

TRAVELERS COMPANIES, INC.

Form 10-Q

April 23, 2010

[Table of Contents](#)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

or

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

For the transition period from _____ to _____

Commission file number 001-10898

The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-0518860
(I.R.S. Employer
Identification No.)

485 Lexington Avenue

New York, NY 10017

(Address of principal executive offices) (Zip Code)

(917) 778-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

The number of shares of the Registrant's Common Stock, without par value, outstanding at April 20, 2010 was 495,339,156.

Table of Contents

The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended March 31, 2010

TABLE OF CONTENTS

	Page
<u>Part I Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements:</u>	
<u>Consolidated Statement of Income (Unaudited) Three Months Ended March 31, 2010 and 2009</u>	3
<u>Consolidated Balance Sheet March 31, 2010 (Unaudited) and December 31, 2009</u>	4
<u>Consolidated Statement of Changes in Shareholders Equity (Unaudited) Three Months Ended March 31, 2010 and 2009</u>	5
<u>Consolidated Statement of Cash Flows (Unaudited) Three Months Ended March 31, 2010 and 2009</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	64
<u>Item 4.</u>	
<u>Controls and Procedures</u>	65
<u>Part II Other Information</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	65
<u>Item 1A.</u>	
<u>Risk Factors</u>	68
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	68
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	69

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

<u>Item 4.</u>	<u>(Removed and Reserved)</u>	69
<u>Item 5.</u>	<u>Other Information</u>	69
<u>Item 6.</u>	<u>Exhibits</u>	69
	<u>SIGNATURES</u>	69
	<u>EXHIBIT INDEX</u>	70

Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME (Unaudited)**

(in millions, except per share amounts)

For the three months ended March 31,	2010	2009
Revenues		
Premiums	\$ 5,230	\$ 5,301
Net investment income	753	542
Fee income	79	73
Net realized investment gains (losses)	25	(214)
Other revenues	32	33
Total revenues	6,119	5,735
Claims and expenses		
Claims and claim adjustment expenses	3,388	3,190
Amortization of deferred acquisition costs	929	944
General and administrative expenses	847	782
Interest expense	98	92
Total claims and expenses	5,262	5,008
Income before income taxes	857	727
Income tax expense	210	65
Net income	\$ 647	\$ 662
Net income per share		
Basic	\$ 1.26	\$ 1.12
Diluted	\$ 1.25	\$ 1.11
Weighted average number of common shares outstanding		
Basic	508.4	584.6
Diluted	515.1	590.4
For the three months ended March 31,		
Net Realized Investment Gains (Losses)		
Other-than-temporary impairment losses:		
Total losses	\$ (1)	\$ (184)

Edgar Filing: TRAVELERS COMPANIES, INC. - Form 10-Q

Portion of losses recognized in accumulated other changes in equity from nonowner sources	(9)	
Other-than-temporary impairment losses	(10)	(184)
Other net realized investment gains (losses)	35	(30)
Net realized investment gains (losses)	\$ 25	\$ (214)

See notes to consolidated financial statements (unaudited).

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

(in millions)

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Fixed maturities, available for sale, at fair value (including \$83 and \$90 subject to securities lending) (amortized cost \$62,463 and \$63,311)	\$ 65,116	\$ 65,847
Equity securities, available for sale, at fair value (cost \$367 and \$373)	463	451
Real estate	851	865
Short-term securities	4,648	4,852
Other investments	2,963	2,950
Total investments	74,041	74,965
Cash	251	255
Investment income accrued	777	825
Premiums receivable	5,564	5,471
Reinsurance recoverables	12,727	12,816
Ceded unearned premiums	997	916
Deferred acquisition costs	1,767	1,758
Deferred tax asset	560	672
Contractholder receivables	5,840	5,797
Goodwill	3,365	3,365
Other intangible assets	564	588
Other assets	2,243	2,132
Total assets	\$ 108,696	\$ 109,560
Liabilities		
Claims and claim adjustment expense reserves	\$ 52,841	\$ 53,127
Unearned premium reserves	10,935	10,861
Contractholder payables	5,840	5,797
Payables for reinsurance premiums	638	546
Debt	6,525	6,527
Other liabilities	5,246	5,287
Total liabilities	82,025	82,145
Shareholders equity		
Preferred Stock Savings Plan convertible preferred stock (0.2 shares issued and outstanding)	77	79
Common stock (1,748.6 shares authorized; 497.0 and 520.3 shares issued and outstanding)	19,762	19,593
Retained earnings	16,792	16,315
Accumulated other changes in equity from nonowner sources	1,271	1,219
Treasury stock, at cost (227.4 and 199.6 shares)	(11,231)	(9,791)
Total shareholders equity	26,671	27,415
Total liabilities and shareholders equity	\$ 108,696	\$ 109,560

See notes to consolidated financial statements (unaudited).

Table of Contents**THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)**

(in millions)

For the three months ended March 31,	2010	2009
Convertible preferred stock savings plan		
Balance, beginning of year	\$ 79	\$ 89
Redemptions during period	(2)	(2)
Balance, end of period	77	87
Common stock		
Balance, beginning of year	19,593	19,242
Employee share-based compensation	119	11
Compensation amortization under share-based plans and other changes	50	37
Balance, end of period	19,762	19,290
Retained earnings		
Balance, beginning of year	16,315	13,314
Net income	647	662
Dividends	(169)	(178)
Other	(1)	7
Balance, end of period	16,792	13,805
Accumulated other changes in equity from nonowner sources, net of tax		
Balance, beginning of year	1,219	(900)
Change in net unrealized gain (loss) on investment securities:		
Having no credit losses recognized in the consolidated statement of income	54	687
Having credit losses recognized in the consolidated statement of income	23	
Net change in unrealized foreign currency translation and other changes	(25)	(19)
Balance, end of period	1,271	(232)
Treasury stock (at cost)		
Balance, beginning of year	(9,791)	(6,426)
Treasury shares acquired share repurchase authorization	(1,400)	
Net shares acquired related to employee share-based compensation plans	(40)	(27)
Balance, end of period	(11,231)	(6,453)
Total common shareholders equity	26,594	26,410