUREMENTS, Continued

(at September 30, 2016, in millions)	Total	Level 1	Level 2	Level 3
Invested assets:				
Fixed maturities				
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ **2,071**	$ **2,071**	$	$
Obligations of states, municipalities and political subdivisions	**33,280**		**33,268**	**12**
Debt securities issued by foreign governments	**1,757**		**1,757**	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**1,778**		**1,743**	**35**
All other corporate bonds	**24,047**	**3**	**23,872**	**172**
Redeemable preferred stock	**103**	**3**	**100**	
Total fixed maturities	**63,036**	**2,077**	**60,740**	**219**
Equity securities				
Public common stock	**609**	**609**		
Non-redeemable preferred stock	**135**	**58**	**77**	
Total equity securities	**744**	**667**	**77**	
Other investments	**49**	**17**		**32**
Total	$ **63,829**	$ **2,761**	$ **60,817**	$ **251**

(at December 31, 2015, in millions)	Total	Level 1	Level 2	Level 3
Invested assets:				
Fixed maturities				
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 2,194	$ 2,194	$	$
Obligations of states, municipalities and political subdivisions	31,411		31,398	13
Debt securities issued by foreign governments	1,873		1,873	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	1,981		1,957	24
All other corporate bonds	23,089		22,915	174
Redeemable preferred stock	110	3	100	7
Total fixed maturities	60,658	2,197	58,243	218
Equity securities				
Public common stock	543	543		
Non-redeemable preferred stock	162	55	107	
Total equity securities	705	598	107	
Other investments	56	18		38

Total	$ 61,419	$ 2,813	$ 58,350	$ 256

During the nine months ended September 30, 2016 and the year ended December 31, 2015, the Company s transfers between Level 1 and Level 2 were not significant.

There was no significant activity in Level 3 of the hierarchy during the nine months ended September 30, 2016 or the year ended December 31, 2015.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

4. FAIR VALUE MEASUREMENTS, Continued

Financial Instruments Disclosed, But Not Carried, At Fair Value

The following tables present the carrying value and fair value of the Company s financial assets and financial liabilities disclosed, but not carried, at fair value, and the level within the fair value hierarchy at which such assets and liabilities are categorized.

(at September 30, 2016, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Short-term securities	**$ 4,803**	**$ 4,803**	**$ 975**	**$ 3,783**	**$ 45**
Financial liabilities:					
Debt	**$ 6,336**	**$ 7,753**	**$**	**$ 7,753**	**$**
Commercial paper	**$ 100**	**$ 100**	**$**	**$ 100**	**$**

(at December 31, 2015, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Short-term securities	$ 4,671	$ 4,671	$ 1,685	$ 2,958	$ 28
Financial liabilities:					
Debt	$ 6,244	$ 7,180	$	$ 7,180	$
Commercial paper	$ 100	$ 100	$	$ 100	$

The Company utilized a pricing service to estimate fair value for approximately 99% of short-term securities at both September 30, 2016 and December 31, 2015. For a description of the process and inputs used by the pricing service to estimate fair value, see the Fixed Maturities section in note 4 of notes to the consolidated financial statements in the Company s 2015 Annual Report.

The Company utilized a pricing service to estimate fair value for 100% of its debt, including commercial paper, at September 30, 2016 and December 31, 2015.

The Company had no material assets or liabilities that were measured at fair value on a non-recurring basis during the nine months ended September 30, 2016 or twelve months ended December 31, 2015.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents the carrying amount of the Company s goodwill by segment at September 30, 2016 and December 31, 2015:

(in millions)	September 30, 2016	December 31, 2015
Business and International Insurance (1)	**$ 2,451**	$ 2,439
Bond & Specialty Insurance	**496**	496
Personal Insurance	**612**	612
Other	**26**	26
Total	**$ 3,585**	$ 3,573

(1) Includes goodwill associated with the Company s international business which is subject to the impact of changes in foreign currency exchange rates.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

5. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

Other Intangible Assets

The following tables present a summary of the Company s other intangible assets by major asset class at September 30, 2016 and December 31, 2015:

(at September 30, 2016, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization (1)	**$ 210**	**$ 156**	**$ 54**
Not subject to amortization	**217**		**217**
Total	**$ 427**	**$ 156**	**$ 271**

(at December 31, 2015, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization (1)	$ 210	$ 148	$ 62
Not subject to amortization	217		217
Total	$ 427	$ 148	$ 279

(1) Intangible assets subject to amortization are comprised of fair value adjustments on claims and claim adjustment expense reserves, reinsurance recoverables and other contract and customer-related intangibles. The time value of money and the risk adjustment (cost of capital) components of the intangible asset run off at different rates, and, as such, the amount recognized in income may be a net benefit in some periods and a net expense in other periods.

Amortization expense of intangible assets was $3 million for each of the three months ended September 30, 2016 and 2015, and $8 million and $23 million for the nine months ended September 30, 2016 and 2015, respectively. Intangible asset amortization expense is estimated to be $2 million for the remainder of 2016, $9 million in 2017, $8 million in 2018, $6 million in 2019 and $5 million in 2020.

6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in the Company s accumulated other comprehensive income (AOCI) for the nine months ended September 30, 2016.

(in millions)	Changes in Net Unrealized Gains on Investment Securities Having No Credit Losses Recognized in the Consolidated Statement of Income	Changes in Net Unrealized Gains on Investment Securities Having Credit Losses Recognized in the Consolidated Statement of Income	Net Benefit Plan Assets and Obligations Recognized in Shareholders Equity	Net Unrealized Foreign Currency Translation	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2015	**$ 1,100**	**$ 189**	**$ (713)**	**$ (733)**	**$ (157)**
Other comprehensive income (OCI) before reclassifications	**780**	**7**	**3**	**24**	**814**
Amounts reclassified from AOCI	**(35)**	**8**	**30**		**3**
Net OCI, current period	**745**	**15**	**33**	**24**	**817**
Balance, September 30, 2016	**$ 1,845**	**$ 204**	**$ (680)**	**$ (709)**	**$ 660**

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME, Continued

The following table presents the pre-tax components of the Company s other comprehensive income (loss) and the related income tax expense (benefit) for the three months and nine months ended September 30, 2016 and 2015.

(in millions)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Changes in net unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income	**$ (455)**	$ 67	**$ 1,138**	$ (829)
Income tax expense (benefit)	**(159)**	26	**393**	(286)
Net of taxes	**(296)**	41	**745**	(543)
Having credit losses recognized in the consolidated statement of income	**6**	(3)	**23**	(13)
Income tax expense (benefit)	**2**		**8**	(4)
Net of taxes	**4**	(3)	**15**	(9)
Net changes in benefit plan assets and obligations	**16**	24	**50**	71
Income tax expense	**6**	9	**17**	25
Net of taxes	**10**	15	**33**	46
Net changes in unrealized foreign currency translation	**(31)**	(227)	**37**	(407)
Income tax expense (benefit)	**(8)**	(37)	**13**	(65)
Net of taxes	**(23)**	(190)	**24**	(342)
Total other comprehensive income (loss)	**(464)**	(139)	**1,248**	(1,178)
Total income tax expense (benefit)	**(159)**	(2)	**431**	(330)
Total other comprehensive income (loss), net of taxes	**$ (305)**	$ (137)	**$ 817**	$ (848)

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

6. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME, Continued

The following table presents the pre-tax and related income tax (expense) benefit components of the amounts reclassified from the Company s AOCI to the Company s consolidated statement of income for the three months and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Reclassification adjustments related to unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income (1)	**$ (19)**	$ (20)	**$ (54)**	$ (55)
Income tax expense (2)	**(7)**	(7)	**(19)**	(19)
Net of taxes	**(12)**	(13)	**(35)**	(36)
Having credit losses recognized in the consolidated statement of income (1)			**12**	2
Income tax benefit (2)			**4**	
Net of taxes			**8**	2
Reclassification adjustment related to benefit plan assets and obligations (3)	**15**	23	**46**	70
Income tax benefit (2)	**5**	8	**16**	25
Net of taxes	**10**	15	**30**	45
Reclassification adjustment related to foreign currency translation (1)				
Income tax benefit (2)				
Net of taxes				
Total reclassifications	**(4)**	3	**4**	17
Total income tax (expense) benefit	**(2)**	1	**1**	6
Total reclassifications, net of taxes	**$ (2)**	$ 2	**$ 3**	$ 11

(1) (Increases) decreases net realized investment gains on the consolidated statement of income.

(2) (Increases) decreases income tax expense on the consolidated statement of income.

(3) Increases (decreases) general and administrative expenses on the consolidated statement of income.

7. DEBT

Debt Issuance. On May 11, 2016, the Company issued $500 million aggregate principal amount of 3.75% senior notes that will mature on May 15, 2046. The net proceeds of the issuance, after the deduction of underwriting and other expenses, totaled approximately $491 million. Interest on the senior notes is payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2016. Prior to November 15, 2045, the senior notes may be redeemed, in whole or in part, at the Company s option, at any time or from time to time, at a redemption price equal to the greater of (a) 100% of the principal amount of any senior notes to be redeemed or (b) the sum of the present values of the remaining scheduled payments of principal and interest on any senior notes to be redeemed (exclusive of interest accrued to the date of

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

7. DEBT, Continued

redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury rate (as defined in the senior notes), plus 20 basis points. On or after November 15, 2045, the senior notes may be redeemed, in whole or in part, at the Company s option, at any time or from time to time, at a redemption price equal to 100% of the principal amount of any senior notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Debt Payment. On June 20, 2016, the Company s $400 million, 6.25% senior notes matured and were fully paid.

8. COMMON SHARE REPURCHASES

During the three months and nine months ended September 30, 2016, the Company repurchased 4.7 million and 14.7 million shares, respectively, under its share repurchase authorization, for a total cost of $550 million and $1.65 billion, respectively. The average cost per share repurchased was $117.25 and $112.50, respectively. At September 30, 2016, the Company had $1.68 billion of capacity remaining under its share repurchase authorization. In addition, during the three months and nine months ended September 30, 2016, the Company acquired 0.1 million and 0.6 million shares, respectively, for a total cost of $12 million and $71 million, respectively, that were not part of the publicly announced share repurchase authorization. These shares consisted of shares retained to cover payroll withholding taxes in connection with the vesting of restricted stock unit awards and performance share awards and shares used by employees to cover the exercise price of certain stock options that were exercised.

9. EARNINGS PER SHARE

The following is a reconciliation of the net income and share data used in the basic and diluted earnings per share computations for the periods presented:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(in millions, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Basic and Diluted				

Net income, as reported	**$**	**716**	$	928	**$**	**2,071**	$	2,573
Participating share-based awards allocated income		**(6)**		(6)		**(16)**		(18)
Net income available to common shareholders basic and diluted	**$**	**710**	$	922	**$**	**2,055**	$	2,555
Common Shares								
Basic								
Weighted average shares outstanding		**286.0**		307.6		**290.0**		314.3
Diluted								
Weighted average shares outstanding		**286.0**		307.6		**290.0**		314.3
Weighted average effects of dilutive securities stock options and performance shares		**3.8**		3.4		**3.6**		3.4
Total		**289.8**		311.0		**293.6**		317.7
Net Income per Common Share								
Basic	**$**	**2.48**	$	3.00	**$**	**7.09**	$	8.13
Diluted	**$**	**2.45**	$	2.97	**$**	**7.00**	$	8.04

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

10. SHARE-BASED INCENTIVE COMPENSATION

The following information relates to fully vested stock option awards at September 30, 2016:

Stock Options	Number		Weighted Average Exercise Price	Weighted Average Contractual Life Remaining		Aggregate Intrinsic Value ($ in millions)
Vested at end of period (1)	**7,667,840**	**$**	**79.37**	**4.8 years**	**$**	**270**
Exercisable at end of period	**5,131,304**	**$**	**69.72**	**3.0 years**	**$**	**230**

(1) Represents awards for which the requisite service has been rendered, including those that are retirement eligible.

The total compensation cost for all share-based incentive compensation awards recognized in earnings was $42 million and $31 million for the three months ended September 30, 2016 and 2015, respectively, and $124 million and $109 million for the nine months ended September 30, 2016 and 2015, respectively. The related tax benefits recognized in the consolidated statement of income were $14 million and $11 million for the three months ended September 30, 2016 and 2015, respectively, and $42 million and $37 million for the nine months ended September 30, 2016 and 2015, respectively.

The total unrecognized compensation cost related to all nonvested share-based incentive compensation awards at September 30, 2016 was $148 million, which is expected to be recognized over a weighted-average period of 1.8 years.

11. PENSION PLANS, RETIREMENT BENEFITS AND SAVINGS PLANS

The following tables summarize the components of net periodic benefit cost for the Company s pension and postretirement benefit plans recognized in the consolidated statement of income.

(for the three months ended September 30, in	**Pension Plans**	**Postretirement Benefit Plans**

millions)	2016	2015	2016	2015
Net Periodic Benefit Cost:				
Service cost	**$ 29**	$ 33	**$**	$
Interest cost on benefit obligation	**30**	36	**2**	3
Expected return on plan assets	**(57)**	(58)		
Settlement				
Amortization of unrecognized:				
Prior service benefit			**(1)**	(1)
Net actuarial loss	**17**	24		
Net periodic benefit cost	**$ 19**	$ 35	**$ 1**	$ 2

(for the nine months ended September 30, in millions)	Pension Plans		Postretirement Benefit Plans	
	2016	2015	2016	2015
Net Periodic Benefit Cost:				
Service cost	**$ 88**	$ 98	**$**	$
Interest cost on benefit obligation	**91**	108	**6**	8
Expected return on plan assets	**(172)**	(173)		
Settlement	**1**			
Amortization of unrecognized:				
Prior service benefit			**(3)**	(2)
Net actuarial loss	**50**	72		
Net periodic benefit cost	**$ 58**	$ 105	**$ 3**	$ 6

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

11. PENSION PLANS, RETIREMENT BENEFITS AND SAVINGS PLANS, Continued

In first quarter 2016, the Company began to use a full yield curve approach in the estimation of the service and interest cost components of net periodic benefit costs for its qualified and nonqualified domestic pension plans and its domestic postretirement benefit plans. The full yield curve approach applies the specific spot rates along the yield curve that the Company used to determine its projected benefit obligation at the beginning of the year to the projected cash flows related to service and interest costs. Previously, the Company estimated these service and interest cost components by applying a single weighted-average discount rate derived from this yield curve. This change was made to provide a better estimate of the service and interest cost components of net periodic benefit costs, consistent with the methodology used to estimate the projected benefit obligation for each of the benefit plans.

This change did not affect the measurement of the Company s total benefit obligations, as the change in service cost and interest cost is completely offset in the actuarial (gain) loss reported for the period. The change reduced the service and interest cost components of net periodic benefit costs by $1 million and $8 million, respectively, for the three months ended September 30, 2016, and by $4 million and $23 million, respectively, for the nine months ended September 30, 2016. The weighted average discount rates that are being used to measure service and interest costs during 2016 are 4.77% and 3.64%, respectively, for the domestic qualified pension plan, 4.53% and 3.47%, respectively, for the domestic nonqualified pension plan and 0.00% and 3.53%, respectively, for the domestic postretirement benefit plan. The discount rate associated with the service cost component of the domestic postretirement benefit plan is zero as it is a closed plan and all participants are fully vested. Under the Company s prior estimation approach, the weighted average discount rate for both the service and interest cost components would have been 4.50% for the domestic qualified pension plan, 4.37% for the domestic nonqualified pension plan and 4.35% for the domestic postretirement benefit plan. The Company accounted for this change as a change in estimate, and accordingly, is recognizing the effect prospectively beginning in 2016.

12. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

The major pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or to which any of the Company s properties is subject are described below.

Asbestos and Environmental Claims and Litigation

In the ordinary course of its insurance business, the Company has received and continues to receive claims for insurance arising under policies issued by the Company asserting alleged injuries and damages from asbestos- and environmental-related exposures that are the subject of related coverage litigation. The Company is defending asbestos- and environmental-related litigation vigorously and believes that it has meritorious defenses; however, the outcomes of these disputes are uncertain. In this regard, the Company employs dedicated specialists and aggressive resolution strategies to manage asbestos and environmental loss exposure, including settling litigation under appropriate circumstances. Currently, it is not possible to predict legal outcomes and their impact on the future development of claims and litigation relating to asbestos and environmental claims. Any such development will be affected by future court decisions and interpretations, as well as changes in applicable legislation. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company s current reserves. In addition, the Company s estimate of ultimate claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company s results of operations in future periods. In the second quarters of 2016 and 2015, the Company increased its net environmental reserves by $82 million and $72 million, respectively. In the third quarters of 2016 and 2015, the Company increased its net asbestos reserves by $225 million and $224 million, respectively.

Other Proceedings Not Arising Under Insurance Contracts or Reinsurance Agreements

The Company is involved in other lawsuits, including lawsuits alleging extra-contractual damages relating to insurance contracts or reinsurance agreements, that do not arise under insurance contracts or reinsurance agreements. The legal costs associated with such lawsuits are expensed in the period in which the costs are incurred. Based upon currently available information, the Company does not believe it is reasonably possible that any such lawsuit or related lawsuits would be material to the Company s results of operations or would have a material adverse effect on the Company s financial position or liquidity.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

12. CONTINGENCIES, COMMITMENTS AND GUARANTEES, Continued

Gain Contingency

On August 17, 2010, in a reinsurance dispute in New York state court captioned *United States Fidelity & Guaranty Company v. American Re-Insurance Company, et al.*, the trial court granted summary judgment for United States Fidelity and Guaranty Company (USF&G), a subsidiary of the Company, and denied summary judgment for American Re-Insurance Company, a subsidiary of Munich Re, and three other reinsurers two of which are subsidiaries of the same company, while the other has since settled with the Company. That summary judgment was largely affirmed on appeal, but the Court of Appeals remanded the case for trial on two discrete issues. On June 3, 2015, the trial court entered orders on pretrial motions filed by all parties and ruled in the Company s favor that the issues for trial will be limited to the two discrete issues remanded by the Court of Appeals. The reinsurers appeals of the trial court s orders were unsuccessful. On March 24, 2016, the reinsurers filed a motion to change the venue, which the Company has opposed. On April 26, 2016, the trial court denied the reinsurers motion to change venue, and on June 10, 2016, the reinsurers appealed that decision to the Appellate Division, First Department. Briefing on the appeal was completed as of August 19, 2016, and the appeal has been scheduled for the November term of the Appellate Division, First Department. The previously scheduled trial date was postponed by the trial court, and there is presently no scheduled date for trial. At September 30, 2016, the claim totaled $525 million, comprising $238 million of reinsurance recoverable plus interest amounting to $287 million as of that date. Interest will continue to accrue at an annual rate of 9% until the claim is paid, though the reinsurers contested that interest is owed in a brief filed on May 25, 2016. The $238 million of reinsurance recoverable owed to the Company under the terms of the disputed reinsurance contract has been reported as part of reinsurance recoverables in the Company s consolidated balance sheet. The interest that would be owed as part of any judgment ultimately entered in favor of the Company is treated for accounting purposes as a gain contingency in accordance with FASB Topic 450, *Contingencies,* and accordingly has not been recognized in the Company s consolidated financial statements.

Other Commitments and Guarantees

Commitments

Investment Commitments The Company has unfunded commitments to private equity limited partnerships and real estate partnerships in which it invests. These commitments totaled $1.65 billion and $1.71 billion at September 30, 2016 and December 31, 2015, respectively.

Guarantees

The maximum amount of the Company s contingent obligation for indemnifications related to the sale of businesses that are quantifiable was $391 million at September 30, 2016, of which $2 million was recognized on the balance sheet at that date.

The maximum amount of the Company s obligation for guarantees of certain investments and third-party loans related to certain investments that are quantifiable was $150 million at September 30, 2016, approximately $75 million of which is indemnified by a third party. The maximum amount of the Company s obligation related to the guarantee of certain insurance policy obligations of a former insurance subsidiary was $480 million at September 30, 2016, all of which is indemnified by a third party. For more information regarding Company guarantees, see note 16 of notes to the consolidated financial statements in the Company s 2015 Annual Report.

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

The following consolidating financial statements of the Company have been prepared pursuant to Rule 3-10 of Regulation S-X. These consolidating financial statements have been prepared from the Company s financial information on the same basis of accounting as the consolidated financial statements. The Travelers Companies, Inc. (excluding its subsidiaries, TRV) has fully and unconditionally guaranteed certain debt obligations of Travelers Property Casualty Corp. (TPC), which totaled $700 million at September 30, 2016.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

Prior to the merger of TPC and The St. Paul Companies, Inc. in 2004, TPC fully and unconditionally guaranteed the payment of all principal, premiums, if any, and interest on certain debt obligations of its wholly-owned subsidiary, Travelers Insurance Group Holdings, Inc. (TIGHI). Concurrent with the merger, TRV fully and unconditionally assumed such guarantee obligations of TPC. TPC is deemed to have no assets or operations independent of TIGHI. Consolidating financial information for TIGHI has not been presented herein because such financial information would be substantially the same as the financial information provided for TPC.

CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the three months ended September 30, 2016

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Revenues					
Premiums	$ 4,246	$ 1,963	$	$	$ 6,209
Net investment income	389	190	3		582
Fee income	116				116
Net realized investment gains (1)	10	12		1	23
Other revenues	24	11		(4)	31
Total revenues	4,785	2,176	3	(3)	6,961
Claims and expenses					
Claims and claim adjustment expenses	2,615	1,241			3,856
Amortization of deferred acquisition costs	683	329			1,012
General and administrative expenses	744	312	4	(3)	1,057
Interest expense	11		78		89
Total claims and expenses	4,053	1,882	82	(3)	6,014
Income (loss) before income taxes	732	294	(79)		947
Income tax expense (benefit)	194	81	(44)		231
Net income of subsidiaries			751	(751)	
Net income	$ 538	$ 213	$ 716	$ (751)	$ 716

(1) Total other-than-temporary impairment (OTTI) for the three months ended September 30, 2016, and the amounts comprising total OTTI that were recognized in net realized investment gains and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Total OTTI losses	$ (1)	$ (3)	$	$	$ (4)
OTTI losses recognized in net realized investment gains	$ (1)	$ (3)	$	$	$ (4)
OTTI gains (losses) recognized in OCI	$	$	$	$	$

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the three months ended September 30, 2015

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Revenues					
Premiums	$ 4,110	$ 1,922	$	$	$ 6,032
Net investment income	400	213	1		614
Fee income	116				116
Net realized investment gains (1)	5	10			15
Other revenues	15	6			21
Total revenues	4,646	2,151	1		6,798
Claims and expenses					
Claims and claim adjustment expenses	2,264	1,118			3,382
Amortization of deferred acquisition costs	663	324			987
General and administrative expenses	715	309	4		1,028
Interest expense	12		82		94
Total claims and expenses	3,654	1,751	86		5,491
Income (loss) before income taxes	992	400	(85)		1,307
Income tax expense (benefit)	293	113	(27)		379
Net income of subsidiaries			986	(986)	
Net income	$ 699	$ 287	$ 928	$ (986)	$ 928

(1) Total other-than-temporary impairment (OTTI) for the three months ended September 30, 2015, and the amounts comprising total OTTI that were recognized in net realized investment gains and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Total OTTI losses	$ (5)	$ (9)	$	$	$ (14)
OTTI losses recognized in net realized investment gains	$ (5)	$ (9)	$	$	$ (14)

OTTI gains (losses) recognized in OCI	$	$	$	$	$

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the nine months ended September 30, 2016

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Revenues					
Premiums	$ 12,492	$ 5,765	$	$	$ 18,257
Net investment income	1,142	524	9		1,675
Fee income	352				352
Net realized investment gains (losses) (1)	(7)	39		1	33
Other revenues	105	28		(18)	115
Total revenues	14,084	6,356	9	(17)	20,432
Claims and expenses					
Claims and claim adjustment expenses	7,710	3,620			11,330
Amortization of deferred acquisition costs	1,999	973			2,972
General and administrative expenses	2,191	923	9	(17)	3,106
Interest expense	35		238		273
Total claims and expenses	11,935	5,516	247	(17)	17,681
Income (loss) before income taxes	2,149	840	(238)		2,751
Income tax expense (benefit)	584	219	(123)		680
Net income of subsidiaries			2,186	(2,186)	
Net income	$ 1,565	$ 621	$ 2,071	$ (2,186)	$ 2,071

(1) Total other-than-temporary impairment (OTTI) for the nine months ended September 30, 2016, and the amounts comprising total OTTI that were recognized in net realized investment gains (losses) and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Total OTTI losses	$ (18)	$ (18)	$	$	$ (36)
OTTI losses recognized in net realized investment gains	$ (13)	$ (13)	$	$	$ (26)

OTTI losses recognized in OCI	$ (5)	$ (5)	$	$	$ (10)

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF INCOME (Unaudited)

For the nine months ended September 30, 2015

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Revenues					
Premiums	$ 12,150	$ 5,701	$	$	$ 17,851
Net investment income	1,235	599	4		1,838
Fee income	345				345
Net realized investment gains (1)	24	10	1		35
Other revenues	55	13			68
Total revenues	13,809	6,323	5		20,137
Claims and expenses					
Claims and claim adjustment expenses	6,982	3,378			10,360
Amortization of deferred acquisition costs	1,956	957			2,913
General and administrative expenses	2,134	909	12		3,055
Interest expense	36		242		278
Total claims and expenses	11,108	5,244	254		16,606
Income (loss) before income taxes	2,701	1,079	(249)		3,531
Income tax expense (benefit)	742	292	(76)		958
Net income of subsidiaries			2,746	(2,746)	
Net income	$ 1,959	$ 787	$ 2,573	$ (2,746)	$ 2,573

(1) Total other-than-temporary impairment (OTTI) for the nine months ended September 30, 2015, and the amounts comprising total OTTI that were recognized in net realized investment gains and in other comprehensive income (OCI) were as follows:

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Total OTTI losses	$ (13)	$ (13)	$	$	$ (26)
OTTI losses recognized in net realized investment gains	$ (11)	$ (12)	$	$	$ (23)

OTTI losses recognized in OCI	$ (2)	$ (1)	$	$	$ (3)

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended September 30, 2016

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Net income	$ 538	$ 213	$ 716	$ (751)	$ 716
Other comprehensive income (loss):					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	(323)	(137)	5		(455)
Having credit losses recognized in the consolidated statement of income	4	2			6
Net changes in benefit plan assets and obligations	1		15		16
Net changes in unrealized foreign currency translation	(13)	(18)			(31)
Other comprehensive income (loss) before income taxes and other comprehensive loss of subsidiaries	(331)	(153)	20		(464)
Income tax expense (benefit)	(120)	(48)	9		(159)
Other comprehensive income (loss), net of taxes, before other comprehensive loss of subsidiaries	(211)	(105)	11		(305)
Other comprehensive loss of subsidiaries			(316)	316	
Other comprehensive loss	(211)	(105)	(305)	316	(305)
Comprehensive income	$ 327	$ 108	$ 411	$ (435)	$ 411

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

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13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended September 30, 2015

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Net income	$ 699	$ 287	$ 928	$ (986)	$ 928
Other comprehensive income (loss):					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	93	(17)	(9)		67
Having credit losses recognized in the consolidated statement of income	(2)	(1)			(3)
Net changes in benefit plan assets and obligations	1	1	22		24
Net changes in unrealized foreign currency translation	(148)	(79)			(227)
Other comprehensive income (loss) before income taxes and other comprehensive loss of subsidiaries	(56)	(96)	13		(139)
Income tax expense (benefit)	8	(14)	4		(2)
Other comprehensive income (loss), net of taxes, before other comprehensive loss of subsidiaries	(64)	(82)	9		(137)
Other comprehensive loss of subsidiaries			(146)	146	
Other comprehensive loss	(64)	(82)	(137)	146	(137)
Comprehensive income	$ 635	$ 205	$ 791	$ (840)	$ 791

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13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the nine months ended September 30, 2016

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Net income	$ 1,565	$ 621	$ 2,071	$ (2,186)	$ 2,071
Other comprehensive income:					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	732	397	9		1,138
Having credit losses recognized in the consolidated statement of income	12	11			23
Net changes in benefit plan assets and obligations	19	20	11		50
Net changes in unrealized foreign currency translation	106	(69)			37
Other comprehensive income before income taxes and other comprehensive income of subsidiaries	869	359	20		1,248
Income tax expense	277	144	10		431
Other comprehensive income, net of taxes, before other comprehensive income of subsidiaries	592	215	10		817
Other comprehensive income of subsidiaries			807	(807)	
Other comprehensive income	592	215	817	(807)	817
Comprehensive income	$ 2,157	$ 836	$ 2,888	$ (2,993)	$ 2,888

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

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13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the nine months ended September 30, 2015

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Net income	$ 1,959	$ 787	$ 2,573	$ (2,746)	$ 2,573
Other comprehensive income (loss):					
Changes in net unrealized gains on investment securities:					
Having no credit losses recognized in the consolidated statement of income	(492)	(329)	(8)		(829)
Having credit losses recognized in the consolidated statement of income	(11)	(2)			(13)
Net changes in benefit plan assets and obligations	2	2	67		71
Net changes in unrealized foreign currency translation	(293)	(114)			(407)
Other comprehensive income (loss) before income taxes and other comprehensive loss of subsidiaries	(794)	(443)	59		(1,178)
Income tax expense (benefit)	(224)	(126)	20		(330)
Other comprehensive income (loss), net of taxes, before other comprehensive loss of subsidiaries	(570)	(317)	39		(848)
Other comprehensive loss of subsidiaries			(887)	887	
Other comprehensive loss	(570)	(317)	(848)	887	(848)
Comprehensive income	$ 1,389	$ 470	$ 1,725	$ (1,859)	$ 1,725

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING BALANCE SHEET (Unaudited)

At September 30, 2016

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Assets					
Fixed maturities, available for sale, at fair value (amortized cost $60,149)	$ 43,726	$ 19,260	$ 50	$	$ 63,036
Equity securities, available for sale, at fair value (cost $510)	174	419	151		744
Real estate investments	55	874			929
Short-term securities	2,286	809	1,708		4,803
Other investments	2,572	879	1		3,452
Total investments	48,813	22,241	1,910		72,964
Cash	131	136	2		269
Investment income accrued	408	174	4		586
Premiums receivable	4,594	2,191			6,785
Reinsurance recoverables	5,991	2,674			8,665
Ceded unearned premiums	669	72			741
Deferred acquisition costs	1,786	189			1,975
Contractholder receivables	3,613	967			4,580
Goodwill	2,583	1,002			3,585
Other intangible assets	203	68			271
Investment in subsidiaries			28,508	(28,508)	
Other assets	1,945	404	17		2,366
Total assets	$ 70,736	$ 30,118	$ 30,441	$ (28,508)	$ 102,787
Liabilities					
Claims and claim adjustment expense reserves	$ 32,282	$ 15,886	$	$	$ 48,168
Unearned premium reserves	8,880	3,826			12,706
Contractholder payables	3,613	967			4,580
Payables for reinsurance premiums	255	176			431
Deferred taxes	175	76	(80)		171
Debt	692		5,744		6,436

Other liabilities	4,317	1,191	348		5,856
Total liabilities	50,214	22,122	6,012		78,348
Shareholders equity					
Common stock (1,750.0 shares authorized; 284.1 shares issued and outstanding)		390	22,419	(390)	22,419
Additional paid-in capital	11,634	6,499		(18,133)	
Retained earnings	7,903	800	31,433	(8,693)	31,443
Accumulated other comprehensive income	985	307	660	(1,292)	660
Treasury stock, at cost (482.9 shares)			(30,083)		(30,083)
Total shareholders equity	20,522	7,996	24,429	(28,508)	24,439
Total liabilities and shareholders equity	$ 70,736	$ 30,118	$ 30,441	$ (28,508)	$ 102,787

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING BALANCE SHEET (Unaudited)

At December 31, 2015

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Assets					
Fixed maturities, available for sale, at fair value (amortized cost $58,878)	$ 42,289	$ 18,323	$ 46	$	$ 60,658
Equity securities, available for sale, at fair value (cost $528)	189	375	141		705
Real estate investments	56	933			989
Short-term securities	1,947	1,178	1,546		4,671
Other investments	2,516	930	1		3,447
Total investments	46,997	21,739	1,734		70,470
Cash	225	153	2		380
Investment income accrued	453	185	4		642
Premiums receivable	4,336	2,101			6,437
Reinsurance recoverables	5,849	3,061			8,910
Ceded unearned premiums	610	46			656
Deferred acquisition costs	1,660	189			1,849
Deferred taxes	178	83	35		296
Contractholder receivables	3,387	987			4,374
Goodwill	2,573	1,000			3,573
Other intangible assets	203	76			279
Investment in subsidiaries			27,573	(27,573)	
Other assets	1,958	344	16		2,318
Total assets	$ 68,429	$ 29,964	$ 29,364	$ (27,573)	$ 100,184
Liabilities					
Claims and claim adjustment expense reserves	$ 31,965	$ 16,330	$	$	$ 48,295
Unearned premium reserves	8,335	3,636			11,971
Contractholder payables	3,387	987			4,374
Payables for reinsurance premiums	175	121			296
Debt	693		5,651		6,344

Other liabilities		3,958		1,221		127				5,306
Total liabilities		48,513		22,295		5,778				76,586
Shareholders equity										
Common stock (1,750.0 shares authorized; 295.9 shares issued and outstanding)				390		22,172		(390)		22,172
Additional paid-in capital		11,634		6,499				(18,133)		
Retained earnings		7,888		688		29,933		(8,564)		29,945
Accumulated other comprehensive income (loss)		394		92		(157)		(486)		(157)
Treasury stock, at cost (467.6 shares)						(28,362)				(28,362)
Total shareholders equity		19,916		7,669		23,586		(27,573)		23,598
Total liabilities and shareholders equity	$	68,429	$	29,964	$	29,364	$	(27,573)	$	100,184

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)

For the nine months ended September 30, 2016

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 1,565	$ 621	$ 2,071	$ (2,186)	$ 2,071
Net adjustments to reconcile net income to net cash provided by operating activities	643	92	127	130	992
Net cash provided by operating activities	2,208	713	2,198	(2,056)	3,063
Cash flows from investing activities					
Proceeds from maturities of fixed maturities	4,854	1,788	6		6,648
Proceeds from sales of investments:					
Fixed maturities	458	405	2		865
Equity securities	39	32			71
Real estate investments		69			69
Other investments	399	170			569
Purchases of investments:					
Fixed maturities	(6,016)	(2,978)	(10)		(9,004)
Equity securities	(5)	(29)	(2)		(36)
Real estate investments	(1)	(29)			(30)
Other investments	(328)	(94)			(422)
Net (purchases) sales of short-term securities	(339)	366	(162)		(135)
Securities transactions in course of settlement	422	86	3		511
Other	(236)	(4)			(240)
Net cash used in investing activities	(753)	(218)	(163)		(1,134)
Cash flows from financing activities					
Treasury stock acquired share repurchase authorization			(1,650)		(1,650)
Treasury stock acquired net employee share-based compensation			(71)		(71)
Dividends paid to shareholders			(569)		(569)
Payment of debt			(400)		(400)
Issuance of debt			491		491

Issuance of common stock employee share options			164		164
Dividends paid to parent company	(1,550)	(506)		2,056	
Net cash used in financing activities	(1,550)	(506)	(2,035)	2,056	(2,035)
Effect of exchange rate changes on cash	1	(6)			(5)
Net decrease in cash	(94)	(17)			(111)
Cash at beginning of year	225	153	2		380
Cash at end of period	$ 131	$ 136	$ 2	$	$ 269
Supplemental disclosure of cash flow information					
Income taxes paid (received)	$ 536	$ 206	$ (94)	$	$ 648
Interest paid	$ 40	$	$ 183	$	$ 223

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

13. CONSOLIDATING FINANCIAL STATEMENTS OF THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES, Continued

CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)

For the nine months ended September 30, 2015

(in millions)	TPC	Other Subsidiaries	TRV	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 1,959	$ 787	$ 2,573	$ (2,746)	$ 2,573
Net adjustments to reconcile net income to net cash provided by operating activities	90	(247)	76	182	101
Net cash provided by operating activities	2,049	540	2,649	(2,564)	2,674
Cash flows from investing activities					
Proceeds from maturities of fixed maturities	5,929	2,869	7		8,805
Proceeds from sales of investments:					
Fixed maturities	935	620			1,555
Equity securities	14	24			38
Real estate investments		15			15
Other investments	341	164			505
Purchases of investments:					
Fixed maturities	(6,845)	(3,103)	(24)		(9,972)
Equity securities	(3)	(26)	(2)		(31)
Real estate investments		(116)			(116)
Other investments	(311)	(78)			(389)
Net purchases of short-term securities	(172)	(184)	(426)		(782)
Securities transactions in course of settlement	80	23			103
Other	(262)	40			(222)
Net cash provided by (used in) investing activities	(294)	248	(445)		(491)
Cash flows from financing activities					
Treasury stock acquired share repurchase authorization			(2,150)		(2,150)
Treasury stock acquired net employee share-based compensation			(73)		(73)
Dividends paid to shareholders			(557)		(557)
Issuance of debt			392		392

Issuance of common stock employee share options			142		142
Excess tax benefits from share-based payment arrangements			42		42
Dividends paid to parent company	(1,774)	(790)		2,564	
Net cash used in financing activities	(1,774)	(790)	(2,204)	2,564	(2,204)
Effect of exchange rate changes on cash	(1)	(8)			(9)
Net decrease in cash	(20)	(10)			(30)
Cash at beginning of year	221	151	2		374
Cash at end of period	$ 201	$ 141	$ 2	$	$ 344
Supplemental disclosure of cash flow information					
Income taxes paid (received)	$ 748	$ 286	$ (152)	$	$ 882
Interest paid	$ 40	$	$ 177	$	$ 217

October 14, 2016

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company s financial condition and results of operations.

FINANCIAL HIGHLIGHTS

2016 Third Quarter Consolidated Results of Operations

- Net income of $716 million, or $2.48 per share basic and $2.45 per share diluted
- Net earned premiums of $6.21 billion
- Catastrophe losses of $89 million ($58 million after-tax)
- Net favorable prior year reserve development of $39 million ($27 million after-tax)
- Combined ratio of 92.9%
- Net investment income of $582 million ($472 million after-tax)
- Operating cash flows of $1.77 billion

2016 Third Quarter Consolidated Financial Condition

- Total investments of $72.96 billion; fixed maturities and short-term securities comprised 93% of total investments
- Total assets of $102.79 billion

- Total debt of $6.44 billion, resulting in a debt-to-total capital ratio of 20.8% (22.3% excluding net unrealized investment gains, net of tax)

- Repurchased 4.8 million common shares for total cost of $562 million and paid $194 million of dividends to shareholders

- Shareholders equity of $24.44 billion

- Net unrealized investment gains of $3.14 billion ($2.05 billion after-tax)

- Book value per common share of $86.04

- Holding company liquidity of $1.81 billion

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CONSOLIDATED OVERVIEW

Consolidated Results of Operations

(in millions, except ratio and per share amounts)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues				
Premiums	**$ 6,209**	$ 6,032	**$ 18,257**	$ 17,851
Net investment income	**582**	614	**1,675**	1,838
Fee income	**116**	116	**352**	345
Net realized investment gains	**23**	15	**33**	35
Other revenues	**31**	21	**115**	68
Total revenues	**6,961**	6,798	**20,432**	20,137
Claims and expenses				
Claims and claim adjustment expenses	**3,856**	3,382	**11,330**	10,360
Amortization of deferred acquisition costs	**1,012**	987	**2,972**	2,913
General and administrative expenses	**1,057**	1,028	**3,106**	3,055
Interest expense	**89**	94	**273**	278
Total claims and expenses	**6,014**	5,491	**17,681**	16,606
Income before income taxes	**947**	1,307	**2,751**	3,531
Income tax expense	**231**	379	**680**	958
Net income	**$ 716**	$ 928	**$ 2,071**	$ 2,573
Net income per share				
Basic	**$ 2.48**	$ 3.00	**$ 7.09**	$ 8.13
Diluted	**$ 2.45**	$ 2.97	**$ 7.00**	$ 8.04
Combined ratio				
Loss and loss adjustment expense ratio	**61.2%**	55.2%	**61.2%**	57.2%
Underwriting expense ratio	**31.7**	31.7	**31.6**	31.7
Combined ratio	**92.9%**	86.9%	**92.8%**	88.9%
Incremental impact of direct to consumer initiative on combined ratio	0.4%	0.5%	**0.4%**	0.5%

The following discussions of the Company s net income and segment operating income are presented on an after-tax basis. Discussions of the components of net income and segment operating income are presented on a pre-tax basis, unless otherwise noted. Discussions of net income per common share are presented on a diluted basis.

Overview

Diluted net income per share of $2.45 in the third quarter of 2016 decreased by 18% from diluted net income per share of $2.97 in the same period of 2015. Net income of $716 million in the third quarter of 2016 decreased by 23% from net income of $928 million in the same period of 2015. The lower rate of decrease in diluted net income per share reflected the impact of share repurchases in recent periods. The decrease in net income primarily reflected the pre-tax impacts of (i) lower underwriting margins excluding catastrophe losses and prior year reserve development (underlying underwriting margins) and (ii) lower net favorable prior year reserve development. Catastrophe losses in the third quarters of 2016 and 2015 were $89 million and $85 million, respectively. Net favorable prior year reserve development in the third quarters of 2016 and 2015 was $39 million and $199 million, respectively. The lower underlying underwriting margins primarily resulted from (i) higher non-catastrophe weather-related losses, (ii) higher loss estimates in the personal automobile product line for bodily injury liability coverages including the re-estimation of losses incurred in the first six months of 2016, (iii) the impact of loss

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cost trends that modestly exceeded earned pricing and (iv) higher general and administrative expenses, partially offset by (v) a lower level of what the Company defines as large losses. Partially offsetting this net pre-tax decrease in income was a related decrease in income tax expense.

Diluted net income per share of $7.00 in the first nine months of 2016 decreased by 13% from diluted net income per share of $8.04 in the same period of 2015. Net income of $2.07 billion in the first nine months of 2016 decreased by 20% from net income of $2.57 billion in the same period of 2015. The lower rate of decrease in diluted net income per share reflected the impact of share repurchases in recent periods. The decrease in net income primarily reflected the pre-tax impacts of (i) higher catastrophe losses, (ii) lower underlying underwriting margins, (iii) lower net investment income and (iv) lower net favorable prior year reserve development, partially offset by (v) higher other revenues. Catastrophe losses in the first nine months of 2016 and 2015 were $740 million and $468 million, respectively. Net favorable prior year reserve development in the first nine months of 2016 and 2015 was $507 million and $649 million, respectively. The lower underlying underwriting margins primarily resulted from (i) higher non-catastrophe weather-related losses, (ii) the impact of loss cost trends that modestly exceeded earned pricing, (iii) higher general and administrative expenses and (iv) higher loss estimates in the personal automobile product line for bodily injury liability coverages, partially offset by (v) lower levels of what the Company defines as large losses. Partially offsetting this net pre-tax decrease in income was a related decrease in income tax expense. Income tax expense in the first nine months of 2015 was reduced by $32 million as a result of the resolution of prior year tax matters in the second quarter of 2015.

The Company has insurance operations in Canada, the United Kingdom and the Republic of Ireland. The Company also has insurance operations in Brazil, primarily through a joint venture. Because these foreign operations are conducted in local currencies other than the U.S. dollar, the Company is subject to the impact of changes in foreign currency exchange rates. For the three months and nine months ended September 30, 2016 and 2015, changes in foreign currency exchange rates had the impact of lowering the reported line items in the statement of income by insignificant amounts. The impact of these changes was not material to the Company s net income or the Business and International Insurance segment s operating income for the periods reported.

Revenues

Earned Premiums

Earned premiums in the third quarter of 2016 were $6.21 billion, $177 million or 3% higher than in the same period of 2015. Earned premiums in the first nine months of 2016 were $18.26 billion, $406 million or 2% higher than in the same period of 2015. In the Business and International Insurance segment, earned premiums in the third quarter of 2016 increased by 1% over the same period of 2015, while earned premiums in the first nine months of 2016 were comparable with the same period of 2015. In the Bond & Specialty Insurance segment, earned premiums in the third quarter and first nine months decreased by 2% and 1%, respectively, from the same periods of 2015. In the Personal Insurance segment, earned premiums in the third quarter and first nine months of 2016 increased by 8% and 7%, respectively, over the same periods of 2015. Factors contributing to the changes in earned premiums in each segment are discussed in more detail in the segment discussions that follow.

Net Investment Income

The following table sets forth information regarding the Company s investments.

(dollars in millions)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Average investments (1)	**$ 70,110**	$ 70,569	**$ 70,082**	$ 70,607
Pre-tax net investment income	**582**	614	**1,675**	1,838
After-tax net investment income	**472**	484	**1,353**	1,465
Average pre-tax yield (2)	**3.3%**	3.5%	**3.2%**	3.5%
Average after-tax yield (2)	**2.7%**	2.7%	**2.6%**	2.8%

(1) Excludes net unrealized investment gains and losses and reflects cash, receivables for investment sales, payables on investment purchases and accrued investment income.

(2) Excludes net realized and net unrealized investment gains and losses.

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Net investment income in the third quarter of 2016 was $582 million, $32 million or 5% lower than in the same period of 2015. Net investment income in the first nine months of 2016 was $1.68 billion, $163 million or 9% lower than in the same period of 2015. Net investment income from fixed maturity investments in the third quarter and first nine months of 2016 was $490 million and $1.49 billion, respectively, $26 million and $83 million lower, respectively, than in the same periods of 2015. The decreases primarily resulted from lower long-term reinvestment rates available in the market. Net investment income generated by non-fixed maturity investments in the third quarter of 2016 was $95 million, $10 million lower than in the same period of 2015, primarily due to lower returns from private equity limited partnerships and real estate partnerships, partially offset by positive returns from hedge fund investments (versus negative returns in the third quarter of 2015). Net investment income generated by non-fixed maturity investments in the first nine months of 2016 was $192 million, $95 million lower than in the same period of 2015, primarily due to lower returns from private equity limited partnerships and real estate partnerships.

Fee Income

The National Accounts market in the Business and International Insurance segment is the primary source of the Company s fee-based business. Changes in fee income in the third quarter and first nine months of 2016 compared with the same periods of 2015 are discussed in the Business and International Insurance segment discussion that follows.

Net Realized Investment Gains

The following table sets forth information regarding the Company s net realized investment gains.

(in millions)	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net Realized Investment Gains				
Other-than-temporary impairment losses	**$ (4)**	$ (14)	**$ (26)**	$ (23)
Other net realized investment gains	**27**	29	**59**	58
Net realized investment gains	**$ 23**	$ 15	**$ 33**	$ 35

Other Revenues

Other revenues in the third quarters and first nine months of 2016 and 2015 included installment premium charges. Other revenues in the first nine months of 2016 also included proceeds from the favorable settlement of a claims-related legal matter in the Business and International Insurance segment in the first quarter of 2016.

Claims and Expenses

Claims and Claim Adjustment Expenses

Claims and claim adjustment expenses in the third quarter of 2016 were $3.86 billion, $474 million or 14% higher than in the same period of 2015, primarily reflecting the impacts of (i) lower net favorable prior year reserve development, (ii) loss cost trends, (iii) higher non-catastrophe weather-related losses, (iv) higher volumes of insured exposures and (v) higher loss estimates in the personal automobile product line for bodily injury liability coverages, including the re-estimation of losses incurred in the first six months of 2016, partially offset by (vi) lower levels of what the Company defines as large losses. Catastrophe losses in the third quarter of 2016 primarily resulted from hail storms in the Western region of the United States and flooding in the Southeast region of the United States. Catastrophe losses in the third quarter of 2015 primarily resulted from wildfires in California and hail and wind storms in the Midwest region of the United States. Factors contributing to net favorable prior year reserve development in each segment during the third quarters of 2016 and 2015 are discussed in the segment discussions that follow.

Claims and claim adjustment expenses in the first nine months of 2016 were $11.33 billion, $970 million or 9% higher than in the same period of 2015, primarily reflecting the impacts of (i) loss cost trends, (ii) higher catastrophe losses, (iii) lower net favorable prior year reserve development, (iv) higher non-catastrophe weather-related losses and (v) higher loss estimates in the personal automobile product line for bodily injury liability coverages, partially offset by (vi) lower levels of what the Company defines as large losses. Catastrophe losses in the first nine months of 2016 included the third quarter events described above, as well as wind and hail storms in several regions of the United States and wildfires in Canada in the second quarter of 2016, and wind and hail storms in Texas and several other regions of the United States and winter storms in the

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eastern United States in the first quarter of 2016. Catastrophe losses in the first nine months of 2015 included the third quarter events described above, as well as wind and hail storms in several regions of the United States in the second quarter of 2015 and a winter storm in the eastern United States in the first quarter of 2015. Factors contributing to net favorable prior year reserve development in each segment during these periods are discussed in the segment discussions that follow.

Significant Catastrophe Losses

The following table presents the amount of losses recorded by the Company for significant catastrophes that occurred in 2016, 2015 and 2014, the amount of related net unfavorable (favorable) prior year reserve development recognized in the three months and nine months ended September 30, 2016 and 2015, and the estimate of ultimate losses for those catastrophes at September 30, 2016 and December 31, 2015. For purposes of the table, a significant catastrophe is an event for which the Company estimates its ultimate losses will be $100 million or more after reinsurance and before taxes. For the Company s definition of a catastrophe, refer to Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Overview in the Company s 2015 Annual Report.

	Losses Incurred/Unfavorable (Favorable) Prior Year Reserve Development					
	Three Months Ended September 30,		Nine Months Ended September 30,		Estimated Ultimate Losses	
(in millions, pre-tax and net of reinsurance)	2016	2015	2016	2015	September 30, 2016	December 31, 2015
2014						
PCS Serial Number:						
32 Winter storm	$ (1)	$ (2)	$ (2)	$ (5)	$ 137	$ 139
43 Severe wind and hail storms	(2)		3	(1)	179	176
2015						
PCS Serial Number:						
68 Winter storm		(7)	(2)	146	138	140
2016						
PCS Serial Number:						
21 Severe wind and hail storms	1	n/a	148	n/a	148	n/a
25 Severe wind and hail storms	2	n/a	165	n/a	165	n/a

n/a: not applicable.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs in the third quarter of 2016 was $1.01 billion, $25 million or 3% higher than in the same period of 2015. Amortization of deferred acquisition costs in the first nine months of 2016 was $2.97 billion, $59 million or 2% higher than in the same period of 2015. Amortization of deferred acquisition costs is discussed in more detail in the segment discussions that follow.

General and Administrative Expenses

General and administrative expenses in the third quarter of 2016 were $1.06 billion, $29 million or 3% higher than in the same period of 2015. General and administrative expenses in the first nine months of 2016 were $3.11 billion, $51 million or 2% higher than in the same period of 2015. General and administrative expenses are discussed in more detail in the segment discussions that follow.

Interest Expense

Interest expense in the third quarter and first nine months of 2016 was $89 million and $273 million, respectively, compared with $94 million and $278 million, respectively, in the same periods of 2015.

Income Tax Expense

Income tax expense in the third quarter of 2016 was $231 million, $148 million or 39% lower than in the same period of 2015, primarily reflecting the impact of the $360 million decrease in income before income taxes in the third quarter of 2016.

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Income tax expense in the first nine months of 2016 was $680 million, $278 million or 29% lower than in the same period of 2015, primarily reflecting the impact of the $780 million decrease in income before income taxes in the first nine months of 2016, partially offset by the impact of the $32 million reduction in income tax expense in the second quarter of 2015 resulting from the resolution of prior year tax matters.

The Company s effective tax rate in the third quarter and first nine months of 2016 was 24% and 25%, respectively. In the third quarter and first nine months of 2015, the Company s effective tax rates were 29% and 27%, respectively. The effective tax rates in all periods were lower than the statutory rate of 35% primarily due to the impact of tax-exempt investment income on the calculation of the Company s income tax provision. The effective tax rate in the first nine months of 2015 was reduced by the impact of the resolution of prior year tax matters discussed above.

Combined Ratio

The combined ratio of 92.9% in the third quarter of 2016 was 6.0 points higher than the combined ratio of 86.9% in the same period of 2015. The combined ratio of 92.8% in the first nine months of 2016 was 3.9 points higher than the combined ratio of 88.9% in the same period of 2015.

The loss and loss adjustment expense ratio of 61.2% in the third quarter of 2016 was 6.0 points higher than the loss and loss adjustment expense ratio of 55.2% in the same period of 2015. Catastrophe losses accounted for 1.4 points of each of the 2016 and 2015 third quarter loss and loss adjustment expense ratios. Net favorable prior year reserve development in the third quarters of 2016 and 2015 provided 0.6 points and 3.3 points of benefit, respectively, to the loss and loss adjustment expense ratio. The loss and loss adjustment expense ratio excluding catastrophe losses and prior year reserve development (underlying loss and loss adjustment expense ratio) in the third quarter of 2016 was 3.3 points higher than the 2015 ratio on the same basis, primarily reflecting (i) higher non-catastrophe weather-related losses, (ii) higher loss estimates in the personal automobile product line for bodily injury liability coverages including the re-estimation of losses incurred in the first six months of 2016 and (iii) the impact of loss cost trends that modestly exceeded earned pricing, partially offset by (iv) lower levels of what the Company defines as large losses.

The loss and loss adjustment expense ratio of 61.2% in the first nine months of 2016 was 4.0 points higher than the loss and loss adjustment expense ratio of 57.2% in the same period of 2015. Catastrophe losses accounted for 4.1 points and 2.6 points of the 2016 and 2015 nine-month loss and loss adjustment expense ratios, respectively. Net favorable prior year reserve development in the first nine months of 2016 and 2015 provided 2.8 points and 3.6 points of benefit, respectively, to the loss and loss adjustment expense ratio. The underlying loss and loss adjustment expense ratio in the first nine months of 2016 was 1.7 points higher than the 2015 ratio on the same basis, primarily reflecting (i) higher non-catastrophe weather-related losses, (ii) the impact of loss cost trends that modestly exceeded earned pricing and (iii) higher loss estimates in the personal automobile product line for bodily injury liability coverages, partially offset by (iv) lower levels of what the Company defines as large losses.

The underwriting expense ratio of 31.7% for the third quarter of 2016 was level with the underwriting expense ratio of 31.7% in the same period of 2015. In the first nine months of 2016, the underwriting expense ratio of 31.6% was 0.1 points lower than the underwriting expense ratio of 31.7% in the same period of 2015.

Written Premiums

Consolidated gross and net written premiums were as follows:

	Gross Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Business and International Insurance	**$ 3,956**	$ 3,981	**$ 12,319**	$ 12,284
Bond & Specialty Insurance	**580**	580	**1,665**	1,639
Personal Insurance	**2,262**	2,057	**6,214**	5,711
Total	**$ 6,798**	$ 6,618	**$ 20,198**	$ 19,634

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	Net Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Business and International Insurance	**$ 3,583**	$ 3,590	**$ 11,177**	$ 11,066
Bond & Specialty Insurance	**566**	565	**1,594**	1,577
Personal Insurance	**2,240**	2,036	**6,129**	5,614
Total	**$ 6,389**	$ 6,191	**$ 18,900**	$ 18,257

Gross written premiums in the third quarter and first nine months of 2016 increased by 3% over the same periods of 2015. Net written premiums in the third quarter and first nine months of 2016 increased by 3% and 4%, respectively, over the same periods of 2015. Factors contributing to the changes in gross and net written premiums in each segment are discussed in more detail in the segment discussions that follow.

RESULTS OF OPERATIONS BY SEGMENT

Business and International Insurance

Results of the Company s Business and International Insurance segment were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	**2016**	**2015**	**2016**	**2015**
Revenues				
Earned premiums	**$ 3,692**	$ 3,653	**$ 10,922**	$ 10,882
Net investment income	**445**	471	**1,280**	1,412
Fee income	**111**	112	**340**	334
Other revenues	**10**	5	**51**	18
Total revenues	**$ 4,258**	$ 4,241	**$ 12,593**	$ 12,646
Total claims and expenses	**$ 3,675**	$ 3,493	**$ 10,885**	$ 10,486
Operating income	**$ 457**	$ 546	**$ 1,326**	$ 1,604
Loss and loss adjustment expense ratio	**63.0%**	59.6%	**63.2%**	60.5%
Underwriting expense ratio	**33.1**	32.6	**33.0**	32.4
Combined ratio	**96.1%**	92.2%	**96.2%**	92.9%

Overview

Operating income in the third quarter of 2016 was $457 million, $89 million or 16% lower than operating income of $546 million in the same period of 2015, primarily reflecting the pre-tax impacts of (i) lower underlying underwriting margins, (ii) higher catastrophe losses, (iii) lower net favorable prior year reserve development and (iv) lower net investment income. Catastrophe losses in the third quarters of 2016 and 2015 were $72 million and $39 million, respectively. Net favorable prior year reserve development in the third quarters of 2016 and 2015 was $19 million and $49 million, respectively. The lower underlying underwriting margins primarily resulted from (i) higher non-catastrophe weather-related losses, (ii) the impact of loss cost trends that modestly exceeded earned pricing and (iii) higher general and administrative expenses, partially offset by (iv) lower levels of what the Company defines as large losses. Partially offsetting this net pre-tax decrease in operating income was a related decrease in income tax expense.

Operating income in the first nine months of 2016 was $1.33 billion, $278 million or 17% lower than operating income of $1.60 billion in the same period of 2015, primarily reflecting the pre-tax impacts of (i) higher catastrophe losses, (ii) lower underlying underwriting margins and (iii) lower net investment income, partially offset by (iv) higher other revenues and (v)

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higher net favorable prior year reserve development. Catastrophe losses in the first nine months of 2016 and 2015 were $432 million and $246 million, respectively. Net favorable prior year reserve development in the first nine months of 2016 and 2015 was $250 million and $229 million, respectively. The lower underlying underwriting margins primarily resulted from (i) the impact of loss cost trends that modestly exceeded earned pricing, (ii) higher non-catastrophe weather-related losses and (iii) higher general and administrative expenses, partially offset by (iv) lower levels of what the Company defines as large losses. Partially offsetting this net pre-tax decrease in operating income was a related decrease in income tax expense. Income tax expense in the first nine months of 2015 was reduced by $12 million as a result of the resolution of prior year tax matters in the second quarter of 2015.

Revenues

Earned Premiums

Earned premiums in the third quarter of 2016 were $3.69 billion, $39 million or 1% higher than in the same period of 2015. Earned premiums in the first nine months of 2016 were $10.92 billion, comparable with the same period of 2015.

Net Investment Income

Net investment income in the third quarter of 2016 was $445 million, $26 million or 6% lower than in the same 2015 period. Net investment income in the first nine months of 2016 was $1.28 billion, $132 million or 9% lower than in the same period of 2015. Refer to the Net Investment Income section of the Consolidated Results of Operations discussion herein for a description of the factors contributing to the decreases in the Company s consolidated net investment income in the third quarter and first nine months of 2016 compared with the same periods of 2015. In addition, refer to note 2 of notes to the Company s consolidated financial statements in the Company s 2015 Annual Report for a discussion of the Company s net investment income allocation methodology.

Fee Income

National Accounts is the primary source of fee income. Fee income in the third quarter of 2016 was $111 million, comparable with the same period of 2015. Fee income in the first nine months of 2016 was $340 million, $6 million or 2% higher than in the same period of 2015.

Other Revenues

Other revenues in all periods of 2016 and 2015 included installment premium charges. Other revenues in the first nine months of 2016 also included proceeds from the favorable settlement of a claims-related legal matter in the first quarter of 2016.

Claims and Expenses

Claims and Claim Adjustment Expenses

Claims and claim adjustment expenses in the third quarter of 2016 were $2.38 billion, $151 million or 7% higher than in the same period of 2015, primarily reflecting the impacts of (i) loss cost trends, (ii) higher non-catastrophe weather-related losses, (iii) higher catastrophe losses and (iv) lower net favorable prior year reserve development, partially offset by (v) lower levels of what the Company defines as large losses. Net favorable prior year reserve development in the third quarter of 2016 was primarily driven by better than expected loss experience in the Company s domestic operations in (i) the general liability product line for both primary and excess coverages for accident years 2006 and prior as well as accident years 2014 and 2015 (excluding an increase to asbestos reserves discussed below), (ii) the workers compensation product line for accident years 2006 and prior as well as accident year 2015 and (iii) the commercial auto product line for accident years 2011 and prior. Net favorable prior year reserve development in the third quarter of 2015 was primarily driven by better than expected loss experience in the Company s domestic operations (i) in the property product line related to catastrophe losses for accident years 2011, 2012 and 2014 and non-catastrophe losses for accident years 2013 and 2014, (ii) in the general liability product line for both primary and excess coverages for accident years 2005 through 2013 and (iii) in the workers compensation product line for accident years 2005 and prior, as well as in the Company s international operations in Canada. These factors contributing to net favorable prior year reserve development in the third quarters of 2016 and 2015 were partially offset by $225 million and $224 million increases, respectively, to asbestos reserves, which are discussed in further detail in the Asbestos Claims and Litigation section herein.

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Claims and claim adjustment expenses in the first nine months of 2016 were $7.06 billion, $332 million or 5% higher than in the same period of 2015, primarily reflecting the impacts of (i) higher catastrophe losses, (ii) loss cost trends and (iii) higher non-catastrophe weather-related losses, partially offset by (iv) lower levels of what the Company defines as large losses and (v) higher net favorable prior year reserve development. Net favorable prior year reserve development in the first nine months of 2016 was primarily driven by better than expected loss experience in the Company s domestic operations in (i) the workers compensation product line for accident years 2006 and prior as well as accident year 2015 and (ii) the general liability product line (excluding an increase to asbestos and environmental reserves discussed below), related to both primary and excess coverages for accident years 2006 and prior as well as accident years 2011, 2013 and 2015 and (iii) the commercial automobile product line for accident years 2011 and prior, as well as in the Company s international operations in Europe and Canada. Net favorable prior year reserve development in the first nine months of 2015 was primarily driven by better than expected loss experience in the Company s domestic operations (i) in the general liability product line, for both primary and excess coverages for accident years 2005 through 2013, (ii) in the property product line related to catastrophe losses for accident years 2011, 2012 and 2014 and non-catastrophe losses for accident years 2013 and 2014 and (iii) in the workers compensation line of business for accident years 2006 and prior, as well as in the Company s international operations at Lloyd s and in Canada. These factors contributing to net favorable prior year reserve development in the first nine months of 2016 and 2015 were partially offset by the $225 million and $224 million increases, respectively, to asbestos reserves described above, and by the $82 million and $72 million increases, respectively, to environmental reserves, which are discussed in further detail in the Environmental Claims and Litigation section herein.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs in the third quarter of 2016 was $598 million, $9 million or 2% higher than in the same period of 2015. Amortization of deferred acquisition costs in the first nine months of 2016 was $1.77 billion, $14 million or 1% higher than in the same period of 2015.

General and Administrative Expenses

General and administrative expenses in the third quarter of 2016 were $697 million, $22 million or 3% higher than in the same period of 2015. General and administrative expenses in the first nine months of 2016 were $2.06 billion, $53 million or 3% higher than in the same period of 2015. The increases in both periods of 2016 primarily reflected higher employee and technology related expenses.

Income Tax Expense

Income tax expense in the third quarter of 2016 was $126 million, $76 million or 38% lower than in the same period of 2015, primarily reflecting the $165 million decrease in income before income taxes. Income tax expense in the first nine months of 2016 was $382 million, $174 million or 31% lower than in the same period of 2015, primarily reflecting the $452 million decrease in income before income taxes, partially offset by the impact of a $12 million reduction in income tax expense in the second quarter of 2015 resulting from the resolution of prior year tax matters.

Combined Ratio

The combined ratio of 96.1% in the third quarter of 2016 was 3.9 points higher than the combined ratio of 92.2% in the same period of 2015. The combined ratio of 96.2% in the first nine months of 2016 was 3.3 points higher than the combined ratio of 92.9% in the same period of 2015.

The loss and loss adjustment expense ratio of 63.0% in the third quarter of 2016 was 3.4 points higher than the loss and loss adjustment expense ratio of 59.6% in the same period of 2015. Catastrophe losses in the third quarters of 2016 and 2015 accounted for 1.9 points and 1.1 points, respectively, of the loss and loss adjustment expense ratio. Net favorable prior year reserve development in the third quarters of 2016 and 2015 provided 0.5 points and 1.4 points of benefit, respectively, to the loss and loss adjustment expense ratio. The 2016 third quarter underlying loss and loss adjustment expense ratio was 1.7 points higher than the 2015 ratio on the same basis, primarily reflecting (i) higher non-catastrophe weather-related losses and (ii) the impact of loss cost trends that modestly exceeded earned pricing, partially offset by (iii) lower levels of what the Company defines as large losses.

The loss and loss adjustment expense ratio of 63.2% in the first nine months of 2016 was 2.7 points higher than the loss and loss adjustment expense ratio of 60.5% in the same period of 2015. Catastrophe losses in the first nine months of 2016 and 2015 accounted for 4.0 points and 2.2 points, respectively, of the loss and loss adjustment expense ratio. Net favorable prior year reserve development in the first nine months of 2016 and 2015 provided 2.3 points and 2.1 points of benefit,

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respectively, to the loss and loss adjustment expense ratio. The underlying loss and loss adjustment expense ratio in the first nine months of 2016 was 1.1 points higher than the 2015 ratio on the same basis, primarily reflecting (i) the impact of loss cost trends that modestly exceeded earned pricing and (ii) higher non-catastrophe weather-related losses, partially offset by (iii) lower levels of what the Company defines as large losses.

The underwriting expense ratio of 33.1% for the third quarter of 2016 was 0.5 points higher than the underwriting expense ratio of 32.6% in the same period of 2015. In the first nine months of 2016, the underwriting expense ratio of 33.0% was 0.6 points higher than the underwriting expense ratio of 32.4% in the same 2015 period.

Written Premiums

The Business and International Insurance segment s gross and net written premiums by market were as follows:

	Gross Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Domestic:				
Select Accounts	**$ 673**	$ 668	**$ 2,138**	$ 2,131
Middle Market	**1,695**	1,677	**5,160**	5,026
National Accounts	**381**	397	**1,292**	1,283
First Party	**508**	520	**1,458**	1,449
Specialized Distribution	**265**	278	**855**	849
Total Domestic	**3,522**	3,540	**10,903**	10,738
International	**434**	441	**1,416**	1,546
Total Business and International Insurance	**$ 3,956**	$ 3,981	**$ 12,319**	$ 12,284

	Net Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Domestic:				
Select Accounts	**$ 657**	$ 654	**$ 2,090**	$ 2,085
Middle Market	**1,616**	1,597	**4,939**	4,774
National Accounts	**245**	254	**799**	781
First Party	**399**	411	**1,223**	1,203
Specialized Distribution	**263**	277	**851**	845
Total Domestic	**3,180**	3,193	**9,902**	9,688
International	**403**	397	**1,275**	1,378

Total Business and International Insurance	**$**	**3,583**	$	3,590	**$**	**11,177**	$	11,066

Gross written premiums in the third quarter of 2016 decreased by 1% from the same period of 2015, and gross written premiums in the first nine months of 2016 were comparable with the same period of 2015. Net written premiums in the third quarter of 2016 were comparable with the same period of 2015, and net written premiums in the first nine months of 2016 increased by 1% over the same period of 2015. Business retention rates remained strong in the third quarter and first nine months of 2016. Renewal premium changes remained positive, and in the third quarter of 2016 were comparable with the same period of 2015, while renewal premium changes in the first nine months of 2016 were slightly lower than in same period of 2015. New business premiums in the third quarter of 2016 were comparable with the same period of 2015, while new business premiums in the first nine months of 2016 increased over the same period of 2015.

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Select Accounts. Net written premiums of $657 million and $2.09 billion in the third quarter and first nine months of 2016, respectively, were comparable to the same periods of 2015. Business retention rates remained strong in the third quarter and first nine months of 2016. Renewal premium changes remained positive in the third quarter and first nine months of 2016 but were lower than in the same periods of 2015. New business premiums in the third quarter and first nine months of 2016 increased over the same periods of 2015.

Middle Market. Net written premiums of $1.62 billion and $4.94 billion in the third quarter and first nine months of 2016, respectively, increased by 1% and 3%, respectively, over the same periods of 2015. Business retention rates remained strong in the third quarter and first nine months of 2016. Renewal premium changes remained positive and in the third quarter of 2016 were higher than in the same period of 2015, while renewal premium changes in the first nine months of 2016 were lower than in the same period of 2015. New business premiums in the third quarter of 2016 decreased slightly from the same period of 2015, while new business premiums in the first nine months of 2016 increased over the same period of 2015.

National Accounts. Net written premiums of $245 million in the third quarter of 2016 decreased by 4% from the same period of 2015, and net written premiums of $799 million in the first nine months of 2016 increased 2% over the same period of 2015. Business retention rates remained strong in the third quarter and first nine months of 2016. Renewal premium changes remained positive, and in the third quarter of 2016 were lower than in the same period of 2015, while renewal premium changes in the first nine months of 2016 were higher than in the same period of 2015. New business premiums in the third quarter of 2016 decreased from the same period of 2015, while new business premiums in the first nine months of 2016 increased over the same period of 2015.

First Party. Net written premiums of $399 million and $1.22 billion in the third quarter and first nine months of 2016, respectively, decreased by 3% and increased by 2%, respectively, compared with the same periods of 2015. Business retention rates remained strong in the third quarter and first nine months of 2016. Renewal premium changes in the third quarter of 2016 were slightly positive, consistent with the same period of 2015, while renewal premium changes in the first nine months of 2016 were slightly negative, also consistent with the same period of 2015. New business premiums in the third quarter of 2016 decreased from the same period of 2015, while new business premiums in the first nine months of 2016 increased over the same period of 2015.

Specialized Distribution. Net written premiums of $263 million and $851 million in the third quarter and first nine months of 2016, respectively, decreased by 5% and increased by 1%, respectively, compared with the same periods of 2015. Business retention rates in the third quarter and first nine months of 2016 were lower than in the same periods of 2015. Renewal premium changes remained positive and in the third quarter of 2016 were comparable with the same period of 2015, while renewal premium changes in the first nine months of 2016 were lower than in the same period of 2015. New business premiums in the third quarter of 2016 decreased from the same period of 2015, while new business premiums in the first nine months of 2016 were comparable with the same period of 2015.

International.