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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

or

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 July 18, 2016 was 288,281,317.

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The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended June 30, 2016

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

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

June 30, 2016 and 2015, respectively, and $(22) million and $(9) million for the six months ended June 30, 2016 and 2015, respectively, were recognized in net realized investment gains. In addition, unrealized gains (losses) from other changes in total OTTI of $0 million and $(2) million for the three months ended June 30, 2016 and 2015, respectively, and $(10) million and $(3) million for the six months ended June 30, 2016 and 2015, respectively, were recognized in other comprehensive income (loss) as part of changes in net unrealized gains on investment securities having credit losses recognized in the consolidated statement of income.

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

(in millions)

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

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(in millions)

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

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(in millions)

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

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(in millions)

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

Cash at end of period	**$**	**265**	$	317
Supplemental disclosure of cash flow information				
Income taxes paid	**$**	**467**	$	597
Interest paid	**$**	**180**	$	183

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The interim consolidated financial statements include the accounts of The Travelers Companies, Inc. (together with its subsidiaries, the Company). These financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) and are unaudited. In the opinion of the Company s management, all adjustments necessary for a fair presentation have been reflected. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. All material intercompany transactions and balances have been eliminated. The accompanying interim consolidated financial statements and related notes should be read in conjunction with the Company s consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 (the Company s 2015 Annual Report).

The preparation of the interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and claims and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Adoption of Accounting Standards

Compensation Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the Financial Accounting Standards Board (FASB) issued updated guidance to resolve diversity in practice concerning employee share-based payments that contain performance targets that could be achieved after the requisite service period. The updated guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. As such, the performance target that affects vesting should not be reflected in estimating the fair value of the award at the grant date. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which service has been rendered. If the performance target becomes probable of being achieved before the end of the service period, the remaining unrecognized compensation cost for which requisite service has not yet been rendered is recognized prospectively over the remaining service period. The total amount of compensation cost recognized during and after the service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The updated guidance was effective for reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company s results of operations, financial position or liquidity.

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

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

Consolidation: Amendments to the Consolidation Analysis

In February 2015, the FASB issued updated guidance that makes targeted amendments to the current consolidation accounting guidance. The update is in response to accounting complexity concerns, particularly from the asset management industry. The guidance simplifies consolidation accounting by reducing the number of approaches to consolidation, provides a scope exception to registered money market funds and similar unregistered money market funds and ends the indefinite deferral granted to investment companies from applying the variable interest entity guidance. The updated guidance was effective for reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material effect on the Company s results of operations, financial position or liquidity.

Interest Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the recognized debt liability, consistent with the treatment of debt discounts. Amortization of debt issuance costs is to be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the updated guidance. The updated guidance was effective for reporting periods beginning after December 15, 2015. The updated guidance is consistent with the Company s accounting policy and its adoption did not have any effect on the Company s results of operations, financial position or liquidity.

Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments

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

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

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

Accounting for Income Taxes

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

Forfeitures

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

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

Minimum Statutory Tax Withholding Requirements

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

Transition

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

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

Accounting Standards Not Yet Adopted

Leases

In February 2016, the FASB issued updated guidance to require lessees to recognize a right-to-use asset and a lease liability for leases with terms of more than 12 months. The updated guidance retains the two classifications of a lease as either an operating or finance lease (previously referred to as a capital lease). Both lease classifications require the lessee to record the right-to-use asset and the lease liability based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately 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 can accelerate the repayment of principal on the debt instrument, a reporting entity does not need to assess whether the contingent event that triggers the ability to exercise the call (put) option is related to interest rates or credit risk in determining whether the option should be accounted for separately. The updated guidance is effective for reporting periods beginning after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company s results of operations, financial position or liquidity.

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

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

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

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

Additional Accounting Standards Not Yet Adopted

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

Nature of Operations

The Company is organized into three reportable business segments: Business and International Insurance; Bond & Specialty Insurance; and Personal Insurance. These segments reflect the manner in which the Company s businesses are currently managed and represent an aggregation of products and services based on type of customer, how the business is marketed and the manner in which risks are underwritten. For more information regarding the Company s nature of operations, see the Nature of Operations section of note 1 of notes to the consolidated financial statements in the Company s 2015 Annual Report.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

2. SEGMENT INFORMATION

The following tables summarize the components of the Company s operating revenues, operating income and total assets by reportable business segments:

(for the three months ended June 30, in millions)	Business and International Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2016				
Premiums	**$ 3,631**	**$ 518**	**$ 1,918**	**$ 6,067**
Net investment income	**420**	**51**	**78**	**549**
Fee income	**115**		**4**	**119**
Other revenues	**8**	**6**	**14**	**28**
Total operating revenues (1)	**$ 4,174**	**$ 575**	**$ 2,014**	**$ 6,763**
Operating income (1)	**$ 393**	**$ 202**	**$ 116**	**$ 711**
2015				
Premiums	$ 3,609	$ 524	$ 1,798	$ 5,931
Net investment income	487	57	88	632
Fee income	111		4	115
Other revenues	5	5	12	22
Total operating revenues (1)	$ 4,212	$ 586	$ 1,902	$ 6,700
Operating income (1)	$ 543	$ 151	$ 174	$ 868

(1) Operating revenues for reportable business segments exclude net realized investment gains (losses). Operating income for reportable business segments equals net income excluding the after-tax impact of net realized investment gains (losses).

(for the six months ended June 30, in millions)	Business and International Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2016				
Premiums	**$ 7,230**	**$ 1,026**	**$ 3,792**	**$ 12,048**
Net investment income	**835**	**103**	**155**	**1,093**
Fee income	**229**		**7**	**236**
Other revenues	**41**	**9**	**28**	**78**
Total operating revenues (1)	**$ 8,335**	**$ 1,138**	**$ 3,982**	**$ 13,455**
Operating income (1)	**$ 869**	**$ 346**	**$ 255**	**$ 1,470**

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

(1) Operating revenues for reportable business segments exclude net realized investment gains (losses). Operating income for reportable business segments equals net income excluding the after-tax impact of net realized investment gains (losses).

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

2. SEGMENT INFORMATION, Continued

Business Segment Reconciliations

(in millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenue reconciliation				
Earned premiums				
Business and International Insurance:				
Domestic:				
Workers compensation	**$ 987**	$ 957	**$ 1,968**	$ 1,919
Commercial automobile	**503**	477	**994**	945
Commercial property	**442**	440	**879**	880
General liability	**485**	469	**967**	937
Commercial multi-peril	**786**	779	**1,568**	1,553
Other	**9**	10	**14**	20
Total Domestic	**3,212**	3,132	**6,390**	6,254
International	**419**	477	**840**	975
Total Business and International Insurance	**3,631**	3,609	**7,230**	7,229
Bond & Specialty Insurance:				
Fidelity and surety	**239**	240	**469**	465
General liability	**235**	240	**469**	476
Other	**44**	44	**88**	87
Total Bond & Specialty Insurance	**518**	524	**1,026**	1,028
Personal Insurance:				
Automobile	**974**	863	**1,910**	1,699
Homeowners and Other	**944**	935	**1,882**	1,863
Total Personal Insurance	**1,918**	1,798	**3,792**	3,562
Total earned premiums	**6,067**	5,931	**12,048**	11,819
Net investment income	**549**	632	**1,093**	1,224
Fee income	**119**	115	**236**	229
Other revenues	**28**	22	**78**	47
Total operating revenues for reportable segments	**6,763**	6,700	**13,455**	13,319
Other revenues	**3**		**6**	
Net realized investment gains	**19**	10	**10**	20
Total consolidated revenues	**$ 6,785**	$ 6,710	**$ 13,471**	$ 13,339
Income reconciliation, net of tax				
Total operating income for reportable segments	**$ 711**	$ 868	**$ 1,470**	$ 1,759

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

(1) The primary component of Interest Expense and Other was after-tax interest expense of $60 million in each of the three months ended June 30, 2016 and 2015, and $120 million in each of the six months ended June 30, 2016 and 2015.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

2. SEGMENT INFORMATION, Continued

(in millions)	June 30, 2016	December 31, 2015
Asset reconciliation:		
Business and International Insurance	**$ 81,214**	$ 79,692
Bond & Specialty Insurance	**7,745**	7,360
Personal Insurance	**13,109**	12,748
Total assets for reportable segments	**102,068**	99,800
Other assets (1)	**378**	384
Total consolidated assets	**$ 102,446**	$ 100,184

(1) The primary component of other assets at June 30, 2016 was other intangible assets and the primary components at December 31, 2015 were other intangible assets and deferred taxes.

3. INVESTMENTS

Fixed Maturities

The amortized cost and fair value of investments in fixed maturities classified as available for sale were as follows:

(at June 30, 2016, in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	**$ 2,038**	**$ 36**	**$ 1**	**$ 2,073**
Obligations of states, municipalities and political subdivisions:				
Local general obligation	**13,816**	**954**	**1**	**14,769**
Revenue	**10,270**	**787**		**11,057**
State general obligation	**1,958**	**124**		**2,082**
Pre-refunded	**5,490**	**234**		**5,724**
Total obligations of states, municipalities and political subdivisions	**31,534**	**2,099**	**1**	**33,632**
Debt securities issued by foreign governments	**1,745**	**56**		**1,801**

Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**1,702**	**132**	**1**	**1,833**
All other corporate bonds	**22,858**	**1,062**	**52**	**23,868**
Redeemable preferred stock	**98**	**6**		**104**
Total	**$ 59,975**	**$ 3,391**	**$ 55**	**$ 63,311**

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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 $5.72 billion and $6.06 billion at June 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 $739 million and $1.23 billion during the six months ended June 30, 2016 and 2015, respectively. Gross gains of $46 million and $40 million and gross losses of $8 million and $3 million were realized on those sales during the six months ended June 30, 2016 and 2015, respectively.

Equity Securities

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

	Gross Unrealized	Fair

(at June 30, 2016, in millions)	Cost	Gains	Losses	Value
Public common stock	$ 386	$ 214	$ 3	$ 597
Non-redeemable preferred stock	139	23	7	155
Total	$ 525	$ 237	$ 10	$ 752

		Gross Unrealized		Fair
(at December 31, 2015, in millions)	Cost	Gains	Losses	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 $38 million and $28 million during the six months ended June 30, 2016 and 2015, respectively. Gross gains of $8 million and $5 million and gross losses of $2 million and $3 million were realized on those sales during the six months ended June 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 June 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.

	Less than 12 months		12 months or longer		Total	
(at June 30, 2016, 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	$ **37**	$	$ **10**	$ **1**	$ **47**	$ **1**
Obligations of states, municipalities and political subdivisions	**639**	**1**	**14**		**653**	**1**
Debt securities issued by foreign governments	**3**				**3**	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**42**		**37**	**1**	**79**	**1**
All other corporate bonds	**779**	**12**	**720**	**40**	**1,499**	**52**
Redeemable preferred stock	**7**				**7**	
Total fixed maturities	**1,507**	**13**	**781**	**42**	**2,288**	**55**
Equity securities						
Public common stock	**24**	**2**	**34**	**1**	**58**	**3**
Non-redeemable preferred stock	**30**	**1**	**58**	**6**	**88**	**7**
Total equity securities	**54**	**3**	**92**	**7**	**146**	**10**
Total	$ **1,561**	$ **16**	$ **873**	$ **49**	$ **2,434**	$ **65**

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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)	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	$ 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 June 30, 2016 totaled $11 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 $6 million for the three months ended June 30, 2016 and 2015, respectively, and $22 million and $9 million for the six months ended June 30, 2016 and 2015, respectively.

For fixed maturities held at June 30, 2016 and 2015, the cumulative amount of credit losses recognized in the consolidated statement of income from other-than-temporary impairments (OTTI) was $88 million at both dates, on investments for which a portion of the OTTI was recognized in other comprehensive income (loss). 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 six months ended June 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 June 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 six months ended June 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 June 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 $96 million and $101 million at June 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 $87 million and $117 million at June 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 June 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 June 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	**$ 2,073**	**$ 2,073**	**$**	**$**
Obligations of states, municipalities and political subdivisions	**33,632**	**11**	**33,608**	**13**
Debt securities issued by foreign governments	**1,801**		**1,801**	
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**1,833**		**1,833**	
All other corporate bonds	**23,868**	**3**	**23,702**	**163**
Redeemable preferred stock	**104**	**3**	**94**	**7**
Total fixed maturities	**63,311**	**2,090**	**61,038**	**183**
Equity securities				
Public common stock	**597**	**597**		
Non-redeemable preferred stock	**155**	**66**	**89**	
Total equity securities	**752**	**663**	**89**	
Other investments	**61**	**17**		**44**
Total	**$ 64,124**	**$ 2,770**	**$ 61,127**	**$ 227**

(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 six months ended June 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 six months ended June 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 June 30, 2016, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Short-term securities	**$ 3,988**	**$ 3,988**	**$ 792**	**$ 3,151**	**$ 45**
Financial liabilities:					
Debt	**$ 6,336**	**$ 7,743**	**$**	**$ 7,743**	**$**
Commercial paper	**$ 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 June 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 June 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 six months ended June 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 June 30, 2016 and December 31, 2015:

(in millions)	June 30, 2016	December 31, 2015
Business and International Insurance (1)	**$ 2,454**	$ 2,439
Bond & Specialty Insurance	**496**	496
Personal Insurance	**612**	612
Other	**26**	26
Total	**$ 3,588**	$ 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 June 30, 2016 and December 31, 2015:

(at June 30, 2016, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization (1)	**$ 210**	**$ 153**	**$ 57**
Not subject to amortization	**217**		**217**
Total	**$ 427**	**$ 153**	**$ 274**

(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 $2 million and $9 million for the three months ended June 30, 2016 and 2015, respectively, and $5 million and $20 million for the six months ended June 30, 2016 and 2015, respectively. Intangible asset amortization expense is estimated to be $5 million for the remainder of 2016, $9 million in 2017, $8 million in 2018, $7 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 six months ended June 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	**1,064**	**3**	**3**	**47**	**1,117**
Amounts reclassified from AOCI	**(23)**	**8**	**20**		**5**
Net OCI, current period	**1,041**	**11**	**23**	**47**	**1,122**
Balance, June 30, 2016	**$ 2,141**	**$ 200**	**$ (690)**	**$ (686)**	**$ 965**

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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 pretax components of the Company s other comprehensive income (loss) and the related income tax expense (benefit) for the three months and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Changes in net unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income	**$ 879**	$ (1,065)	**$ 1,593**	$ (896)
Income tax expense (benefit)	**305**	(368)	**552**	(312)
Net of taxes	**574**	(697)	**1,041**	(584)
Having credit losses recognized in the consolidated statement of income	**12**	(5)	**17**	(10)
Income tax expense (benefit)	**4**	(2)	**6**	(4)
Net of taxes	**8**	(3)	**11**	(6)
Net changes in benefit plan assets and obligations	**18**	23	**34**	47
Income tax expense	**6**	8	**11**	16
Net of taxes	**12**	15	**23**	31
Net changes in unrealized foreign currency translation	**(35)**	94	**68**	(180)
Income tax expense (benefit)	**8**	9	**21**	(28)
Net of taxes	**(43)**	85	**47**	(152)
Total other comprehensive income (loss)	**874**	(953)	**1,712**	(1,039)
Total income tax expense (benefit)	**323**	(353)	**590**	(328)
Total other comprehensive income (loss), net of taxes	**$ 551**	$ (600)	**$ 1,122**	$ (711)

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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 six months ended June 30, 2016 and 2015.

(in millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Reclassification adjustments related to unrealized gains on investment securities:				
Having no credit losses recognized in the consolidated statement of income (1)	**$ (24)**	$ (17)	**$ (35)**	$ (35)
Income tax expense (2)	**(8)**	(6)	**(12)**	(12)
Net of taxes	**(16)**	(11)	**(23)**	(23)
Having credit losses recognized in the consolidated statement of income (1)	**1**	2	**12**	2
Income tax benefit (2)			**4**	
Net of taxes	**1**	2	**8**	2
Reclassification adjustment related to benefit plan assets and obligations (3)	**15**	24	**31**	47
Income tax benefit (2)	**6**	9	**11**	17
Net of taxes	**9**	15	**20**	30
Reclassification adjustment related to foreign currency translation (1)				
Income tax benefit (2)				
Net of taxes				
Total reclassifications	**(8)**	9	**8**	14
Total income tax (expense) benefit	**(2)**	3	**3**	5
Total reclassifications, net of taxes	**$ (6)**	$ 6	**$ 5**	$ 9

(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 six months ended June 30, 2016, the Company repurchased 4.9 million and 10.0 million shares, respectively, under its share repurchase authorization, for a total cost of $550 million and $1.10 billion, respectively. The average cost per share repurchased was $112.12 and $110.26, respectively. At June 30, 2016, the Company had $2.23 billion of capacity remaining under its share repurchase authorization. In addition, the Company acquired 5,146 and 0.5 million shares for a total cost of $0.6 million and $59 million during the three months and six months ended June 30, 2016, 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 June 30,		Six Months Ended June 30,	
(in millions, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Basic and Diluted				
Net income, as reported	**$ 664**	$ 812	**$ 1,355**	$ 1,645

Participating share-based awards allocated income		**(5)**		(6)		**(10)**		(12)
Net income available to common shareholders basic and diluted	**$**	**659**	$	806	**$**	**1,345**	$	1,633
Common Shares								
Basic								
Weighted average shares outstanding		**290.1**		314.8		**292.1**		317.7
Diluted								
Weighted average shares outstanding		**290.1**		314.8		**292.1**		317.7
Weighted average effects of dilutive securities stock options and performance shares		**3.5**		3.2		**3.5**		3.5
Total		**293.6**		318.0		**295.6**		321.2
Net Income per Common Share								
Basic	**$**	**2.27**	$	2.56	**$**	**4.60**	$	5.14
Diluted	**$**	**2.24**	$	2.53	**$**	**4.55**	$	5.08

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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 June 30, 2016: