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 March 31, 2007

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.)

385 Washington Street,
St. Paul, MN 55102
(Address of principal executive offices) (Zip Code)

(651) 310-7911
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer 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 April 25, 2007 was 663,999,243.

The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended March 31, 2007

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Item 1. FINANCIAL STATEMENTS

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (Unaudited)
(in millions, except per share data)

For the three months ended March 31,	2007	2006
Revenues		
Premiums	**$ 5,295**	$ 4,991
Net investment income	**960**	875
Fee income	**120**	150
Net realized investment gains (losses)	**14**	(6)
Other revenues	**38**	40
Total revenues	**6,427**	6,050
Claims and expenses		
Claims and claim adjustment expenses	**3,189**	3,042
Amortization of deferred acquisition costs	**869**	800
General and administrative expenses	**833**	794
Interest expense	**76**	76
Total claims and expenses	**4,967**	4,712
Income before income taxes	**1,460**	1,338
Income tax expense	**374**	332
Net income	**$ 1,086**	$ 1,006
Net income per share		
Basic	**$ 1.62**	$ 1.45
Diluted	**$ 1.56**	$ 1.41
Weighted average number of common shares outstanding:		
Basic	**669.9**	692.2
Diluted	**701.2**	720.8

See notes to consolidated financial statements (unaudited).

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions)

	March 31, 2007 (Unaudited)	December 31, 2006
Assets		
Fixed maturities, available for sale at fair value (including $1,582 and $1,674 subject to securities lending) (amortized cost $62,716 and $62,244)	**$ 63,133**	$ 62,666
Equity securities, at fair value (cost $442 and $436)	**481**	473
Real estate	**810**	793
Short-term securities	**4,886**	4,938
Other investments	**3,380**	3,398
Total investments	**72,690**	72,268
Cash	**378**	459
Investment income accrued	**795**	827
Premiums receivable	**6,156**	6,181
Reinsurance recoverables	**17,265**	17,820
Ceded unearned premiums	**1,479**	1,243
Deferred acquisition costs	**1,696**	1,615
Deferred tax asset	**1,713**	1,536
Contractholder receivables	**5,079**	5,023
Goodwill	**3,437**	3,438
Intangible assets	**920**	764
Other assets	**2,513**	2,587
Total assets	**$ 114,121**	$ 113,761
Liabilities		
Claims and claim adjustment expense reserves	**$ 58,821**	$ 59,288
Unearned premium reserves	**11,240**	11,228
Contractholder payables	**5,079**	5,023
Payables for reinsurance premiums	**915**	685
Debt	**6,123**	5,760
Other liabilities	**6,586**	6,642
Total liabilities	**88,764**	88,626
Shareholders equity		
Preferred Stock Savings Plan convertible preferred stock (0.4 shares issued and outstanding at both dates)	**124**	129
Common stock (1,750.0 shares authorized; 665.3 and 678.3 shares issued and outstanding)	**18,634**	18,530
Retained earnings	**8,167**	7,253
Accumulated other changes in equity from nonowner sources	**417**	452
Treasury stock, at cost (39.7 and 25.2 shares)	**(1,985)**	(1,229)
Total shareholders equity	**25,357**	25,135
Total liabilities and shareholders equity	**$ 114,121**	$ 113,761

See notes to consolidated financial statements (unaudited).

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)
(in millions)

For the three months ended March 31,	2007	2006
Convertible preferred stock savings plan		
Balance, beginning of year	**$ 129**	$ 153
Redemptions during period	**(5)**	(7)
Total preferred shareholders equity	**124**	146
Common stock		
Balance, beginning of year	**18,530**	18,096
Net shares issued under employee share-based compensation plans	**58**	42
Compensation amortization under share-based plans and other	**46**	54
Balance, end of period	**18,634**	18,192
Retained earnings		
Balance, beginning of year	**7,253**	3,750
Net income	**1,086**	1,006
Dividends	**(175)**	(161)
Minority interest and other	**3**	(1)
Balance, end of period	**8,167**	4,594
Accumulated other changes in equity from nonowner sources, net of tax		
Balance, beginning of year	**452**	351
Change in net unrealized gain on investment securities	**(13)**	(388)
Net change in unrealized foreign currency translation and other changes	**(22)**	12
Balance, end of period	**417**	(25)
Treasury stock (at cost)		
Balance, beginning of year	**(1,229)**	(47)
Shares acquired share repurchase program	**(725)**	
Net shares reacquired related to employee share-based compensation plans	**(31)**	(23)
Balance, end of period	**(1,985)**	(70)
Total common shareholders equity	**25,233**	22,691
Total shareholders equity	**$ 25,357**	$ 22,837
Common shares outstanding		
Balance, beginning of year	**678.3**	693.4
Shares acquired share repurchase program	**(13.9)**	
Net shares issued under employee share-based compensation plans	**0.9**	2.8
Balance, end of period	**665.3**	696.2
Summary of changes in equity from nonowner sources		
Net income	**$ 1,086**	$ 1,006
Other changes in equity from nonowner sources, net of tax	**(35)**	(376)
Total changes in equity from nonowner sources	**$ 1,051**	$ 630

See notes to consolidated financial statements (unaudited).

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
(in millions)

For the three months ended March 31,	2007	2006
Cash flows from operating activities		
Net income	$ 1,086	$ 1,006
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment (gains) losses	(14)	6
Depreciation and amortization	205	197
Deferred federal income tax expense (benefit)	(188)	159
Amortization of deferred policy acquisition costs	869	800
Premiums receivable	17	110
Reinsurance recoverables	548	636
Deferred acquisition costs	(967)	(836)
Claims and claim adjustment expense reserves	(350)	(1,137)
Unearned premium reserves	60	103
Trading account activities	(1)	4
Excess tax benefits from share-based payment arrangements	(9)	(5)
Other	(389)	(481)
Net cash provided by operating activities	867	562
Cash flows from investing activities		
Proceeds from maturities of fixed maturities	1,637	1,571
Proceeds from sales of investments:		
Fixed maturities	729	1,320
Equity securities	25	94
Purchases of investments:		
Fixed maturities	(3,006)	(3,983)
Equity securities	(29)	(47)
Real estate	(26)	(8)
Net sales (purchases) of short-term securities	(103)	67
Net sales of other investments	186	154
Securities transactions in course of settlement	305	490
Other	(203)	(38)
Net cash used in investing activities	(485)	(380)
Cash flows from financing activities		
Payment of debt	(611)	(4)
Issuance of debt	986	
Dividends to shareholders	(175)	(161)
Issuance of common stock employee share options	54	32
Treasury shares acquired share repurchase program	(698)	
Treasury shares acquired net employee share-based compensation	(26)	(16)
Excess tax benefits from share-based payment arrangements	9	5
Other	(1)	(2)
Net cash used in financing activities	(462)	(146)
Effect of exchange rate changes on cash	(1)	
Net increase (decrease) in cash	(81)	36
Cash at beginning of period	459	337

Cash at end of period		**$**	**378**		$	373
Supplemental disclosure of cash flow information						
Income taxes paid (received)		**88**			(5	)
Interest paid		**75**			85	

See notes to consolidated financial statements (unaudited).

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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. Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation. 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 2006 Annual Report on Form 10-K/A.

Effective February 26, 2007, The St. Paul Travelers Companies, Inc. amended its articles of incorporation to change its name to The Travelers Companies, Inc. and, effective the same day, amended its bylaws to reflect the name change.

Adoption of New Accounting Standards

Accounting for Uncertainty in Income Taxes

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 is intended to clarify the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes the recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under FIN 48, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met.

The adoption of FIN 48 at January 1, 2007 did not have a material effect on the Company s financial position.

The total amount of unrecognized tax benefits as of January 1, 2007 was $339 million. Included in that balance were $101 million of unrecognized tax benefits that, if recognized, would affect the annual effective tax rate and $175 million of tax positions for which the ultimate deductibility is certain, but for which there is uncertainty about the timing of deductibility. The timing of such deductibility would not affect the annual effective tax rate. The balance of unrecognized tax benefits at January 1, 2007 was comprised of $63 million of unrecognized tax benefits that, if recognized, would reduce goodwill.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes. The Company had approximately $35 million for the payment of interest and penalties accrued at January 1, 2007.

As of January 1, 2007, the Internal Revenue Service (IRS) is conducting an examination of the Company s U.S. income tax returns for the years 2002 through 2004. During the first quarter 2007, the Company effectively settled the pre-merger Travelers Property Casualty, Corp. IRS examinations for the 2002 and 2003 years, resulting in an after-tax benefit of $28 million.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

The Company anticipates that the current IRS examination will be effectively settled within the next twelve months. An estimate of the range of the reasonably possible change to the unrecognized tax benefits that may occur as a result of the anticipated settlement cannot be made.

Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140* (FAS 155). FAS 155 nullifies the guidance in the FASB s Derivatives Implementation Group Issue D1 Application of Statement 133 to Beneficial Interests in Securitized Assets , which had deferred the bifurcation requirements of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), for certain beneficial interests in securitized financial assets. FAS 155 requires that beneficial interests in securitized financial assets be analyzed to determine whether they are freestanding derivatives or hybrid instruments that contain an embedded derivative requiring bifurcation.

FAS 155 permits entities to fair value any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. This election is on a contract-by-contract basis and is irrevocable. Additionally, FAS 155 narrows the exception afforded to interest-only strips and principal-only strips from derivative accounting. In addition, FAS 155 clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FASB Statement 125,* to eliminate the restriction on the passive derivative instruments a Qualifying Special Purpose Entity can hold.

FAS 155 is effective for all financial instruments acquired, issued or subject to a remeasurement (new basis) event occurring after the beginning of an entity s fiscal year that begins after September 15, 2006. At adoption, for contracts where the fair value option has been elected, any difference between the total carrying amount of the individual components of the existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument should be recognized as a cumulative-effect adjustment to beginning retained earnings.

In January 2007, the FASB released Statement 133 Implementation Issue No. B40, *Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets (B40).* B40 provides a limited scope exception from paragraph 13(b) of FAS 133 for securitized interests that contain only an embedded derivative that is tied to the prepayment risk of the underlying prepayable financial assets and if both of the following criteria are met: (a) the investor does not control the right to accelerate the settlement, and (b) the securitized interest does not contain an embedded derivative for which bifurcation would be required other than an embedded derivative that results from embedded call options in the underlying financial assets. B40 is effective upon the adoption of FAS 155, except for criterion (b) which is not applicable to securitized interests issued before June 30, 2007, and that only include embedded derivatives that have an extremely remote possibility of having greater than a trivial fair value during the life of the securitized interest.

The Company adopted FAS 155 effective January 1, 2007 and it did not elect the fair value option. There was no cumulative effect upon adoption of FAS 155.

Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts

In September 2005, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts* (SOP 05-1). SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in Statement of Financial Accounting Standards No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments*. SOP 05-1 defines an internal replacement as a modification in

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. The adoption of SOP 05-1 effective January 1, 2007 did not have a material effect on the Company s results of operations, financial condition or liquidity.

Endorsement Split-Dollar Life Insurance Arrangements

In September 2006, FASB issued Emerging Issues Task Force Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements* (EITF 06-4). EITF 06-4 requires a company to recognize a liability and related compensation expense for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to postretirement periods. EITF 06-4 is effective January 1, 2008, with earlier adoption permitted. The early adoption of EITF 06-4 on January 1, 2007 did not have a material effect on the Company s results of operations, financial condition or liquidity.

Accounting for Corporate-Owned Life Insurance

In September 2006, the FASB issued Emerging Issues Task Force Issue No. 06-5, *Accounting for Purchase of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No 85-4* (EITF 06-5). EITF 06-5 provides additional guidance on determining the amount that can be realized under a corporate-owned life insurance contract (that is, converted to cash) based upon how the contract is assumed to be hypothetically settled. EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The adoption of EITF 06-5 did not have a material effect on the Company s results of operations, financial condition or liquidity.

Accounting Standards Not Yet Adopted

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. It applies to other pronouncements that require or permit fair value but does not require any new fair value measurements. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FAS 157 establishes a fair value hierarchy to increase consistency and comparability in fair value measurements and disclosures. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets. The highest possible level should be used to measure fair value.

FAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the provisions of FAS 157 to have a material effect on its results of operations, financial condition or liquidity.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159). FAS 159 permits an entity to irrevocably elect fair value on a contract-by-contract basis as the initial and subsequent measurement attribute for many financial assets and liabilities and certain other items including property and casualty insurance contracts. Entities electing the fair value option would be required to recognize changes in fair value in earnings and to expense upfront costs and fees associated with the item for which the fair value option is elected. Entities electing the fair value option are required to distinguish on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. An entity can accomplish this by either reporting the fair value and non-fair-value carrying amounts as separate line items or aggregate those amounts and disclose parenthetically the amount of fair value included in the aggregate amount.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES, Continued

FAS 159 is effective for fiscal years beginning after November 15, 2007. Upon adoption, an entity is permitted to elect the fair value option irrevocably for any existing asset or liability within the scope of the standard. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption. Retrospective application would not be permitted. The Company does not intend to elect the fair value option for assets and liabilities currently held, and therefore FAS 159 will not have an impact on the Company s results of operations, financial condition or liquidity.

Collateral Assignment Split-Dollar Life Insurance Arrangements

In March 2007, the FASB issued Emerging Issues Task Force Issue No. 06-10, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements* (EITF 06-10). EITF 06-10 provides guidance on the recognition and measurement of assets related to collateral assignment split-dollar life insurance arrangements. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the provisions of EITF 06-10 to have a material effect on its results of operations, financial condition or liquidity.

Nature of Operations

The Company is organized into three reportable business segments: Business Insurance, Financial, Professional & International Insurance, and Personal Insurance. These segments reflect the manner in which the Company s businesses are 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. The business segments are as follows:

Business Insurance

The Business Insurance segment offers a broad array of property and casualty insurance and insurance-related services to its clients primarily in the United States. Business Insurance is organized into the following six groups, which collectively comprise Business Insurance Core operations: Select Accounts, Commercial Accounts, National Accounts, Industry-Focused Underwriting, Target Risk Underwriting and Specialized Distribution.

Business Insurance also includes the Special Liability Group (which manages the Company s asbestos and environmental liabilities); the assumed reinsurance, health care, and certain international and other runoff operations; and policies written by the Company s Gulf operation (Gulf), which was placed into runoff during the second quarter of 2004. These are collectively referred to as Business Insurance Other.

Financial, Professional & International Insurance

The Financial, Professional & International Insurance segment includes surety and financial liability coverages, which require a primarily credit-based underwriting process, as well as property and casualty products that are primarily marketed on an international basis. The segment includes the Bond & Financial Products group, as well as the International and Lloyd s group.

In March 2007, the Company completed the sale of its Mexican surety subsidiary, Afianzadora Insurgentes, S.A. de C.V., which accounted for $79 million of net written premiums for the year ended December 31, 2006. The impact of this transaction was not material to the Company s results of operations or financial condition.

Personal Insurance

The Personal Insurance segment writes virtually all types of property and casualty insurance covering personal risks. The primary coverages in Personal Insurance are automobile and homeowners insurance sold to individuals.

In April 2007, the Company completed the sale of its subsidiary, Mendota Insurance Company and its wholly-owned subsidiaries, Mendakota Insurance Company and Mendota Insurance Agency, Inc. These subsidiaries primarily offered nonstandard automobile coverage and accounted for approximately $187 million of net written premium volume for the year ended December 31, 2006. The sale was not material to the Company s results of operations or financial condition.

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

2. SEGMENT INFORMATION

(for the three months ended March 31, in millions)	Business Insurance		Financial, Professional & International Insurance		Personal Insurance		Total Reportable Segments	
2007 Revenues								
Premiums	**$**	**2,763**	**$**	**844**	**$**	**1,688**	**$**	**5,295**
Net investment income	**694**		**121**		**145**		**960**	
Fee income	**120**						**120**	
Other revenues	**4**		**5**		**24**		**33**	
Total operating revenues (1)	**$**	**3,581**	**$**	**970**	**$**	**1,857**	**$**	**6,408**
Operating income (1)	**$**	**678**	**$**	**156**	**$**	**266**	**$**	**1,100**
2006 Revenues								
Premiums	$	2,643	$	788	$	1,560	$	4,991
Net investment income	636		103		134		873	
Fee income	150						150	
Other revenues	7		5		24		36	
Total operating revenues (1)	$	3,436	$	896	$	1,718	$	6,050
Operating income (1)	$	651	$	141	$	240	$	1,032

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

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 March 31, 2007	2006
Revenue reconciliation		
Earned premiums:		
Business Insurance:		
Commercial multi-peril	**$ 760**	$ 742
Workers compensation	**533**	502
Commercial automobile	**507**	478
Property	**481**	451
General liability	**455**	468
Other	**27**	2
Total Business Insurance	**2,763**	2,643
Financial, Professional & International Insurance:		
Fidelity and surety	**270**	260
General liability	**242**	247
International	**300**	251
Other	**32**	30
Total Financial, Professional & International Insurance	**844**	788
Personal Insurance:		
Automobile	**939**	872
Homeowners and other	**749**	688
Total Personal Insurance	**1,688**	1,560
Total earned premiums	**5,295**	4,991
Net investment income	**960**	873
Fee income	**120**	150
Other revenues	**33**	36
Total operating revenues for reportable segments	**6,408**	6,050
Interest Expense and Other	**5**	6
Net realized investment gains (losses)	**14**	(6)
Total consolidated revenues	**$ 6,427**	$ 6,050
Income reconciliation, net of tax		
Total operating income for reportable segments	**$ 1,100**	$ 1,032
Interest Expense and Other	**(22)**	(21)
Total operating income	**1,078**	1,011
Net realized investment gains (losses)	**8**	(5)
Total consolidated net income	**$ 1,086**	$ 1,006

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

2. SEGMENT INFORMATION, Continued

(in millions)	March 31, 2007	December 31, 2006
Asset reconciliation:		
Business Insurance	**$ 86,899**	$ 86,640
Financial, Professional & International Insurance	**13,255**	13,265
Personal Insurance	**13,352**	13,294
Total assets for reportable segments	**113,506**	113,199
Other assets (1)	**615**	562
Total consolidated assets	**$ 114,121**	$ 113,761

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(1) The primary components of other assets in 2007 were intangible assets and accrued over-funded benefit plan assets. The primary components of other assets in 2006 were accrued over-funded benefit plan 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:

	Amortized	Gross Unrealized		Fair
(at March 31, 2007, in millions)	**Cost**	**Gains**	**Losses**	**Value**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**$ 7,521**	**$ 62**	**$ 106**	**$ 7,477**
U.S. Treasury securities and obligations of U.S. Government and government agencies and authorities	**2,336**	**16**	**24**	**2,328**
Obligations of states, municipalities and political subdivisions	**36,459**	**589**	**92**	**36,956**
Debt securities issued by foreign governments	**1,410**	**5**	**9**	**1,406**
All other corporate bonds	**14,887**	**173**	**211**	**14,849**
Redeemable preferred stock	**103**	**17**	**3**	**117**
Total	**$ 62,716**	**$ 862**	**$ 445**	**$ 63,133**

	Amortized	Gross Unrealized		Fair
(at December 31, 2006, in millions)	**Cost**	**Gains**	**Losses**	**Value**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	$ 7,665	$ 52	$ 128	$ 7,589
U.S. Treasury securities and obligations of U.S. Government and government agencies and authorities	2,736	13	31	2,718
Obligations of states, municipalities and political subdivisions	35,326	661	80	35,907
Debt securities issued by foreign governments	1,550	12	10	1,552
All other corporate bonds	14,866	165	247	14,784
Redeemable preferred stock	101	16	1	116
Total	$ 62,244	$ 919	$ 497	$ 62,666

Equity Securities

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

(at March 31, 2007, in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stock	$ 106	$ 29	$	$ 135
Non-redeemable preferred stock	336	16	6	346
Total	$ 442	$ 45	$ 6	$ 481

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

3. INVESTMENTS, Continued

		Gross Unrealized		Fair
(at December 31, 2006, in millions)	**Cost**	**Gains**	**Losses**	**Value**
Common stock	$ 88	$ 27	$	$ 115
Non-redeemable preferred stock	348	15	5	358
Total	$ 436	$ 42	$ 5	$ 473

Other Investments

Venture Capital

The cost and fair value of investments in venture capital were as follows:

		Gross Unrealized		Fair
(at March 31, 2007, in millions)	**Cost**	**Gains**	**Losses**	**Value**
Venture capital	**$ 372**	**$ 103**	**$**	**$ 475**

		Gross Unrealized		Fair
(at December 31, 2006, in millions)	**Cost**	**Gains**	**Losses**	**Value**
Venture capital	$ 392	$ 109	$ 1	$ 500

Variable Interest Entities (VIEs)

The following entities are consolidated:

- Municipal Trusts The Company owns interests in various municipal trusts that were formed for the purpose of allowing more flexibility to generate investment income in a manner consistent with the Company s investment objectives and tax position. As of March 31, 2007 and December 31, 2006, there were 34 and 35 such trusts, respectively, which held a combined total of $379 million and $391 million, respectively, in municipal securities, of which $65 million and $76 million, respectively, were owned by outside investors. The net carrying value of the trusts owned by the Company at March 31, 2007 and December 31, 2006 was $314 million and $315 million, respectively.

The Company has significant interests in the following VIEs, which are not consolidated because the Company is not considered to be the primary beneficiary:

- The Company has a significant variable interest in two real estate entities. These investments have total assets of approximately $286 million and $305 million as of March 31, 2007 and December 31, 2006, respectively. The carrying value of the Company s share of these investments was approximately $20 million at March 31, 2007 and $33 million at December 31, 2006. The Company has an unfunded commitment of $12 million associated with one of these funds. The Company s exposure to loss is limited to the investment carrying amounts reported in the consolidated balance sheet and the unfunded commitment amount. The purpose of the Company s involvement in these entities is to generate investment returns.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

3. INVESTMENTS, Continued

- The Company has a significant variable interest in Camperdown UK Limited, which The St. Paul Companies, Inc. (SPC) sold in December 2003. The Company s variable interest resulted from an agreement to indemnify the purchaser in the event a specified reserve deficiency develops, a reserve-related foreign exchange impact occurs, or a foreign tax adjustment is imposed on a pre-sale reporting period. The maximum amount of this indemnification obligation is $184 million. The fair value of this obligation as of both March 31, 2007 and December 31, 2006 was $65 million. See Guarantees section of note 11.

The Company has other significant interests in variable interest entities that are not material.

The following securities are not consolidated:

- Mandatorily redeemable preferred securities of trusts holding solely the subordinated debentures of the Company - These securities were issued by three separate trusts that were established for the sole purpose of issuing the securities to investors and are fully guaranteed by the Company. The Company held beneficial interests in the trusts of $10 million and $13 million at March 31, 2007 and December 31, 2006, respectively. The debt that the Company issued to these trusts is included in the Debt section of liabilities on the Company s consolidated balance sheet. That debt had a carrying value of $311 million at March 31, 2007 and $399 million at December 31, 2006. During the first quarter of 2007, the Company redeemed the $81 million, 8.47% subordinated debentures issued to USF&G Capital II, which in turn redeemed its preferred securities.

Unrealized Investment Losses

The following tables summarize, for all investment securities in an unrealized loss position at March 31, 2007 and December 31, 2006, the aggregate fair value and gross unrealized losses by length of time those investments have been continuously in an unrealized loss position.

	Less than 12 months		12 months or longer		Total	
(at March 31, 2007, in millions)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Fixed maturities						
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	$ 712	$ 4	$ 4,221	$ 102	$ 4,933	$ 106
U.S. Treasury securities and obligations of U.S. Government and government agencies and authorities	188		1,091	24	1,279	24
Obligations of states, municipalities and political subdivisions	6,844	32	4,069	60	10,913	92
Debt securities issued by foreign governments	713	5	503	4	1,216	9
All other corporate bonds	2,855	25	6,740	186	9,595	211
Redeemable preferred stock	27	3	4		31	3
Total fixed maturities	11,339	69	16,628	376	27,967	445
Equity securities						
Common stock						
Nonredeemable preferred stock	54	2	77	4	131	6
Total equity securities	54	2	77	4	131	6

Venture capital																	
Total		**$**	**11,393**		**$**	**71**		**$**	**16,705**		**$**	**380**		**$**	**28,098**		**$**	**451**

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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, 2006, in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities						
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	$ 1,245	$ 11	$ 4,125	$ 117	$ 5,370	$ 128
U.S. Treasury securities and obligations of U.S. Government and government agencies and authorities	1,014	2	964	29	1,978	31
Obligations of states, municipalities and political subdivisions	4,468	16	4,077	64	8,545	80
Debt securities issued by foreign governments	861	6	406	4	1,267	10
All other corporate bonds	3,690	36	6,325	211	10,015	247
Redeemable preferred stock	1		5	1	6	1
Total fixed maturities	11,279	71	15,902	426	27,181	497
Equity securities						
Common stock	3		1		4	
Nonredeemable preferred stock	50	1	53	4	103	5
Total equity securities	53	1	54	4	107	5
Venture capital			14	1	14	1
Total	$ 11,332	$ 72	$ 15,970	$ 431	$ 27,302	$ 503

Impairment charges included in net realized investment gains were as follows:

	Three Months Ended March 31,	
	2007	2006
Fixed maturities	$ 1	$
Equity securities	1	1
Venture capital	7	5
Other investments (excluding venture capital)		4
Total	$ 9	$ 10

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents the carrying amount of the Company s goodwill by segment at March 31, 2007 and December 31, 2006:

(in millions)	March 31, 2007	December 31, 2006
Business Insurance	**$ 2,168**	$ 2,168

Financial, Professional & International Insurance	**550**	551
Personal Insurance	**613**	613
Other	**106**	106
Total	**$ 3,437**	$ 3,438

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

4. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

Other Intangible Assets

The following presents a summary of the Company s intangible assets by major asset class as of March 31, 2007 and December 31, 2006:

(At March 31, 2007, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Intangibles subject to amortization			
Customer-related	**$ 1,036**	**$ 569**	**$ 467**
Fair value adjustment on claims and claim adjustment expense reserves and reinsurance recoverables (1)	**191**	**(47)**	**238**
Total intangible assets subject to amortization	**1,227**	**522**	**705**
Intangible assets not subject to amortization (2)	**215**		**215**
Total intangible assets	**$ 1,442**	**$ 522**	**$ 920**

(At December 31 2006, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Intangibles subject to amortization			
Customer-related	$ 1,036	$ 537	$ 499
Fair value adjustment on claims and claim adjustment expense reserves and reinsurance recoverables (1)	191	(54)	245
Total intangible assets subject to amortization	1,227	483	744
Intangible assets not subject to amortization	20		20
Total intangible assets	$ 1,247	$ 483	$ 764

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(1) The time value of money and the risk margin (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.

(2) During the first quarter of 2007, the Company acquired certain trademarks, service marks and logos.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

4. GOODWILL AND OTHER INTANGIBLE ASSETS, Continued

The following presents a summary of the Company s amortization expense for intangible assets by major asset class:

(for the three months ended March 31, in millions)	**2007**		**2006**	
Customer-related	**$**	**33**	$	36
Marketing-related			3	
Fair value adjustment on claims and claim adjustment expense reserves and reinsurance recoverables	**6**		3	
Total amortization expense	**$**	**39**	$	42

Intangible asset amortization expense is estimated to be $107 million for the remainder of 2007, $126 million in 2008, $100 million in 2009, $86 million in 2010 and $69 million in 2011.

5. DEBT

In March 2007, the Company issued $1 billion aggregate principal amount of 6.25% fixed-to-floating rate junior subordinated debentures due March 15, 2067 for net proceeds of $986 million (after original issue discount and expenses). The debentures were issued at a discount, resulting in an effective interest rate of 6.447%. The debentures bear interest at an annual rate of 6.25% from the date of issuance to March 15, 2017, payable semi-annually on March 15 and September 15. From and including March 15, 2017, the debentures will bear interest at an annual rate equal to three-month LIBOR plus 2.215%, payable quarterly on March 15, June 15, September 15 and December 15 of each year. The Company has the right, on one or more occasions, to defer the payment of interest on the debentures. The Company will not be required to settle deferred interest until it has deferred interest for five consecutive years or, if earlier, made a payment of current interest during a deferral period. The Company may defer interest for up to ten consecutive years without giving rise to an event of default. Deferred interest will accumulate additional interest at an annual rate equal to the annual interest rate then applicable to the debentures.

The debentures carry a 60-year final maturity and a scheduled maturity date in year thirty. During the 180-day period ending ten days prior to the scheduled maturity date, the Company is required to use commercially reasonable efforts to sell enough qualifying capital securities, or at its option, common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity or debt exchangeable for preferred equity to permit repayment of the debentures at the scheduled maturity date. If any debentures remain outstanding after the scheduled maturity date, the unpaid amount will remain outstanding until the Company has raised sufficient proceeds from the sale of qualifying capital securities, or at its option, common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity or debt exchangeable for preferred equity to permit the repayment in full of the debentures. If there are remaining debentures at the final maturity date, the Company is required to redeem the debentures using any source of funds. Qualifying capital securities are securities (other than common stock, qualifying warrants, mandatorily convertible preferred stock, debt exchangeable for common equity, and debt exchangeable for preferred equity) which generally are treated by the ratings agencies as having similar equity content to the debentures.

The Company can redeem the debentures at its option, in whole or in part, at any time after March 15, 2017 at a redemption price of 100% of the principal amount being redeemed plus accrued but unpaid interest. The Company can redeem the debentures at its option, in whole only, prior to March 15, 2017 in the event of certain tax or rating agency events relating to the debentures, at a redemption price of 100% of the principal amount being redeemed plus a make-whole premium.

In connection with the offering of the debentures, the Company entered into a replacement capital covenant for the benefit of holders of one or more designated series of the Company s indebtedness (which will initially be the 6.750% Senior Notes due 2036). Under the terms of the replacement capital covenant, if the Company redeems the debentures at any time prior to March 15, 2047, it can only do so with the proceeds of securities that are treated by the rating agencies as having similar equity content to the debentures.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

5. DEBT, Continued

On January 18, 2007, the Company redeemed $81 million of 8.47% subordinated debentures originally issued in 1997 and due January 10, 2027. The debentures were redeemable by the Company on or after January 10, 2007. In January 1997, USF&G Capital II, a business trust, issued $100 million of capital securities, the proceeds of which, along with $3 million in capital provided by the Company, were used to purchase the subordinated debentures issued by USF&G Corporation and subsequently assumed by the Company after the merger of SPC and TPC. During the period prior to redemption, the Company had repurchased and retired $22 million of the debentures in open market transactions. Upon the Company s redemption of the remaining $81 million of subordinated debentures in January 2007, USF&G Capital II in turn used the proceeds to redeem its remaining capital securities outstanding. USF&G Capital II was then liquidated, and the Company received a $3 million distribution of capital. The Company recorded a $3 million pretax gain on the redemption of the subordinated debentures, representing the remaining unamortized fair value adjustment recorded at the merger date, less the redemption premium paid.

On March 15, 2007, the Company s $500 million, 5.75% senior notes matured and were fully paid.

On March 13, 2007, the Company called for redemption all of its outstanding $893 million, 4.50% convertible junior subordinated notes due in 2032 (the notes). The notes were originally issued by Travelers Property Casualty Corp. The Company assumed certain obligations relating to the notes pursuant to a Second Supplemental Indenture dated April 1, 2004. Each note had a principal amount of $25.00. The redemption date was April 18, 2007, and the redemption price for each note was $25.5625 plus $0.009375 of accrued and unpaid interest. Any note called for redemption could be surrendered for conversion into common stock before the close of business on April 17, 2007. Each note was convertible into 0.4684 shares of common stock of The Travelers Companies, Inc. As of April 17, 2007, holders of $36 million of the notes tendered their certificates in exchange for the issuance of 670,910 of the Company s common shares. The remaining $857 million of notes were redeemed for cash on April 18, 2007, along with accrued interest to the date of redemption. The Company will record a $39 million pretax loss on redemption in the second quarter of 2007, due to the redemption premium paid and the write-off of remaining unamortized issuance costs.

6. SHARE REPURCHASE PROGRAM

In January 2007, the Board of Directors authorized a $3 billion addition to the the Company s $2 billion common share repurchase program originally authorized on May 2, 2006. Under the program, repurchases may be made from time to time in the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, in private transactions or otherwise. This program does not have a stated expiration date. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including corporate and regulatory requirements, price, catastrophe losses and other market conditions. During the three months ended March 31, 2007, the Company repurchased 13.9 million shares under the program for a total cost of approximately $725 million. The average cost per share repurchased was $52.20.

7. CHANGES IN EQUITY FROM NONOWNER SOURCES

The Company s total changes in equity from nonowner sources were as follows:

	Three Months Ended March 31,					
(in millions, after tax)	**2007**			**2006**		
Net income	**$**	**1,086**		$	1,006	
Change in net unrealized gain on investment securities	**(13**		)	(388		)
Other changes	**(22**		)	12		
Total changes in equity from nonowner sources	**$**	**1,051**		$	630	

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THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited), Continued

8. EARNINGS PER SHARE

Basic earnings per share was computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share reflected the effect of potentially dilutive securities.

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

	Three Months Ended March 31,	
(in millions, except per share amounts)	**2007**	**2006**
Basic		
Net income, as reported	**$ 1,086**	$ 1,006
Preferred stock dividends, net of taxes	**(1)**	(1)
Net income available to common shareholders - basic	**$ 1,085**	$ 1,005
Diluted		
Net income available to common shareholders	**$ 1,085**	$ 1,005
Effect of dilutive securities:		
Convertible preferred stock	**1**	1
Zero coupon convertible notes	**1**	1
Convertible junior subordinated notes (1)	**7**	7
Net income available to common shareholders diluted	**$ 1,094**	$ 1,014
Common shares		
Basic		
Weighted average shares outstanding	**669.9**	692.2
Diluted		
Weighted average shares outstanding	**669.9**	692.2
Weighted average effects of dilutive securities:		
Stock options and other incentive plans	**9.1**	5.9
Convertible preferred stock	**3.1**	3.6
Zero coupon convertible notes	**2.4**	2.4
Convertible junior subordinated notes (1)	**16.7**	16.7
Total	**701.2**	720.8
Net Inco		