FC 1167

In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01
Statement of details of parent law and other information for an overseas company

Companies House

SATURDAY

A408HD2O
A04 31/01/2015 #39
COMPANIES HOUSE

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

✗ **What this form is NOT fo**
You cannot use this form t an alteration of manner of with accounting requireme

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals
All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	St Paul Fire and Marine Insurance Company
UK establishment number	B R 0 1 1 2 6 1

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷ US GAAP

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ **No** Go to **Section A3**

☑ **Yes** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**

Name of organisation or body ❸ National Association of Insurance Commissioners (NAIC)

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No** Go to **Section A5**

☑ **Yes** Go to **Section A4**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	USA Auditing Standards	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature **X** MG **X** M E DURKIN
	This form may be signed by Director, Secretary, Permanent representative

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name Avtar Kalsi

Company name R&Q Investment Holdings Limited

Address 110 Fenchurch Street

Post town London

County/Region

Postcode E C 3 M 5 J T

Country

DX

Telephone 020 7977 0885

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

You may return this form to any Companies House address

England and Wales
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

000228/2W FC 1167

ANNUAL STATEMENT

OF THE

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

HARTFORD, CONNECTICUT

TRAVELERS

2013

TO THE

INSURANCE DEPARTMENT

OF THE

STATE OF

SATURDAY

A04 *A408HD2W* 31/01/2015 #40 COMPANIES HOUSE

FOR THE YEAR ENDED
DECEMBER 31, 2013

PROPERTY AND CASUALTY

2013

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

For the Year Ended December 31, 2013

OF THE CONDITION AND AFFAIRS OF THE

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

NAIC Group Code 3548 (Current Period) 3548 (Prior Period) NAIC Company Code 24767 Employer's ID Number 41-0406690

Organized under the Laws of Connecticut, State of Domicile or Port of Entry Connecticut,
Country of Domicile US

INCORPORATED/ORGANIZED, APRIL 20, 1925 COMMENCED BUSINESS, APRIL 22, 1925

Statutory Home Office One Tower Square, Hartford, CT, US 06183
Main Administrative Office One Tower Square, Hartford, CT, US 06183 (860) 277-0111
Mail Address One Tower Square, Hartford, CT, US 06183
Primary Location of Books and Records 385 Washington Street, St. Paul, MN, US 55102 (651) 310-7911
Internet Website Address www.travelers com
Statutory Statement Contact Michael J. Doody (860) 277-3966
Annual.Statement.Contact@travelers.com (E-Mail Address) (860) 277-7002 (Fax Number)

OFFICERS

	Name	Title	Name	Title
1	BRIAN WILLIAM MacLEAN	Chairman, President & Chief Executive Officer	MADELYN JOSEPH LANKTON	Executive Vice President & Chief Information Officer
2	JAY STEVEN BENET	Vice Chairman & Chief Financial Officer	MARIA OLIVO	Executive Vice President, Strategic Development & Treasurer
3	WILLIAM HERBERT HEYMAN	Vice Chairman & Chief Investment Officer	KENNETH FRANKLIN SPENCE, III	Executive Vice President & General Counsel
4	ALAN DAVID SCHNITZER	Vice Chairman & Chief Legal Officer	GREGORY CHESHIRE TOCZYDLOWSKI	Executive Vice President, Personal Insurance
5	DOREEN SPADORCIA	Vice Chairman	DOUGLAS KEITH BELL	Senior Vice President, Accounting Policy
6	ANDY FRANCIS BESSETTE	Executive Vice President & Chief Administrative Officer	DOUGLAS KENNETH RUSSELL	Senior Vice President & Corporate Controller
7	ROBERT CARL BRODY	Executive Vice President, Claim Services	SCOTT WILLIAM RYNDA	Senior Vice President, Corporate Tax
8	JOHN PATRICK CLIFFORD, JR	Executive Vice President, Human Resources	WENDY CONSTANCE SKJERVEN	Associate Group General Counsel, Corporate & Corporate Secretary
9	WILLIAM EUGENE CUNNINGHAM, JR	Executive Vice President, Business Insurance	SMITESH DAVE	Vice President & Chief Corporate Actuary
10	WILLIAM PATRICK HANNON	Executive Vice President, Enterprise Risk Management & Business Conduct Officer		

DIRECTORS

JAY STEVEN BENET	BRIAN WILLIAM MacLEAN	KENNETH FRANKLIN SPENCE, III
WILLIAM HERBERT HEYMAN	DOREEN SPADORCIA	GREGORY CHESHIRE TOCZYDLOWSKI

STATE OF MINNESOTA } ss

COUNTY OF RAMSEY

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that (1) state law may differ, or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement

Brian W MacLean	Wendy C Skjerven	Douglas K Russell
Brian W MacLean	Wendy C Skjerven	Douglas K Russell
President	Secretary	Controller

Subscribed and sworn to before me this

21st day of January, 2014

Renee Kay Ranta Notary Public

My Commission Expires January 31, 2016

RENEE KAY RANTA
NOTARY PUBLIC
MINNESOTA
My Commission Expires Jan. 31, 2016

a Is this an original filing? Yes ☒ No ☐

b *If no* 1 *State the amendment number* ____

2 Date filed ____

3 Number of pages attached ____

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols 1 - 2)	4 Net Admitted Assets
1 Bonds (Schedule D)	10,494,654,861	0	10,494,654,861	10,845,612,797
2 Stocks (Schedule D)				
2 1 Preferred stocks	1,195,000	0	1,195,000	3,041,551
2 2 Common stocks	3,851,331,378	13,289,682	3,838,041,696	3,787,395,559
3 Mortgage loans on real estate (Schedule B)				
3 1 First liens	42,900,000	0	42,900,000	43,900,000
3 2 Other than first liens	0	0	0	1,125,000
4 Real estate (Schedule A)				
4 1 Properties occupied by the company (less $ 0 encumbrances)	76,758,189	0	76,758,189	80,162,348
4 2 Properties held for the production of income (less $ 0 encumbrances)	710,584,737	0	710,584,737	647,740,328
4 3 Properties held for sale (less $ 0 encumbrances)	0	0	0	0
5 Cash ($ 30,769,913, Schedule E-Part 1), cash equivalents ($ 38,344,738, Schedule E-Part 2) and short-term investments ($ 249,649,920, Schedule DA)	318,764,570	0	318,764,570	225,480,280
6 Contract loans (including $ 0 premium notes)	0	0	0	0
7 Derivatives (Schedule DB)	0	0	0	0
8 Other invested assets (Schedule BA)	855,899,141	31,354,013	824,545,127	835,562,789
9 Receivables for securities	176,867	0	176,867	0
10 Securities lending reinvested collateral assets (Schedule DL)	32,022,952	0	32,022,952	67,700,576
11 Aggregate write-ins for invested assets	(64,785)	0	(64,785)	(64,785)
12 Subtotals, cash and invested assets (Lines 1 to 11)	16,384,222,910	44,643,696	16,339,579,214	16,537,656,444

13	Title plants less $ 0 charged off (for Title insurers only)	0	0	0	0
14	Investment income due and accrued	122,603,421	0	122,603,421	127,567,529
15	Premiums and considerations				
	15 1 Uncollected premiums and agents' balances in the course of collection	610,692,000	41,816,382	568,875,618	524,716,770
	15 2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 23,424,326 earned but unbilled premiums)	996,891,142	4,800,504	992,090,638	989,668,171
	15 3 Accrued retrospective premiums	24,292,162	703,822	23,588,341	28,316,222
16	Reinsurance				
	16 1 Amounts recoverable from reinsurers	61,765,655	0	61,765,655	66,542,390
	16 2 Funds held by or deposited with reinsured companies	15,531,386	0	15,531,386	16,663,416
	16 3 Other amounts receivable under reinsurance contracts	0	0	0	0
17	Amounts receivable relating to uninsured plans	0	0	0	0
18 1	Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
18 2	Net deferred tax asset	448,945,937	96,451,909	352,494,028	380,659,640
19	Guaranty funds receivable or on deposit	327,114	0	327,114	806,106
20	Electronic data processing equipment and software	34,243	0	34,243	143,327
21	Furniture and equipment, including health care delivery assets ($ 0)	15,656,650	15,656,650	0	0
22	Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	6,376,130
23	Receivables from parent, subsidiaries and affiliates	0	0	0	0
24	Health care ($ 0) and other amounts receivable	0	0	0	0
25	Aggregate write-ins for other than invested assets	93,207,369	3,780,708	89,426,661	82,648,007
26	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	18,774,169,990	207,853,670	18,566,316,320	18,761,764,152
27	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28	TOTALS (Lines 26 and 27)	18,774,169,990	207,853,670	18,566,316,320	18,761,764,152

DETAILS OF WRITE-INS

1101 Deferred gain/loss	(64,785)	0	(64,785)	(64,785)
1102	0	0	0	0
1103	0	0	0	0
1198 Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199 Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	(64,785)	0	(64,785)	(64,785)
2501 Real estate operating fund	22,134,170	0	22,134,170	20,474,185
2502 Equities and deposits in pools and associations	19,162,955	0	19,162,955	25,311,472
2503 Amounts receivable under high deductible policies	20,838,589	3,308,956	17,529,633	15,984,774
2598 Summary of remaining write-ins for Line 25 from overflow page	31,071,654	471,752	30,599,902	20,877,576
2599 Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	93,207,369	3,780,708	89,426,661	82,648,007

KENNETH F. SPENCE, III
EXECUTIVE VICE PRESIDENT & GENERAL COUNSEL

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1	Losses (Part 2A, Line 35, Column 8)	7,648,975,444	7,710,930,540
2	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	275,194,117	319,038,306
3	Loss adjustment expenses (Part 2A, Line 35, Column 9)	1,721,718,149	1,735,754,840
4	Commissions payable, contingent commissions and other similar charges	155,227,718	146,752,975
5	Other expenses (excluding taxes, licenses and fees)	161,327,693	144,612,180
6	Taxes, licenses and fees (excluding federal and foreign income taxes)	90,940,717	86,212,163
7 1	Current federal and foreign income taxes (including $ (49,169,743) on realized capital gains (losses))	2,337,018	24,629,510
7 2	Net deferred tax liability	0	0
8	Borrowed money $ 0 and interest thereon $ 0	0	0
9	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 372,849,033 and including warranty reserves of $ 0 and accrued accident and health experience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	2,274,421,678	2,231,148,979
10	Advance premium	1,918	0
11	Dividends declared and unpaid		
	11 1 Stockholders	0	0
	11 2 Policyholders	11,646,381	12,880,997
12	Ceded reinsurance premiums payable (net of ceding commissions)	83,515,399	96,017,096
13	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	656,414	1,109,308
14	Amounts withheld or retained by company for account of others	57,763,369	61,052,051
15	Remittances and items not allocated	18,263,788	10,479,016
16	Provision for reinsurance (including $ 1,723,450 certified) (Schedule F, Part 8)	35,904,335	47,459,996
17	Net adjustments in assets and liabilities due to foreign exchange rates	25,128,050	0
18	Drafts outstanding	0	0
19	Payable to parent, subsidiaries and affiliates	20,203,949	24,684,287
20	Derivatives	0	0
21	Payable for securities	0	9,162,884

22	Payable for securities lending	32,022,952	67,700,576
23	Liability for amounts held under uninsured plans	0	0
24	Capital notes $ 0 and interest thereon $ 0	0	0
25	Aggregate write-ins for liabilities	36,369,949	31,474,768
26	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	12,651,619,036	12,761,100,471
27	Protected cell liabilities	0	0
28	Total liabilities (Lines 26 and 27)	12,651,619,036	12,761,100,471
29	Aggregate write-ins for special surplus funds	24,973,952	28,567,037
30	Common capital stock	20,000,000	20,000,000
31	Preferred capital stock	0	0
32	Aggregate write-ins for other than special surplus funds	0	0
33	Surplus notes	0	0
34	Gross paid in and contributed surplus	3,238,382,533	3,238,382,533
35	Unassigned funds (surplus)	2,631,340,799	2,713,714,111
36	Less treasury stock, at cost		
	36 1 0 000 shares common (value included in Line 30 $ 0)	0	0
	36 2 0 000 shares preferred (value included in Line 31 $ 0)	0	0
37	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	5,914,697,284	6,000,663,680
38	TOTALS (Page 2, Line 28, Col 3)	18,566,316,320	18,761,764,152

DETAILS OF WRITE-INS

2501	Other liabilities	43,120,000	43,120,000
2502	Investment real estate liability	18,058,646	16,781,314
2503	Interest deposit liability	600,321	600,321
2598	Summary of remaining write-ins for Line 25 from overflow page	(25,409,018)	(29,026,867)
2599	Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	36,369,949	31,474,768
2901	Special surplus from retroactive reinsurance	23,973,952	27,567,037
2902	Guaranty surplus fund	1,000,000	1,000,000
2903		0	0
2998	Summary of remaining write-ins for Line 29 from overflow page	0	0
2999	Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	24,973,952	28,567,037
3201		0	0
3202		0	0
3203		0	0
3298	Summary of remaining write-ins for Line 32 from overflow page	0	0
3299	Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above)	0	0

KENNETH F. SPENCE, III
EXECUTIVE VICE PRESIDENT + GENERAL COUNSEL

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1	Premiums earned (Part 1, Line 35, Column 4)	5,079,683,160	4,967,501,601
	DEDUCTIONS		
2	Losses incurred (Part 2, Line 35, Column 7)	2,480,578,965	2,796,997,642
3	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	592,165,437	563,496,824
4	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	1,575,160,546	1,593,827,747
5	Aggregate write-ins for underwriting deductions	0	0
6	*Total underwriting deductions* (Lines 2 through 5)	4,647,904,947	4,954,322,214
7	Net income of protected cells	0	0
8	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	431,778,213	13,179,388
	INVESTMENT INCOME		
9	Net investment income earned (Exhibit of Net Investment Income, Line 17)	644,745,603	669,435,340
10	Net realized capital gains (losses) less capital gains tax of $ 2,040,958 (Exhibit of Capital Gains (Losses))	26,223,144	6,854,460
11	Net investment gain (loss) (Lines 9 + 10)	670,968,747	676,289,799
	OTHER INCOME		
12	Net gain (loss) from *agents' or premium balances charged off (amount recovered* $ 2,582,007 amount charged off $ 14,297,089)	(11,715,081)	(11,868,936)
13	Finance and service charges not included in premiums	20,817,555	21,836,849
14	Aggregate write-ins for miscellaneous income	23,622,778	8,299,790
15	Total other income (Lines 12 through 14)	32,725,251	18,267,704
16	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,135,472,211	707,736,891
17	Dividends to policyholders	7,213,935	9,976,096
18	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	1,128,258,276	697,760,794
19	Federal and foreign income taxes incurred	244,350,932	102,999,600
20	*Net income* (Line 18 minus Line 19) (to Line 22)	883,907,344	594,761,195

CAPITAL AND SURPLUS ACCOUNT

21	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	6,000,663,680	5,713,603,754
22	Net income (from Line 20)	883,907,344	594,761,195
23	Net transfers (to) from Protected Cell accounts	0	0
24	Change in net unrealized capital gains or (losses) less capital gains tax of $ 26,846,785	170,438,776	269,523,204
25	Change in net unrealized foreign exchange capital gain (loss)	(29,068,734)	14,436,781
26	Change in net deferred income tax	(43,934,322)	(37,265,778)
27	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3)	36,895,537	23,834,221
28	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	11,555,661	(13,507,584)
29	Change in surplus notes	0	0
30	Surplus (contributed to) withdrawn from protected cells	0	0
31	Cumulative effect of changes in accounting principles	0	(6,722,113)
32	Capital changes		
	32 1 Paid in	0	0
	32 2 Transferred from surplus (Stock Dividend)	0	0
	32 3 Transferred to surplus	0	0
33	Surplus adjustments		
	33 1 Paid in	0	0
	33 2 Transferred to capital (Stock Dividend)...	0	0
	33 3 Transferred from capital	0	0
34	Net remittances from or (to) Home Office	0	0
35	Dividends to stockholders	(1,115,000,000)	(558,000,000)
36	Change in treasury stock (Page 3, Lines 36 1 and 36 2, Column 2 minus Column 1)	0	0
37	Aggregate write-ins for gains and losses in surplus	(760,660)	0
38	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(85,966,397)	287,059,927
39	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	5,914,697,284	6,000,663,680

DETAILS OF WRITE-INS

0501		0	0
0502		0	0
0503		0	0
0598	Summary of remaining write-ins for Line 5 from overflow page	0	0
0599	Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0
1401	Profit and loss, miscellaneous	24,200,246	3,396,923
1402	Change in COLI cash values	885,237	1,213,990
1403	Fines and penalties of regulatory authorities	(87,660)	(88,620)
1498	Summary of remaining write-ins for Line 14 from overflow page	(1,375,046)	3,777,498
1499	Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	23,622,778	8,299,790
3701	Prior period adjustment	(760,660)	0
3702		0	0
3703		0	0
3798	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799	Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above)	(760,660)	0

CASH FLOW

		1 Current Year	2 Prior Year
	CASH FROM OPERATIONS		
1	*Premiums collected net of reinsurance*	5,073,131,702	4,928,988,713
2	Net investment income	741,549,687	761,354,869
3	Miscellaneous income	32,725,251	18,267,704
4	Total (Lines 1 through 3)	5,847,406,641	5,708,611,286
5	Benefit and loss related payments	2,580,469,486	2,760,257,127
6	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7	Commissions, expenses *paid and aggregate write-ins for deductions*	2,151,861,413	2,179,372,187
8	Dividends paid to policyholders	8,448,551	8,557,407
9	Federal and foreign income taxes paid (recovered) net of $ 26,604,556 tax on capital gains (losses)	268,684,383	60,042,140
10	Total (Lines 5 through 9)	5,009,463,833	5,008,228,862
11	Net cash from operations (Line 4 minus Line 10)	837,942,808	700,382,424
	CASH FROM INVESTMENTS		
12	Proceeds from investments sold, matured or repaid		
	12 1 Bonds	2,141,009,293	1,360,996,931
	12 2 Stocks	404,708,446	128,996,703
	12 3 Mortgage loans	2,125,000	525,000
	12 4 Real estate	16,772,351	67,101,221
	12 5 Other invested assets	136,764,501	154,948,582
	12 6 Net gains or (losses) on cash, cash equivalents *and short-term investments*	2,441	482
	12 7 Miscellaneous proceeds	53,562,260	0
	12 8 Total investment proceeds (Lines 12 1 to 12 7)	2,754,944,292	1,712,568,919

13	Cost of investments acquired (long-term only)		
	13 1 Bonds	1,846,738,415	1,446,816,891
	13 2 Stocks	274,052,691	64,062,383
	13 3 Mortgage loans	0	300,000
	13 4 Real estate	99,988,021	86,699,419
	13 5 Other invested assets	114,722,213	157,333,947
	13 6 Miscellaneous applications	9,339,751	97,778,358
	13 7 Total investments acquired (Lines 13 1 to 13 6)	2,344,841,092	1,852,990,999
14	Net increase (decrease) in contract loans and premium notes	0	0
15	Net cash from investments (Line 12 8 minus Lines 13 7 minus Line 14)	410,103,200	(140,422,080)
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16	Cash provided (applied)		
	16 1 Surplus notes, capital notes	0	0
	16 2 Capital and paid in surplus, less treasury stock	0	0
	16 3 Borrowed funds	0	0
	16 4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
	16 5 Dividends to stockholders	1,115,000,000	558,000,000
	16 6 Other cash provided (applied)	(39,761,718)	42,446,808
17	Net cash from financing and miscellaneous sources (Lines 16 1 to 16 4 minus Line 16 5 plus Line 16 6)	(1,154,761,718)	(515,553,192)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18	Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	93,284,290	44,407,152
19	Cash, cash equivalents and short-term investments		
	19 1 Beginning of year	225,480,280	181,073,128
	19 2 End of year (Line 18 plus Line 19 1)	318,764,570	225,480,280

Note Supplemental disclosures of cash flow information for non-cash transactions

20 0001	Interest payment received in securities	1,258,244	267,856
20 0002	Stock distribution from limited partnership	61,285	18,305,435
20 0003	Exchange of bonds	0	2,236,490
20 0004	Exchange of stock	0	1,903,750

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A St Paul Fire and Marine Insurance Company (the Company) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Connecticut The State of Connecticut requires that insurance companies domiciled in Connecticut prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Connecticut Insurance Commissioner The Company has not applied for and does not believe that it employs any statutory accounting practices that would be considered a permitted practice in its financial statements

	State of Domicile	2013	2012
Net Income			
1 St Paul Fire and Marine Insurance Company state basis	CT	$ 883,907,344	$ 594,761,195
2 State prescribed practices that increase/(decrease) NAIC SAP		-	-
3 State permitted practices that increase/(decrease) NAIC SAP		-	-
4 NAIC SAP (1-2-3=4)		$ 883,907,344	$ 594,761,195
Surplus			
5 St Paul Fire and Marine Insurance Company state basis	CT	$ 5,914,697,284	$ 6,000,663,680
6 State prescribed practices that increase/(decrease) NAIC SAP		-	-
7 State permitted practices that increase/(decrease) NAIC SAP		-	-
8 NAIC SAP (5-6-7=8)		$ 5,914,697,284	$ 6,000,663,680

B The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and losses and expenses during the reporting period Actual results could differ from those estimates

C Certain assets designated as nonadmitted are excluded from the statutory balance sheet and changes in such amounts are charged or credited directly to unassigned funds, a component of surplus as regards policyholders (policyholders' surplus) The costs of acquiring both new and renewal insurance business are charged to income as incurred Premiums are recognized as revenues pro rata over the policy period Unearned premium reserves represent the unexpired portion of policy premiums, net of reinsurance Reserves for losses, loss adjustment expenses (LAE) and unearned premiums ceded to reinsurers have been reported as reductions of the related reserves Amounts recoverable from reinsurers are estimated in a manner consistent with the loss liability associated with the reinsured business A liability is established for unsecured, unauthorized reinsurance and overdue authorized reinsurance recoverables

The provision for federal income taxes is comprised of two components, current income taxes and deferred income taxes Deferred federal income taxes arise from changes during the year in cumulative temporary differences between the statutory basis and tax basis of assets and liabilities

Invested assets are valued according to statutory requirements and the bases of valuation adopted by the NAIC

Short-term investments are stated at amortized cost and consist of investments with remaining maturities of one year or less at the time of acquisition, excluding those investments classified as cash equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less

Bonds are generally stated at amortized cost, except bonds that are defined by the NAIC as non-investment grade (NAIC Class 3-6) which are stated at the lower of amortized cost or NAIC fair value Amortization is calculated using the constant yield method

Common stocks of non-affiliates are stated at NAIC fair value

Redeemable preferred stocks (NAIC Class 1 and 2) are generally stated at amortized cost, whereas NAIC Class 3-6 are stated at the lower of cost, amortized cost, or NAIC fair value Perpetual preferred stocks (NAIC Class 1 and 2) generally are stated at NAIC fair value, while NAIC Class 3-6 are stated at the lower of cost or NAIC fair value

Mortgage loans are stated at the amount of principal outstanding, adjusted for unamortized premium or discount, net of encumbrances and specific impairments

Real estate is stated at depreciated cost, net of encumbrances and specific impairments

Loan-backed and structured securities are amortized using the retrospective method, except for securities that have incurred a decline in fair value that is other-than-temporary are amortized using the prospective method The effective yield used to determine amortization is calculated based on actual historical and projected future cash flows, which are obtained from a nationally recognized securities data provider

Investments in subsidiaries and affiliated entities are based on the net worth of the entity, determined in accordance with statutory accounting valuation methods Dividends received from subsidiaries are recorded as net investment income and undistributed net income is recorded as net unrealized capital gains (losses)

The Company's investments in partnerships, joint ventures and limited liability companies are reported using the equity method of accounting, determined in accordance with statutory accounting valuation methods Distributions of accumulated earnings received from these investments are recorded as net investment income and undistributed net income is recorded as net unrealized capital gains (losses)

For accounting policy in regards to derivative instruments, see Note 8

The Company utilizes anticipated investment income as a factor in the premium deficiency calculation

Canadian dollar denominated assets, liabilities, revenues and expenses of the Company's Canadian operations are included in the financial statements at the Canadian currency amounts The net assets of the Canadian operations are translated at the year-end exchange rate and the adjustment into U S dollars is reflected as a separate asset or liability in the Company's balance sheet The change in this account is charged or credited directly to unassigned surplus

Property-casualty reserves are established for loss and LAE and represent management's estimate of the ultimate cost of all unpaid reported and unreported claims incurred and related expenses In establishing loss and LAE reserves, the Company also takes into account estimated recoveries, reinsurance, salvage and subrogation The loss and LAE reserves are reviewed regularly by qualified actuaries employed by the Company The Company continually refines its loss and LAE reserve estimates in a regular ongoing process as historical loss experience develops and additional claims are reported and settled Because establishment of loss and LAE reserves is an inherently uncertain process involving estimates, currently established reserves may change The Company reflects adjustments to loss and LAE reserves in the period in which the estimates are changed Such changes in estimates could occur in a

NOTES TO FINANCIAL STATEMENTS

future period and may be material to the Company's net income in such period For a discussion of loss and LAE reserves related to asbestos and environmental reserves, see Note 33

The Company has not modified its accounting policy regarding the capitalization of fixed assets from the prior period

2 ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

1 During the first quarter of 2013, an error in the reporting of "Taxes, licenses and fees" (TL&F), "Payable to parent, subsidiaries and affiliates" and "Amounts withheld or retained by company for account of others" was detected The error resulted in paid TL&F associated with business not covered by an affiliated reinsurance agreement not being allocated to the Company, causing an understatement of the reported amount in the TL&F payable account In accordance with SSAP No 3, Accounting Changes and Corrections of Errors, the Company corrected this error on the March 31, 2013 statutory financial statement

The correction resulted in an additional $13,789,488 to TL&F, offset by both a reduction of $1,293,249 in Amounts withheld or retained by company for account of others, and $12,496,239 to Payable to parent, subsidiaries and affiliates This error did not impact net income or policyholders' surplus

2 The Company adopted SSAP No 101 effective January 1, 2012 SSAP No 101 revises the guidance for current and deferred federal and foreign income taxes The new guidance limits the admissibility of deferred tax assets (DTAs) based on an insurer's RBC and the ratio of its adjusted DTAs to adjusted capital and surplus The guidance also rejects the GAAP guidance from Financial Interpretation No 48 *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No 109 (ASC 740 in codification)* and instead modifies SSAP No 5R, *Liabilities, Contingencies and Impairments of Assets – Revised,* requiring that a "more likely than not" rather than a "probable" standard to be applied in determining federal and foreign income tax loss contingencies

At adoption, the Company reported a cumulative effect adjustment that resulted in an increase in its liability for current tax liabilities of $6,722,113, and a corresponding decrease in unassigned funds in accordance with SSAP No 3, *Accounting Changes and Corrections of Errors*

3 BUSINESS COMBINATIONS AND GOODWILL

Not applicable

4 DISCONTINUED OPERATIONS

Not applicable

5 INVESTMENTS

A Mortgage Loans

1 Not applicable

2 The maximum percentage of any one loan-to-value of security at the time the loan was made, exclusive of any purchase money or insured or guaranteed mortgages was 72%

3 Not applicable

4 Age analysis of mortgage loans

	Farm	Residential Insured	Residential Other	Commercial Insured	Commercial Other	Mezzanine	Total
a Current Year							
1 Recorded Investment							
(a) Current	$ -	$ -	$ -	$ -	$ 42,900,000	$ -	$ 42,900,000
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-	-
(e) 180 + Days Past Due	-	-	-	-	-	-	-
2 Accruing Interest 90-179 Days Past Due							
(a) Recorded Investment	-	-	-	-	-	-	-
(b) Interest Accrued	-	-	-	-	-	-	-
3 Accruing Interest 180 + Days Past Due							
(a) Recorded Investment	-	-	-	-	-	-	-
(b) Interest Accrued	-	-	-	-	-	-	-
4 Interest Reduced							
(a) Recorded Investment	-	-	-	-	-	-	-
(b) Number of Loans	-	-	-	-	-	-	-
(c) Percent Reduced	-	-	-	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

	Farm	Residential Insured	Residential Other	Commercial Insured	Commercial Other	Mezzanine	Total
b Prior Year							
1 Recorded Investment							
(a) Current	$ -	$ -	$ -	$ -	$ 45,025,000	$ -	$ 45,025,000
(b) 30-59 Days Past Due	-	-	-	-	-	-	-
(c) 60-89 Days Past Due	-	-	-	-	-	-	-
(d) 90-179 Days Past Due	-	-	-	-	-	-	-
(e) 180 + Days Past Due	-	-	-	-	-	-	-
2 Accruing Interest 90-179 Days Past Due							
(a) Recorded Investment	-	-	-	-	-	-	-
(b) Interest Accrued	-	-	-	-	-	-	-
3 Accruing Interest 180 + Days Past Due							
(a) Recorded Investment	-	-	-	-	-	-	-
(b) Interest Accrued	-	-	-	-	-	-	-
4 Interest Reduced							
(a) Recorded Investment	-	-	-	-	-	-	-
(b) Number of Loans	-	-	-	-	-	-	-
(c) Percent Reduced	-	-	-	-	-	-	-

5 Investment in impaired loans with or without allowance for credit loss

	Farm	Residential Insured	Residential Other	Commercial Insured	Commercial Other	Mezzanine	Total
a Current Year							
1 With Allowance for Credit Losses	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 No Allowance for Credit Losses	-	-	-	-	42,900,000	-	42,900,000

	Farm	Residential Insured	Residential Other	Commercial Insured	Commercial Other	Mezzanine	Total
b Prior Year							
1 With Allowance for Credit Losses	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 No Allowance for Credit Losses	-	-	-	-	43,900,000	-	43,900,000

Investment in impaired loans – average recorded investment, interest income recognized, recorded investment on nonaccrual status and amount of interest income recognized using a cash-basis method of accounting

	Farm	Residential		Commercial		Mezzanine	Total
		Insured	Other	Insured	Other		
a Current Year							
1 Average Recorded Investment	$ -	$ -	$ -	$ -	$ 43,233,333	$ -	$ 43,233,333
2 Interest Income Recognized	-	-	-	-	2,186,964	-	2,186,964
3 Recorded Investment on a Nonaccrual status	-	-	-	-	-	-	-
4 Amount of Interest Income Regognized using a Cash-Basis Method of Accounting	-	-	-	-	2,190,297	-	2,190,297
b Prior Year							
1 Average Recorded Investment	$ -	$ -	$ -	$ -	$ 43,900,000	$ -	$ 43,900,000
2 Interest Income Recognized	-	-	-	-	2,234,669	-	2,234,669
3 Recorded Investment on a Nonaccrual status	-	-	-	-	-	-	-
4 Amount of Interest Income Regognized using a Cash-Basis Method of Accounting	-	-	-	-	2,248,725	-	2,248,725

6 Not applicable

7 The company continues to accrue income on this loan as it is deemed collectible

B Debt Restructuring

Not applicable

C Reverse Mortgages

Not applicable

D Loan-Backed Securities

1 The Company applies the retrospective method of revaluing loan-backed securities The Company's loan-backed securities are revalued quarterly using the constant effective yield method which includes an adjustment for estimated principal repayments, if any The effective yield used to determine amortization for these securities is recalculated and adjusted periodically based upon actual historical and/or projected future cash flows The Company changes from the retrospective to prospective method for valuing the securities when an other-than-temporary impairment has been recorded

For collateralized mortgage obligations, asset-backed securities and pass-through certificates prepayment assumptions are adjusted periodically

NOTES TO FINANCIAL STATEMENTS

When unit prices published by the Securities Valuation Office were not available, the Company uses a nationally recognized pricing service, as well as broker quotes in determining the fair value of its loan-backed securities

2 The following table provides aggregated information on structured securities classified on the basis for the recognized 2013 other-than-temporary impairments

	Amortized cost basis before other-than-temporary impairment	Other-than temporary impairment recognized in loss	Fair value
(OTTI recognized in the quarter ending March 31, 2013)			
Present value of Cash flows is less than Amortized cost	$50,498,839	$150,184	$56,070,820
(OTTI recognized in the quarter ending June 30, 2013)			
Present value of Cash flows is less than Amortized cost	$ 4,614,675	$ 79,756	$ 4,693,467
(OTTI recognized in the quarter ending September 30, 2013)			
Present value of Cash flows is less than Amortized cost	$ 519,111	$ 4,986	$ 487,173
(OTTI recognized in the quarter ending December 31, 2013)			
Present value of Cash flows is less than Amortized cost	$19,637,437	$ 233,077	$21,438,013

3 Loan-backed and structured securities with other-than-temporary impairments recognized in 2013 are as follows

Cusip	Amortized cost basis before other-than-temporary impairment	Projected Cash Flow	Other-than-temporary impairment recognized in loss	Amortized cost basis after other-than-temporary impairment	Fair Value	Impairment Quarter
52521RAE1	$ 15,962,030	$ 15,931,081	$ 30,949	$ 15,931,081	$ 17,814,431	Q1 - 2013
36298BAG5	23,927,689	23,898,936	28,753	23,898,936	27,051,676	Q1 - 2013
94984EAD4	7,963,955	7,887,411	76,544	7,887,411	8,461,430	Q1 - 2013
36228FEC6	466,435	454,297	12,138	454,297	461,591	Q1 - 2013
36242DUQ4	2,178,730	2,176,930	1,800	2,176,930	2,281,692	Q1 - 2013
225458FE3	2,512,335	2,505,232	7,103	2,505,232	2,518,800	Q2 - 2013
36242DUQ4	2,102,340	2,029,687	72,653	2,029,687	2,174,667	Q2 - 2013
22541SCC0	519,111	514,125	4,986	514,125	487,173	Q3 - 2013
36298BAG5	19,637,437	19,404,360	233,077	19,404,360	21,438,013	Q4 - 2013

4 The gross unrealized investment losses and related fair value for impaired securities for which an other-than-temporary impairment has not been recognized as a realized loss were as follows

a The aggregate amount of unrealized losses	1 Less than 12 Months	$ 9,581,011
	2 12 Months or Longer	$ 30,781
b The aggregate related fair values of securities with unrealized losses	1 Less than 12 Months	$ 271,626,833
	2 12 Months or Longer	$ 665,214

5 The Company determines an other-than-temporary impairment by utilizing discounted cash flow modeling to determine the present value of the security and comparing the present value with the amortized cost of the security If the amortized cost is greater than the present value of the expected cash flows, the difference is considered a credit loss and recognized in net realized investment gains (losses) The Company estimates the present value of the security by projecting future cash flows of the assets underlying the securitization, allocating the flows to the various tranches based on the structure of the securitization, and determining the present value of the cash flows using the effective yield of the security at the date of acquisition (or the most recent implied rate used to accrete the security if the implied rate has changed as a result of a previous impairment or changes in expected cash flows) The Company incorporates levels of delinquencies, defaults and severities as well as credit attributes of the remaining assets in the securitization, along with other economic data, to arrive at its best estimate of the parameters applied to the assets underlying the securitization

E Repurchase Agreements and/or Securities Lending Transactions

The Company requires collateral equal to at least 102% of the market value of the loaned security plus accrued interest The Company accepts only cash as collateral for securities on loan and restricts the manner in which that cash is invested to U S Treasury securities and U S Treasury repurchase agreements

NOTES TO FINANCIAL STATEMENTS

Collateral Reinvestment

Aggregate Cash Collateral Reinvested

Securities Lending	Amortized Cost	Fair Value
30 Days or Less	$ 32,022,952	$ 32,022,952

F Real Estate

(1) On December 31, 1990, the Company acquired commercial office properties at 12720 Hillcrest Road, Dallas, Texas On November 4, 2013, the real estate was sold to CIP II Hillcrest, LLC, resulting in a gain of $4,036,947

(2) On March 27, 1995, the Company acquired 1100 University Drive, Tempe, Arizona On December 20, 2013, the real estate was sold to WDF - 3 Wood Tempe Owner, LLC, resulting in a gain of $5,078,583

G Investments in Low-Income Housing Tax Credits (LIHTC)

Not applicable

H Restricted Assets

	Gross Restricted								Precentage	
	Current Year									
	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A (b)	Total (1 plus 3)	Total From Prior Year	Increase / (Decrease)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a Subject to contractual obligation for which liability is shown	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
b Collateral held under securities lending agreement	$ 32 022,952	$ -	$ -	$ -	$ 32 022,952	$ 67,700,576	$ (35,677,624)	$ 32,022,952	0 2%	0 2%
c Subject to repurchase agreement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
d Subject to reverse repurchase agreement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
e Subject to dollar repurchase agreement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
f Subject to dollar reverse repurchase agreement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
g Placed under options contract	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
h Letter stock or securities restricted as to sale	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0 0%	0 0%
i On deposit with states	$ 1,495,900,702	$ -	$ -	$ -	$ 1,495,900,702	$ 1,646,433,978	$ (150,533,276)	$ 1,495,900,702	8 0%	8 1%
j On deposit with other regulatory bodies	$ 2,098,557	$ -	$ -	$ -	$ 2 098,557	$ 2 097,068	$ 1,489	$ 2,098,557	0 0%	0 0%
k Pledged as collateral not captured in other categories	$ 70,289,290	$ -	$ -	$ -	$ 70,289,290	$ 75,502 157	$ (5,212,867)	$ 70 289,290	0 4%	0 4%
l Other restricted assets	$ -	$ -	$ -	$ -	$ -		$ -	$ -	0 0%	0 0%
m Total restricted assets	$ 1,600,311,501	$ -	$ -	$ -	$ 1,600,311,501	$ 1,791,733,779	$ (191,422,278)	$ 1,600,311,501	8 6%	8 7%

6 JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A Not applicable

B Joint ventures, partnerships, and limited liability companies are recorded on a lag basis with changes in the Company's proportional share of equity recorded as an unrealized gain (loss), subject to testing for possible impairment As part of the impairment testing process, the Company evaluates those assets for other-than-temporary impairments using financial information that is received from the respective joint venture, partnership, or limited liability company The Company concluded that some of the aforementioned assets, as a result of deteriorating economic conditions, had other-than-temporary impairments and recorded a realized loss of $13,564,949 with an offsetting entry to change in net unrealized capital gains or (losses) There was no impact to policyholders' surplus as the change in net unrealized capital gains or (losses) was offset by the realized loss of the same amount

7 INVESTMENT INCOME

A Policyholders' surplus excludes due and accrued investment income if amounts are over 180 days past due for mortgage loans and over 90 days past due for all other invested assets

B At December 31, 2013, the Company had no accrued investment income over 90 days past due

8 DERIVATIVE INSTRUMENTS

The Company may use U S Treasury note futures contracts to modify the effective duration of specific assets within the investment portfolio These futures contracts require a daily mark-to-market and settlement with the counterparty/broker The Company utilized Treasury futures contracts during 2013, but had no open positions at December 31, 2013 The Company does not hold or issue derivative instruments for trading purposes

9 INCOME TAXES

A The components of the net deferred tax asset/(liability) at December 31 are as follows

		December 31, 2013		
		Ordinary	Capital	Total
1	a) Gross deferred tax assets	$ 536,623,071	$ 65,083,761	$ 601,706,832
	b) Statutory valuation allowance adjustment	-	-	-
	c) Adjusted gross deferred tax assets	536,623,071	65,083,761	601,706,832
	d) Deferred tax assets nonadmitted	96,451,909	-	96,451,909
	e) Subtotal (net deferred tax assets)	440,171,162	65,083,761	505,254,923
	f) Deferred tax liabilities	82,013,736	70,747,159	152,760,895
	g) Net admitted deferred tax asset (liability)	$ 358,157,426	$ (5,663,398)	$ 352,494,028

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

	Ordinary	Capital	Total
a) Gross deferred tax assets	$ 571,513,637	$ 72,734,509	$ 644,248,146
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	571,513,637	72,734,509	644,248,146
d) Deferred tax assets nonadmitted	117,481,811	21,585,592	139,067,403
e) Subtotal (net deferred tax assets)	454,031,826	51,148,917	505,180,743
f) Deferred tax liabilities	77,985,844	46,535,259	124,521,103
g) Net admitted deferred tax asset (liability)	$ 376,045,982	$ 4,613,658	$ 380,659,640

Change

	Ordinary	Capital	Total
a) Gross deferred tax assets	$ (34,890,566)	$ (7,650,748)	$ (42,541,314)
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	(34,890,566)	(7,650,748)	(42,541,314)
d) Deferred tax assets nonadmitted	(21,029,902)	(21,585,592)	(42,615,494)
e) Subtotal (net deferred tax assets)	(13,860,664)	13,934,844	74,180
f) Deferred tax liabilities	4,027,892	24,211,900	28,239,792
g) Net admitted deferred tax asset (liability)	$ (17,888,556)	$ (10,277,056)	$ (28,165,612)

2 Admission Calculation Components SSAP No 101

	December 31, 2013		
	Ordinary	Capital	Total
a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ 166,788,622	$ 3,146,253	$ 169,934,875
b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (The lesser of 2(b)1 and 2(b)2 Below)	182,559,153	-	182,559,153
1 Adjusted gross deferred tax assets expected to be realized following the balance sheet date	182,559,153	-	182,559,153
2 Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	834,325,352
c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	90,823,387	61,937,508	152,760,895
d) Deferred tax assets admitted as the result of application of SSAP No 101 Total (2(a) + 2(b)+ 2(c))	440,171,162	65,083,761	505,254,923
DTLs netted against deferred tax assets	82,013,736	70,747,159	152,760,895
Total	$ 358,157,426	$ (5,663,398)	$ 352,494,028

Admission Calculation Components SSAP No 101

	December 31, 2012		
	Ordinary	Capital	Total
a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ 73,131,755	$ 4,613,658	$ 77,745,413
b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (The lesser of 2(b)1 and 2(b)2 Below)	302,914,227	-	302,914,227
1 Adjusted gross deferred tax assets expected to be realized following the balance sheet date	302,914,227	-	302,914,227
2 Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	842,979,107
c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	77,985,844	46,535,259	124,521,103
d) Deferred tax assets admitted as the result of application of SSAP No 101 Total (2(a) + 2(b)+ 2(c))	454,031,826	51,148,917	505,180,743
DTLs netted against deferred tax assets	77,985,844	46,535,259	124,521,103
Total	$ 376,045,982	$ 4,613,658	$ 380,659,640

Admission Calculation Components SSAP No 101

	Change		
	Ordinary	Capital	Total
a) Federal income taxes paid in prior years *recoverable through loss carrybacks*	$ 93,656,867	$ (1,467,405)	$ 92,189,462
b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (The lesser of 2(b)1 and 2(b)2 Below)	(120,355,074)	-	(120,355,074)
1 Adjusted gross deferred tax assets expected to be realized following the balance sheet date	(120,355,074)	-	(120,355,074)

NOTES TO FINANCIAL STATEMENTS

2 Adjusted gross deferred tax assets allowed per limitation threshold	xxxx	xxxx	(8,653,756)
c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	12,837,543	15,402,249	28,239,792
d) Deferred tax assets admitted as the result of application of SSAP No 101 Total (2(a) + 2(b)+ 2(c))	(13,860,664)	13,934,844	74,180
DTLs netted against deferred tax assets	4,027,892	24,211,900	28,239,792
Total	$ (17,888,556)	$ (10,277,056)	$ (28,165,612)

		2013	2012
3	a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	543%	554%
	b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	5,562,169,013	5,619,860,716

4 Impact of Tax Planning Strategies

	December 31, 2013	
	Ordinary	Capital
a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage		
1 Adjusted gross deferred tax assets amounts from Note 9A1(c)	536,623,071	65,083,761
2 Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0%	0%
3 Net admitted adjusted gross deferred tax assets amounts from Note 9A1(e)	440,171,162	65,083,761
4 Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0%	0%

	December 31, 2012	
	Ordinary	Capital
a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage		
1 Adjusted gross deferred tax assets amounts from Note 9A1(c)	571,513,637	72,734,509
2 Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0%	0%
3 Net admitted adjusted gross deferred tax assets amounts from Note 9A1(e)	454,031,826	51,148,917
4 Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0%	0%

	Change	
	Ordinary	Capital
a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character, as a percentage		
1 Adjusted gross deferred tax assets amounts from Note 9A1(c)	(34,890,566)	(7,650,748)
2 Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0%	0%
3 Net admitted adjusted gross deferred tax assets amounts from Note 9A1(e)	(13,860,664)	13,934,844
4 Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0%	0%

b) Does the Company's tax-planning strategies include the use of reinsurance? Yes___ No_X_

B DTL not recognized for the following amounts

5% threshold assets	$26,831,154
5% threshold liabilities	$ 4,100,687

At December 31, 2013, the Company had undistributed earnings in certain foreign subsidiaries of $3,387,626 The Company does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future

NOTES TO FINANCIAL STATEMENTS

C The provisions for incurred tax on earnings are as follows

		December 31, 2013	December 31, 2012	Change
1	Federal	$ 233,430,774	$ 90,786,724	$142,644,050
	Foreign	10,920,158	12,212,876	(1,292,718)
	Subtotal	244,350,932	102,999,600	141,351,332
	Federal income taxes on net capital gains	2,040,958	24,687,208	(22,646,250)
	Federal and foreign income taxes incurred	$ 246,391,890	$ 127,686,808	$118,705,082

3 Deferred income taxes do not include any benefit from investment tax credits

4 Deferred income taxes include a benefit of $8,996,191 from net operating losses

5 There are no adjustments to a DTA or DTL for enacted changes in tax laws or rates or a change in the tax status of the Company

6 There are no adjustments to gross DTA because of change in circumstances that causes a change in judgment about the realizability of the related DTA

The change in net deferred income taxes is comprised of the following

	December 31, 2013	December 31, 2012	Change
Total DTA	$ 601,706,832	$ 644,248,146	$ (42,541,314)
Total DTL	152,760,895	124,521,103	28,239,792
Net DTA/(DTL)	$ 448,945,937	$ 519,727,043	(70,781,106)
Tax effect of unrealized gains (losses)			26,846,785
Change in net deferred income tax			$ (43,934,321)

D The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate before income tax The significant items causing this difference are as follows

Rate Reconciliation	December 31, 2013
Pretax net income (loss)	$ 1,130,299,234
Taxes at statutory rate	$ 395,604,732
Increase (decrease) attributable to	
Nontaxable investment income	(95,331,007)
Other	(9,947,514)
	$ 290,326,211
Federal and foreign taxes incurred	$ 246,391,890
Change in net deferred taxes	43,934,321
Total statutory income tax	$ 290,326,211
Effective tax rate	25 7%

E 1 The Company has a net operating loss carryforward of $25,703,405 that expire in 2018

2 The Company has $244,469,665, $127,061,040 and $39,458,595 of federal income tax from the current and prior tax years respectively, available for recoupment in the event of future losses

2 The tax effects of temporary differences that give rise to significant portions of the DTA and DTL are as follows

	December 31, 2013	December 31, 2012	Change
DTA			
Ordinary			
Discounting of unpaid losses	$ 208,805,448	$ 231,611,699	$ (22,806,251)
Unearned premium reserve	159,209,652	156,180,429	3,029,223
Investments	41,247,669	40,291,817	955,852
Fixed assets	24,921,811	31,561,692	(6,639,881)
Net operating loss carry-forward	8,996,191	12,849,986	(3,853,795)
Other	93,442,300	99,018,014	(5,575,714)
Total DTA - ordinary	536,623,071	571,513,637	(34,890,566)
Statutory valuation allowance adjustment	-	-	-
Nonadmitted DTA	96,451,909	117,481,811	(21,029,902)
Admitted ordinary DTA	$ 440,171,162	$ 454,031,826	$ (13,860,664)
Capital			
Investments	$ 65,083,761	$ 72,734,509	$ (7,650,748)
Total DTA – capital	65,083,761	72,734,509	(7,650,748)
Statutory valuation allowance adjustment	-	-	-
Nonadmitted DTA	-	21,585,592	(21,585,592)
Admitted capital DTA	65,083,761	51,148,917	13,934,844
Total admitted DTA	$ 505,254,923	$ 505,180,743	$ 74,180
DTL			
Ordinary			
Investments	$ 67,470,749	$ 63,468,826	$ 4,001,923
Fixed assets	5,747,305	5,586,251	161,054
Other	8,795,682	8,930,767	(135,085)
Total ordinary DTL	82,013,736	77,985,844	4,027,892
Capital			
Investments	$ 70,747,159	$ 46,535,259	$ 24,211,900
Total capital DTL	70,747,159	46,535,259	24,211,900
Total DTL	152,760,895	124,521,103	28,239,792
Net admitted DTA/(DTL)	$ 352,494,028	$ 380,659,640	$ (28,165,612)

The following are general business arrangements that result in or are used for transactions with affiliates in the normal course of business

1 The principal banking functions for the property-casualty operations of TRV and some or all of its affiliated property-casualty insurance companies are handled by Indemnity Settlements between the companies are made at least monthly

2 TRV maintains a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate This pool is managed by Indemnity Each company may convert its position in the pool into cash at any time and may also use its position in the pool to settle transactions with other affiliated participants in the pool The position of each company in the pool is calculated and adjusted daily Each participating insurance company carries its share of the pool as a short-term investment in Schedule DA At December 31, 2013 and 2012, the TRVMMLP totaled $3 5 billion and $3 4 billion, respectively

D (1) At December 31, 2013 and 2012, the Company had $20,203,949 and $24,684,287 payable to affiliates, respectively Accounts between and among the Company and its affiliates are settled on a daily basis through the TRVMMLP or cash Any items open at the end of the month are settled in the following month

(2) The Company participates in an intercompany reinsurance pooling agreement as described in Note 26 The following represents the unsettled balances resulting from affiliated reinsurance that are reported in the respective balance sheet accounts

	December 31, 2013	December 31, 2012
Uncollected premiums and agents' balances in course of collection	$ 269,737,292	$ 235,969,950
Amounts recoverable from reinsurers	59,302,696	63,209,622
Reinsurance payable on paid losses and loss adjustment expenses	274,534,261	318,293,302

These balances were settled net through the *intercompany settlement process* during January 2014 and January 2013, respectively

E *Guarantees or undertakings*, including the company and any affiliates

The Company is party to various guarantees with affiliates See note 14F for additional detail

F Material management or service contracts and cost sharing arrangements, involving the *Company or any affiliate, other than cost* allocation arrangements

TYPE OF CONTRACT AND DESCRIPTION	SERVICING COMPANY	OTHER PARTY
Expense Allocation	The Travelers Indemnity Company	Travelers P&C[1]
Reinsurance Allocation	The Travelers Indemnity Company	Travelers P&C[1]

[1] "Travelers P&C" includes The Travelers Indemnity *Company and some or all of its insurance* subsidiaries and affiliates

NOTES TO FINANCIAL STATEMENTS

3 The reporting entity has no protective tax deposits with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code

F 1 The Company is included in a consolidated federal income tax return with its ultimate parent company, The Travelers Companies, Inc (TRV) A list of the entities included with the Company in a consolidated federal income tax return filing is attached

2 The Company is a party to a tax allocation agreement that sets forth the manner in which total consolidated federal income tax is allocated among companies included in the consolidated return Member companies included in the TRV consolidated return are allocated taxes annually based upon their separate taxable income Companies with a current federal income tax receivable from TRV will receive settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated federal income tax return Member companies are reimbursed by TRV in the event the Internal Revenue Service levies upon a member's assets for unpaid taxes in excess of the amount specifically allocated to a member

In the event that the consolidated group develops an Alternative Minimum Tax (AMT), each company with an AMT on a separate company basis will be allocated a portion of the consolidated AMT Settlement of the AMT will be made in the same manner and timing as the regular federal income tax

G The Company believes it is reasonably possible that the liability related to any federal or foreign tax loss contingencies may significantly increase within the next 12 months However, an estimate of the reasonably possible increase cannot be made at this time

10 INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

A-C (1) Travelers Casualty and Surety Company (TCS) is party to a Shareholder Declaration dated May 31, 2013, whereby it became the sole shareholder of its newly formed subsidiary 8527512 Canada Inc (Canada Inc) From May 31, 2013 through October 31, 2013, TCS became the registered holder of 82,759 common shares representing the majority of the issued and outstanding shares of Canada, Inc at a cost of $792 8 million In addition, on October 31, 2013, Canada Inc issued 24,000 common shares to the Company's Canadian Branch (FM Branch) at a cost of $240 0 million CAD As a result of the transactions above, TCS owns 77 5% of the outstanding shares of Canada Inc FM Branch owns the remaining 22 5% ownership interest in the subsidiary

On November 1, 2013, Canada Inc acquired The Dominion of Canada General Insurance Company (Dominion) from E-L Financial Corporation Limited As a result of this transaction, the Company indirectly owns 22 5% of Dominion

(2) In June 2013, the Company sold $351 3 million of securities to The Travelers Indemnity Company (Indemnity)

(3) In December 2013, the Company purchased $111 million of securities from Travelers Casualty and Surety Company of America (America)

(4) In December 2013, the Company received a return of capital in the amount of $357 million from its subsidiary, United States Fidelity and Guaranty Company (USF&G)

Schedule Y - Part 2 summarizes the net flow of funds among affiliates for various types of transactions between affiliates Regulatory prior approval and/or prior notification has been satisfied for any transaction requiring such action

NOTES TO FINANCIAL STATEMENTS

G All of the issued and outstanding common stock of the Company is owned by TRV, a publicly traded insurance holding company, the organization of which is shown in Schedule Y - Part 1

H Not applicable

I The Company owns 100% of USF&G, whose carrying value exceeds 10% of the admitted assets of the Company The Company carries its investment in USF&G at USF&G's statutory equity The statement value of USF&G assets and liabilities as of December 31, 2013 was $4 7 billion and $2 2 billion, respectively USF&G's net income was $224 2 million for the year ended December 31, 2013

J Not applicable

K Not applicable

L The Company directly owns Northbrook Holdings, Inc (Northbrook), a downstream noninsurance holding company Northbrook directly owns Discover Property & Casualty Insurance Company (DPCIC), a Connecticut domiciled insurance company, and St Paul Protective Insurance Company (SPPIC), a Connecticut domiciled insurer

(1) The carrying value of the Company's investment in Northbrook was $292,626,105 at December 31, 2013
(2) The Company has not obtained an audit of Northbrook's financial statements
(3) The Company has limited the carrying value of its investment in Northbrook to the value contained in the statutory audited financial statements of DPCIC and SPPIC, including any adjustments required by SSAP No 97, *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No 88*
(4) Northbrook does not have any material assets other than the ownership of its insurance subsidiaries Northbrook does not have any material direct liabilities, commitments, contingencies, guarantees or obligations that are required to be reported

11 DEBT

Not applicable

12 RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A-D Defined Benefit Plans

Not applicable

E Defined Contribution Plans

Not applicable

G Consolidated/Holding Company Plans

1 Employee Retirement Plans

The Company participates in a qualified noncontributory *defined benefit pension plan sponsored* by TRV *that provides benefits*, primarily under a cash balance formula, for substantially all employees of the Company and its property-casualty affiliates In addition the Company participates in nonqualified defined benefit pension plans sponsored by TRV which cover certain highly-compensated employees of the Company and its property-casualty affiliates The Company has no legal obligation for benefits under these plans The Company is charged for its allocable share of pension expense for these plans based on its allocated and/or direct salary costs in accordance with an expense allocation agreement The Company's allocated share of the pension expense was $34,764,105 and $34,921,088 for 2013 and 2012, respectively

2 Postretirement Benefit Plan

The Company participates in a postretirement health and life insurance benefit plan sponsored by TRV for employees of the Company and its *property-casualty affiliates that satisfy certain age and service requirements* and for certain retirees The Company has no legal obligation for benefits under this plan The Company is charged for its allocable share of postretirement benefit expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement The Company's allocated share of the postretirement benefit expense was $1,202,269 and $2,170,751 for 2013 and 2012, respectively

3 Deferred Compensation Plans

The Company participates in a 401(k) savings plan sponsored by TRV for substantially all employees of the Company and its property-casualty affiliates The Company has no legal obligation for benefits under this plan The Company is charged for its allocable share of expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation *agreement The Company's allocated share of the 401(k) savings plan expense was* $22,226,602 *and* $20,371,588 *for* 2013 *and* 2012, respectively

H Postemployment Benefits and Compensated Absences

Not applicable

I Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable

13 CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

The Company has 200,000 shares of common capital stock authorized, issued and outstanding with a par value of $100 per share

The Company paid ordinary dividends of $250 0 million and extraordinary dividends of $865 0 million for a total of $1 115 billion in 2013, to its parent company, The Travelers Companies, Inc In 2012, the Company paid ordinary dividends of $258 0 million and extraordinary dividends of $300 0 million for a total of $558 0 to The Travelers Companies, Inc

Dividends to shareholders and the proportion of the profits of the Company that may be paid to shareholders are not limited by charter The maximum amount of dividends which can be paid by Connecticut insurance companies to shareholders without prior approval of the

NOTES TO FINANCIAL STATEMENTS

domiciliary Insurance Commissioner is subject to restrictions relating to statutory surplus or net income The maximum amount of dividends to shareholders that can be made during 2014 without prior approval is $883,907,000

There are no restrictions on the use of the Company's unassigned funds and such funds are held for the benefit of the shareholder, except for the dividend restrictions indicated above

The change in the balance of special surplus from retroactive reinsurance is a result of ongoing activity occurring in 2013 See Note 23F for additional detail

Unassigned funds have been increased by cumulative net unrealized gains of $1,385,391,346

14 CONTINGENCIES

A Contingent Commitments

At December 31, 2013, the Company had commitments to fund investments of $422 2 million

B Assessments

1 The Company has accrued liabilities of $64 8 million for guaranty fund and other insurance-related assessments and related recoverables of $1 0 million at December 31, 2013 The assessments are expected to be paid over a period ranging from one year to the life expectancy of certain workers' compensation claimants and the recoverables are expected to occur over the same period of time

2 a Assets recognized from paid and accrued premium tax offsets December 31, 2012	$	806,106
b Decreases current year		
Premium tax offset charged off		-
Premium tax offset applied		429,373
Premium tax offset refund		143,128
c Increases current year		
Premium tax offset accrued		93,509
d Assets recognized from paid and accrued premium tax offsets December 31, 2013	$	327,114

C Gain Contingencies

On August 17, 2010, in a reinsurance dispute in New York state court captioned *United States Fidelity & Guaranty Company v American Re-Insurance Company, et al*, the trial court granted summary judgment for United States Fidelity and Guaranty Company (USF&G) and denied summary judgment for American Re-Insurance Company (American Re) and three other reinsurers By order dated October 22, 2010, the trial court corrected certain clerical errors and made certain clarifications to the August 17, 2010 order On October 25, 2010, judgment was entered against American Re and the other three insurers, awarding USF&G $420 million, comprising $251 million ceded under the terms of the disputed reinsurance contract plus interest of 9% amounting to $169 million as of that date The judgment, including the award of interest, was appealed by the reinsurers to the New York Supreme Court, Appellate Division, First Department On January 24, 2012, the Appellate Division affirmed the judgment On January 30, 2012, the reinsurers filed a motion with the Appellate Division seeking permission to appeal its decision to the New York Court of Appeals, and on March 12, 2012, the Appellate Division granted the reinsurers' motion On February 7, 2013, the Court of Appeals issued an opinion that largely affirmed the summary judgment in USF&G's favor, while modifying in part the summary judgment with respect to two discrete issues and remanding the case to the trial court for determination of those issues USF&G believes it has a meritorious position on each of these issues and intends to pursue its claim vigorously On May 2, 2013, the Court of Appeals denied a motion by reinsurers to reconsider the February 7, 2013 opinion In November 2013, USF&G entered into a settlement agreement with one of the reinsurers At December 31, 2013, the claim totaled $466 million, comprising the $238 million of reinsurance recoverable plus interest amounting to $228 million as of that date Interest will continue to accrue at 9% until the claim is paid

As USF&G is a participant in the Travelers Reinsurance Pool (TRV Pool), any amounts recoverable from this claim are subject to participation percentages of the TRV Pool (See Note 26) Accordingly, the Company's respective TRV Pool participation share of the $251 million awarded by the court represents the amounts owed to and reported by the Company under the terms of the disputed reinsurance contract The Company's respective Pool participation share of the interest that would be received as part of any judgment ultimately entered in favor of USF&G is treated for accounting purposes as a gain contingency in accordance with SSAP No 5R, *Liabilities, Contingencies and Impairment of Assets - Revised,* and accordingly has not been recognized in the Company's statutory financial statements

In an unrelated action, Indemnity is one of the Settlement Class plaintiffs and a class member in a class action lawsuit captioned *Safeco Insurance Company of America, et al v American International Group, Inc et al* (U S District Court, N D Ill) in which the defendants are alleged to have engaged in the under-reporting of workers' compensation premium in connection with a workers' compensation reinsurance pool in which several members of the TRV Pool participate On July 26, 2011, the court granted preliminary approval of a class settlement pursuant to which the defendants agreed to pay $450 million to the class On December 21, 2011, the court entered an order granting final approval of the settlement, and on February 28, 2012, the district court issued a written opinion approving the settlement On March 27, 2012, three parties who objected to the settlement appealed the court's orders approving the settlement to the U S Court of Appeals for the Seventh Circuit On January 11, 2013, all parties, including the three parties who had objected to the settlement, filed a Stipulation of Dismissal indicating that there were no longer any objections to the settlement On March 25, 2013, the Seventh Circuit dismissed the appeals On April 16, 2013, the Seventh Circuit issued its mandate returning the case to the district court for administration of the settlement On June 26, 2013, Indemnity received payment of approximately $91 million, comprising 98% of its allocation from the settlement fund On November 11, 2013, Indemnity received payment of approximately $2 million, comprising the remaining 2% to be paid from the settlement fund The combination of the payments received in June and November 2013 totaling $93 million, less approximately $2 million remitted to another insurer, resulted in a net gain of $91 million

As Indemnity is a participant in the TRV Pool, its settlement amount is subject to participation percentages of the TRV Pool (See Note 26) Accordingly, the Company's respective TRV Pool participation share of the $91 million receipt is reported as an aggregate write-in for miscellaneous income in the Company's Statement of Income Prior to the receipt, the Company accounted for its anticipated allocation from the settlement fund as a gain contingency in accordance with SSAP No 5R, *Liabilities, Contingencies and Impairment of Assets - Revised*

NOTES TO FINANCIAL STATEMENTS

D Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$3,898,922

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period

0-25 Claims
X

Claim count information provided herein is disclosed on a per claim basis

E Product Warranties

Not applicable

F All Other Contingencies

1a In the process of selling business entities to third parties, the Company has agreed to indemnify purchasers for losses arising out of breaches of representations and warranties with respect to the business entities being sold, covenants and obligations of the Company and/or its subsidiaries following the close, in certain cases obligations arising from unrecognized liabilities and imposition of additional taxes due to either a change in the tax law or an adverse interpretation of the tax law Such indemnification provisions generally survive for periods ranging from the applicable closing date to the expiration of the relevant statutes of limitations, no term or in some cases agreed upon term limitations Certain of these contingent obligations are subject to deductibles which have to be incurred by the obligee before the Company is obligated to make payments

b The Company has a contingent obligation for a guarantee related to certain insurance policy obligations of a former insurance subsidiary The maximum amount of the Company's obligation related to the guarantee was $480 million at December 31, 2012, all of which is indemnified by a third party

c The Company has an invested interest in an unaffiliated real estate joint venture Effective October 21, 2011, the real estate joint venture assumed a mortgage secured by property it owns The Company entered into a separate payment guarantee with the lender for the mortgage and provided several indemnifications, including indemnifications for environmental liabilities should the lender be held responsible The maximum principal for the mortgage is $45 million and is secured by the property The other indemnifications for the mortgage, including an environmental guarantee, are not limited The Company, along with a third party joint venture investor, is joint and severally liable for these indemnities and guarantees Concurrent with assuming the mortgage, the Company entered into a contribution agreement with the third party joint venture investor to allow the Company to recover its share of the indemnities and guarantees, if required d The Company has an invested interest in an unaffiliated real estate joint venture Effective May 27, 2010, the real estate joint venture assumed a mortgage secured by property it owns On November 22, 2013, the joint venture assumed a second mortgage secured by the same property The Company entered into a separate payment guarantee with the lender for each mortgage and provided several indemnifications for each mortgage, including indemnifications for environmental liabilities should the lender be held responsible The combined maximum principal for the mortgages is $105 million and is secured by the property The other indemnifications for each mortgage, including the environmental guarantees, are not limited The Company, along with a third party joint venture investor, is joint and severally liable for these indemnities and guarantees Concurrently with assuming each mortgage, the Company entered into a contribution agreement with the third party joint venture investor to allow the Company to recover its share of the indemnities and guarantees, if required

e In a guaranty agreement dated August 31, 2000, the Company guarantees the timely payment of all obligations of St Paul (Bermuda) Ltd , with respect to policies of insurance issued to clients of Marsh USA Inc up to a maximum of $50 million On July 1, 2010, St Paul (Bermuda) Ltd , St Paul Re (Bermuda) Ltd and Travelers (Bermuda) Limited were amalgamated into one Bermuda company under the name Travelers (Bermuda) Limited The guarantee was amended on June 30, 2010 to limit the Company's guarantee to only those obligations of St Paul (Bermuda) Ltd that existed prior to the amalgamation The Company also waived certain rights in the amended guarantee until all creditors of St Paul Re (Bermuda) Ltd and Travelers (Bermuda) Limited at the time of the amalgamation have been paid in full

f In a guaranty agreement dated July 1, 2000, the Company guarantees the payment of USF&G's obligations under insurance and reinsurance contracts issued by USF&G on or after the date of the agreement The company may terminate this guaranty at any time upon 90 days prior notice or other specified circumstances

g Effective September 30, 1997, the Company entered into an unconditional guaranty that Travelers Constitution State Insurance Company (formerly known as St Paul Medical Liability Insurance Company), a wholly-owned subsidiary, would maintain required capital and surplus, each in the amount of $2 5 million, as a condition of becoming licensed in the State of Maine

h Effective May 15, 1996, the Company provided a guaranty of the performance by its wholly-owned subsidiary, Seaboard Surety Company (Seaboard), a New York domiciled insurance company, of all Seaboard's financial obligations arising out of its insurance or reinsurance contracts The guaranty may be amended at any time upon three months' prior notice On January 2, 2009, Seaboard was merged into America The terms of the guarantee remain in effect

i Effective December 10, 1993, the Company has guaranteed the performance by Travelers Insurance Company Limited (Travelers Limited), an affiliate incorporated in England, of all Travelers Limited's obligations arising out of its insurance or reinsurance contracts Effective March 1, 2006, these guarantees were amended whereby the Company may terminate them at any time upon twelve months prior notice Effective December 31, 2007, pursuant to the order of English Court, made on December 31, 2007, under Part VII of the Financial Services & Markets Act, obligations relating to certain business as of December 31, 2007, were transferred to Unionamerica Insurance Company Limited (Unionamerica), an affiliate of Travelers Limited This resulted in those obligations no longer being covered by the guarantees The guarantees will remain in force, however, for the obligations arising out of insurance or reinsurance contracts not transferred to Unionamerica and for business subsequently written by Travelers Limited In December 2008, Unionamerica was sold to an unaffiliated entity

j The Company guaranteed the timely payment of Discover Reinsurance Company's (Discover Re) obligations with respect to all insurance policies and reinsurance policies issued by Discover Re On October 1, 2007, Discover Re was merged into Indemnity The merger resulted in the automatic termination of the guarantee with respect to any future claims However, the Company continues to guarantee to Indemnity all obligations of Discover Re incurred before the termination date

NOTES TO FINANCIAL STATEMENTS

k In a guarantee agreement dated February 9, 2009, the Company has guaranteed certain pension obligations of Travelers Special Services Limited, a wholly-owned subsidiary, The guarantee is not limited in amount and expires once all obligations have been met

l The Company is the owner of all the beneficial interests represented by common securities of three business trusts The trusts exist for the sole purpose of issuing capital securities and common securities and investing the proceeds thereof in deferrable interest junior subordinated debentures, which are held by TRV The Company fully, irrevocably and unconditionally guaranteed all of the trusts obligations under the capital securities including principal of $254 million and interest The Company and TRV are both jointly and severally responsible for the payment obligation of the subordinated debentures

Nature and circumstances of guarantee and key attributes, including date and duration of agreement	Liability recognition of guarantee (include amt recognized at inception If no initial recognition, document exception allowed under SSAP No 5R)	Ultimate financial statement impact if action under the guarantee is required	Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee If unable to develop an estimate, this should be noted specifically	Current status of payment or performance risk of guarantee Also provide additional discussion as warranted
a Sale of Business	The fair value of guarantee liabilities as described are minimal and immaterial to the financial statements taken as a whole	Expense - Statement of Income - Line 14 Aggregate write-ins for miscellaneous income	$343,266,000	The Company has assessed the performance risk as remote under these guarantees
b Former subsidiary	Fair value initial recognition was $19,120,000	Expense - Statement of Income - Line 14 Aggregate write-ins for miscellaneous income	$480,000,000	The Company has assessed the performance risk as remote under this guarantee The AM Best current claims-paying rating of the former subsidiary is "B++"
c Real estate joint venture	The fair value of guarantees described are minimal and immaterial to the financial statements taken as a whole	Assets - Line 8 - Other Invested Assets or Line 3 - Mortgage Loans on Real Estate Either a capital contribution or loan to joint venture	$45,000,000	The Company has assessed the performance risk as remote under these guarantees

d Real estate joint venture	The fair value of guarantees described are minimal and immaterial to the financial statements taken as a whole	Assets - Line 8 - Other Invested Assets or Line 3 - Mortgage Loans on Real Estate Either a capital contribution or loan to joint venture	$105,000,000	The Company has assessed the performance risk as remote under these guarantees
e Travelers (Bermuda)	The fair value of guarantee liabilities as described are minimal and immaterial to the financial statements taken as a whole	Surplus - Line 35 Dividend to stockholders	$50,000,000	The Company has assessed the performance risk as remote under this guarantee
f USF&G's obligations	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary and is considered unlimited in amount	Assets - Line 2 2 Common Stock	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee
g Travelers Constitution State Insurance Company	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary	Assets - Line 2 2 Common Stock	$5,000,000	The Company has assessed the performance risk as remote under this guarantee
h Seaboard Surety Company	No initial recognition as guarantee is made on behalf of a related party and is considered unlimited in amount	Surplus - Line 35 Dividend to stockholders	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee
i Travelers Insurance Company Limited	No initial recognition as guarantee is made on behalf of a related party and is considered unlimited in amount	Surplus - Line 35 Dividend to stockholders	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee

NOTES TO FINANCIAL STATEMENTS

J Discover Reinsurance Company	No initial recognition as guarantee is made on behalf of a related party and is considered unlimited in amount	Surplus - Line 35 Dividend to stockholders	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee
k Certain pension obligations of Travelers Special Services Limited, a wholly-owned subsidiary	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary and is considered unlimited in amount	Assets - Line 2 2 Common Stock	Guarantee has no stated amount or limitation to the maximum potential future payments and accordingly, the Company is unable to develop an estimate of the maximum potential payments for such arrangements	The Company has assessed the performance risk as remote under this guarantee
l Trust obligations of three wholly-owned subsidiaries	No initial recognition as guarantee is made on behalf of a wholly-owned subsidiary	Assets - Line 2 2 Common Stock	See below -- subject to the same maximum	The Company has assessed the performance risk as remote under these guarantees
Subordinated debentures by its parent to the respective trusts	Fair value initial recognition for debenture guarantees was $24,000,000	Surplus - Line 35 Dividend to stockholders	$254,000,000	The Company has assessed the performance risk as remote under these guarantees TRV is current in all debenture obligations The debentures were upgraded by AM Best on June 8, 2010 from a "bbb" to a "bbb+" and remains unchanged

Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees	$ 1,282,266,000
Current liability recognized in financial statements	
Noncontingent liabilities	43,120,000
Contingent liabilities	-
Ultimate financial statement impact if action under the guarantee is required	
Investment in SCA	5,000,000
Joint venture	-
Dividends to stockholders	304,000,000
Expense	823,266,000
Other	150,000,000
Total	$ 1,282,266,000

2 The Company has purchased annuities from life insurance companies to fund structured settlements For a discussion of the Company's contingent liabilities for structured settlements, see Note 27

3 In the ordinary course of business, the Company is a defendant or codefendant in various litigation matters Although there can be no assurances, as of December 31, 2013, the Company believes, based on information currently available, that the ultimate resolution of these legal proceedings would not be likely to have a material adverse effect on its net income, financial condition or liquidity

4 For a discussion of contingencies related to asbestos and environmental reserves, see Note 33

15 LEASES

A Lessee Leasing Arrangements

Not applicable

B Lessor's Business Activities

The Company maintains investments in commercial real estate The land is carried at cost and the buildings at cost less accumulated depreciation and related encumbrances The buildings are depreciated on a straight-line basis over a period of up to 39 years The accumulated depreciation on real estate held for the production of income was $360,708,502 and $343,170,873 as of December 31, 2013 and 2012, respectively On December 31, 2013, the Company has minimum annual lease payments receivable under non-cancelable leasing arrangements as follows

Year Ending December 31	Operating Leases
2014	$ 79,771,168
2015	70,499,626
2016	53,761,322
2017	38,495,366
2018	27,937,314
2019 and later years	42,039,274
Total	$ 312,504,070

NOTES TO FINANCIAL STATEMENTS

16 INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company has unfunded commitments to partnerships, limited liability companies, and venture capital entities The off-balance-sheet risks of these financial instruments were $422 2 million at December 31, 2013

17 *SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES*

A Transfers of Receivables Reported as Sales

Not applicable

B Transfer and Servicing of Financial Assets

The Company engages in securities lending activities from which it generates net investment income from the lending of certain of its investments to other institutions for short periods of time Borrowers of these securities provide collateral equal to at least 102% of the market value of the loaned securities plus accrued interest This collateral is held by a third party custodian, and the Company has the right to access the collateral only in the event that the institution borrowing the Company's securities is in default under the lending agreement The loaned securities remain a recorded asset of the Company The Company accepts only cash as collateral for securities on loan and restricts the manner in which that cash is invested to U S Treasury securities and U S Treasury repurchase agreements *These securities typically have a duration of 1 day See Schedule D – Part 1 for identification and description of securities* on loan

C Wash Sales

Not applicable

18 GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable

19 DIRECT PREMIUMS WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

The Company did not have any direct premiums written through managing general agents (as defined in Appendix A-225 of the NAIC *Accounting Practices and Procedures Manual*) or third party administrators

20 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

A (1) Securities measured and reported at fair value as of December 31, 2013

Description	Level 1	Level 2	Level 3	Total
Bonds				
Industrial and miscellaneous	$ -	$ 24,865,205	$ 20,899,486	$ 45,764,691
Common stock	414,773,596	-	-	414,773,596
Total securities at fair value	$ 414,773,596	$ 24,865,205	$ 20,899,486	$ 460,538,287

There were no significant transfers between level 1 and level 2

(2) Securities measured at fair value using significant unobservable inputs (Level 3)

Description	Beginning Balance at 1/1/2013	Transfers into Level 3	Transfers out of Level 3	Total gains & (losses) included in Net Income	Total gains & (losses) included in Surplus	Purchases, Issuances, and Sales	Settlements	Ending Balance at 12/31/2013
Bonds	$ 343,080	$ 20,898,786	$ (127,473)	$ (371)	$ 1,712	$ -	$ (216,248)	$ 20,899,486
Common stocks	1,046,882	-	-	7,042,236	(1,046,882)	(7,042,236)	-	$ -
Total	$ 1,389,962	$ 20,898,786	$ (127,473)	$ 7,041,865	$ (1,045,170)	$ (7,042,236)	$ (216,248)	$ 20,899,486

(3) The Company holds NAIC designation 3 -6 securities at the lower of cost or market as defined in SSAP No 26, *Bonds, excluding Loan-backed and Structured Securities* Market fluctuations cause securities to change from being held at cost to fair value or vice versa These changes result in a transfer in or out of level 3

The Company transfers securities out of level 3 when it is able to obtain market observable data The Company recognizes these transfers at the end of the period

NOTES TO FINANCIAL STATEMENTS

(4) Bonds were carried at fair value in accordance with NAIC guidance These bonds were generally priced by the SVO or by a third party organization

(5) Not applicable

B Not applicable

C The following table provides the aggregate fair value and reported aggregate admitted asset value by type of financial instrument, and the hierarchy level in which the fair values fall

(At December 31, 2013) Description	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Short term bonds	$ 249,649,920	$ 249,649,920	$ 109,298,338	$ 140,351,582	$ -	$ -
Cash equivalents	38,344,738	38,344,738	-	38,344,738	-	-
Long term bonds	10,823,090,720	10,494,654,861	591,856,418	10,189,369,336	41,864,966	-
Preferred stock	1,549,200	1,195,000	1,549,200	-	-	-
Common stock	414,773,596	414,773,596	414,773,596	-	-	-
Mortgage loans	-	42,900,000	-	-	-	42,900,000

(At December 31, 2012) Description	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Short term bonds	$ 179,043,458	$ 179,043,458	$ 71,468,171	$ 107,063,480	$ 511,807	$ -
Cash equivalents	15,689,223	15,689,223	-	15,689,223	-	-
Long term bonds	11,614,648,362	10,845,612,797	863,425,877	10,744,652,668	6,569,817	-
Preferred stock	3,710,351	3,041,551	3,710,351	-	-	-
Common stock	363,316,122	363,316,122	362,269,240	-	1,046,882	-
Mortgage loans	-	45,025,000	-	-	-	45,025,000

D Not Practicable to Estimate Fair Value

(At December 31, 2013) Description	Carrying Value	Effective Interest Rate	Maturity Date
Mortgage loan			
Oak Brook, IL	$ 42,900,000	4 0%	2/28/15

It is not practicable for the Company to estimate the fair value of this mortgage loan The Company feels that obtaining a fair value would not be cost effective due to the nature of the loan and in order to obtain a fair value, the Company would have to re-underwrite the loan

21 OTHER ITEMS

A Extraordinary Items

Not applicable

B Troubled Debt Restructuring

Not applicable

C Other Disclosures and Unusual Items

The Company elected to use rounding in reporting amounts in this statement

2013 Schedule P

The 2003 and prior "Total Net Losses and Expenses Unpaid" (Schedule P - Part 1, Column 24, Line 1) is separately reported to accident year as follows (in thousands)

	Accident Years				
Schedule P	2003	2002	2001	2000	1999 & Prior
Part 1A	$ 125	$ 85	$ 101	$ 293	$ 990
Part 1B	267	186	94	46	51,283
Part 1C	4,131	2,935	3,841	2,137	12,224
Part 1D	96,623	88,632	100,124	95,872	957,944
Part 1E	11,368	7,999	9,425	5,613	71,951
Part 1F - Section 1	725	1,681	260	976	845
Part 1F - Section 2	463	5,942	1,479	2,190	7,607
Part 1G	671	(131)	1,166	2,516	12,839
Part 1H - Section 1	26,207	22,611	31,655	23,244	563,109
Part 1H - Section 2	13,695	7,948	13,624	2,126	28,270
Part 1M	6	1	161	486	143
Part 1N	120	378	4,521	510	2,714
Part 1O	2,028	4,200	20,795	6,239	159,868
Part 1P	193	1,024	1,576	193	636
Part 1R - Section 1	16,993	15,290	10,562	12,076	346,987
Part 1R - Section 2	441	(17)	1,095	314	2,114

NOTES TO FINANCIAL STATEMENTS

The following loss and/or LAE reserves have been assumed / (ceded) under retroactive reinsurance agreements They are reported here by line of business and accident year to facilitate loss discounting under Internal Revenue Code Section 846 (in thousands)

	2002	2001	2000	1999	1998	1997	1996	1995	1994
Commercial Auto	$ (255)	$ (395)	$ (34)	$ -	$ -	$ -	$ -	$ -	$ -
Workers' Compensation	(1,630)	(1,393)	(356)	(12,044)	-	(199)	-	-	-
Commercial Multiple Peril	-	-	-	-	-	-	-	-	-
Medical Malpractice – CM	-	-	(2,305)	-	-	-	-	-	-
Special Liability	-	-	-	-	-	-	-	-	-
Other Liability – Occ	(505)	(2)	-	-	-	-	-	-	-
Other Liability – CM	(243)	(4,494)	-	-	-	-	-	-	-
Special Property	(1)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Reinsurance A	(156)	-	-	-	-	-	-	-	-
Reinsurance B	(1,232)	-	-	-	-	-	-	-	-

D Business Interruption Insurance Recoveries

Not applicable

E State Transferable and Non-transferable Tax Credits

Not applicable

F Subprime Mortgage-Related Risk Exposure

The Company defines subprime mortgage-backed securities as investments which generally contain a majority of loans to borrowers that exhibit one or more of the following characteristics at the time of issuance

- Low FICO scores,
- Above prime interest rates,
- High loan-to-value ratios,
- High debt-to-income ratios,
- Low loan documentation (e g limited or no verification of income and assets), or
- Other characteristics that are inconsistent with conventional underwriting standards employed by government sponsored mortgage entities

In addition, because of their high loan-to-value ratios, the Company has categorized second-lien mortgage-backed securities as subprime, regardless of the credit characteristics of the borrower on the underlying mortgage

The Company reviews the credit characteristics of the loans that back these mortgage-backed securities when making the determination to categorize them as subprime exposure Since the primary purpose of the investment portfolio is to fund future claim payments, the Company employs a conservative investment philosophy In applying this philosophy to structured securities, including subprime mortgage-backed securities, the Company favors the purchase of senior credit tranches over junior or leveraged credit tranches

Overall exposure to subprime mortgage-backed securities is sufficiently small in that the Company would likely have other securities available for liquidity needs The Company utilizes discounted cash flow valuation analysis in its regular, ongoing review of its existing subprime mortgage portfolio, as well as in its analysis of subprime mortgage-backed bonds for purchase Based upon the credit performance of mortgages within each securitization, the Company projects voluntary prepayments, defaults and loss severity to estimate any expected losses

Direct exposure through other investments

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other Than Temporary Impairment Losses Recognized
Residential mortgage-backed securities	$ 23,941,193	$ 24,281,110	$ 27,349,289	$ 262,929

G Offsetting and Netting of Assets and Liabilities

Not Applicable

H Joint and Several Liabilities

Not applicable

22 EVENTS SUBSEQUENT

The Company had no material subsequent events through February 17, 2014

23 REINSURANCE

A Unsecured Reinsurance Recoverables

1 Affiliated Company Recoverables

The Company participates in the TRV Pool and/or other reinsurance programs with affiliates and takes credit for reinsurance ceded directly and indirectly to these companies The unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums at December 31, 2013, in connection with reinsurance agreements among affiliated insurers, were as follows

Reinsurance balances ceded to affiliates and recoverable by The Travelers Indemnity Company (06-0566050)

Company	F E I N	Amount
St Paul Fire and Marine Insurance Company	41-0406690	$ 11,483,459,981
Travelers Casualty and Surety Company	06-6033504	9,430,730,663

NOTES TO FINANCIAL STATEMENTS

The Phoenix Insurance Company	06-0303275	2,313,046,143
The Standard Fire Insurance Company	06-6033509	2,251,730,683
United States Fidelity and Guaranty Company	52-0515280	2,051,452,292
Travelers Casualty Insurance Company of America	06-0876835	1,262,956,665
Farmington Casualty Company	06-1067463	684,654,331
The Travelers Indemnity Company of Connecticut	06-0336212	634,282,525
The Automobile Insurance Company of Hartford, Connecticut	06-0848755	633,767,860
The Charter Oak Fire Insurance Company	06-0291290	589,655,042
Northland Insurance Company	41-6009967	564,712,673
St Paul Surplus Lines Insurance Company	41-1230819	407,091,759
The Travelers Indemnity Company of America	58-6020487	356,670,550
St Paul Protective Insurance Company	36-2542404	268,394,489
Northfield Insurance Company	41-0983992	240,554,209
Travelers Commercial Casualty Company	95-3634110	217,442,605
Travelers Commercial Insurance Company	06-1286268	217,423,998
Travelers Casualty Company of Connecticut	06-1286266	217,423,998
St Paul Mercury Insurance Company	41-0881659	189,137,515
Travelers Property Casualty Company of America	36-2719165	175,980,095
Travelers Property Casualty Insurance Company	06-1286274	138,781,266
The Travelers Casualty Company	41-1435765	134,155,225
Travelers Constitution State Insurance Company	41-1435766	134,155,225
Travelers Excess and Surplus Lines Company	06-1203698	124,903,136
Travelers Personal Insurance Company	36-3703200	124,903,136
The Travelers Home and Marine Insurance Company	35-1838079	124,903,136
TravCo Insurance Company	35-1838077	124,903,136
Travelers Personal Security Insurance Company	06-1286264	124,903,136
Discover Property & Casualty Insurance Company	36-2999370	64,797,534
Discover Specialty Insurance Company	52-1925132	64,764,578
Northland Casualty Company	94-6051964	64,764,578
Fidelity and Guaranty Insurance Underwriters, Inc	52-0616768	46,260,406
St Paul Guardian Insurance Company	41-0963301	46,260,406
American Equity Specialty Insurance Company	86-0868106	46,260,406
Total		$ 35,555,283,380

Reinsurance balances assumed by The Travelers Indemnity Company and recoverable by the following affiliated insurers

Company	F E I N	Amount
Travelers Property Casualty Company of America	36-2719165	$ 10,536,324,422
St Paul Fire and Marine Insurance Company	41-0406690	5,063,930,966
Travelers Casualty and Surety Company	06-6033504	3,611,477,520
The Travelers Indemnity Company of America	58-6020487	2,865,093,761
The Charter Oak Fire Insurance Company	06-0291290	2,627,444,686
The Travelers Indemnity Company of Connecticut	06-0336212	2,594,861,672
The Travelers Home and Marine Insurance Company	35-1838079	2,447,076,316
United States Fidelity and Guaranty Company	52-0515280	2,377,327,630
The Phoenix Insurance Company	06-0303275	1,998,200,805
The Standard Fire Insurance Company	06-6033509	1,728,286,459
St Paul Mercury Insurance Company	41-0881659	1,554,107,782
Travelers Casualty Insurance Company of America	06-0876835	1,540,154,561
Farmington Casualty Company	06-1067463	699,662,192
The Automobile Insurance Company of Hartford, Connecticut	06-0848755	648,127,855
Fidelity and Guaranty Insurance Underwriters, Inc	52-0616768	634,529,466
Discover Property & Casualty Insurance Company	36-2999370	604,748,966
Northland Insurance Company	41-6009967	513,633,469
Travelers Commercial Insurance Company	06-1286268	418,369,813
St Paul Surplus Lines Insurance Company	41-1230819	344,071,978
TravCo Insurance Company	35-1838077	292,674,982
Travelers Property Casualty Insurance Company	06-1286274	202,849,718
Northfield Insurance Company	41-0983992	201,704,551
St Paul Guardian Insurance Company	41-0963301	160,554,964
Travelers Excess and Surplus Lines Company	06-1203698	150,743,737
Travelers Personal Security Insurance Company	06-1286264	147,706,865
St Paul Protective Insurance Company	36-2542404	134,299,380
Travelers Commercial Casualty Company	95-3634110	102,570,762
Travelers Casualty Company of Connecticut	06-1286266	55,425,528
Travelers Personal Insurance Company	36-3703200	40,943,950
Northland Casualty Company	94-6051964	20,521,899
The Travelers Casualty Company	41-1435765	11,260,524
Discover Specialty Insurance Company	52-1925132	10,982,464
Travelers Constitution State Insurance Company	41-1435766	5,134,266
American Equity Specialty Insurance Company	86-0868106	719,645
Total		$ 44,345,523,554

2 Unaffiliated Company Recoverables

The unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums recoverable from any unaffiliated reinsurer at December 31, 2013, that exceeded 3% of the Company's surplus as regards policyholders, were as follows

NONE

Additional detail on reinsurance recoverable balances by reinsurer is shown in Schedule F - Part 3

B Reinsurance Recoverable in Dispute

Not applicable

NOTES TO FINANCIAL STATEMENTS

C Reinsurance Assumed and Ceded

1

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	$ 2,210,656,571	$ 309,889,934	$ 362,633,239	$ 50,833,943	$ 1,848,023,332	$ 259,055,991
All Other	12,109,648	1,697,531	10,215,794	1,432,050	1,893,854	265,481
Total	$ 2,222,766,219	$ 311,587,465	$ 372,849,033	$ 52,265,993	$ 1,849,917,186	$ 259,321,472

Direct Unearned Premium Reserve $ 424,504,492

2 Accruals for contingent, sliding scale adjustment and other profit sharing commissions, net of reinsurance assumed and ceded, amounted to $48,336,414 at December 31, 2013 This balance represents the Company's 24 79% pro rata share of the net amount of the TRV Pool (see Note 26)

	Direct	Assumed	Ceded	Net
a Contingent Commission	$ 5,134,308	$ 45,522,873	$ 2,320,767	$ 48,336,414
b Sliding Scale Adjustments	-	-	-	-
c Other Profit Commission Arrangements	-	-	-	-
d Total	$ 5,134,308	$ 45,522,873	$ 2,320,767	$ 48,336,414

D *Uncollectible Reinsurance*

Not applicable

E Commutation of Ceded Reinsurance

Not applicable

F Retroactive Reinsurance

	Assumed	Ceded
a Reserves Transferred		
(1) Initial Reserves	$ 2,330,260	$ 124,778,936
(2) Adjustments - Prior Year(s)	(743,700)	47,038,943
(3) Adjustments - Current Year	-	(852,964)
(4) Current Total	$ 1,586,560	$ 170,964,915
b Consideration Paid or Received		
(1) Initial Consideration	$ 2,591,816	$ 111,076,926
(2) Adjustments - Prior Year(s)	-	8,997,139
(3) Adjustments - Current Year	-	-
(4) Current Total	$ 2,591,816	$ 120,074,065
c Paid Losses Reimbursed or Recovered		
(1) Prior Year(s)	$ 1,025,324	$ 142,651,683
(2) Current Year	3,513	2,948,578
(3) Current Total	$ 1,028,837	$ 145,600,261
d Special Surplus From Retroactive Reinsurance		
(1) Initial Surplus Gain or Loss	$ 261,556	$ 13,702,010
(2) Adjustments - Prior Year(s)	743,700	38,041,804
(3) Adjustments - Current Year	-	(852,964)
(4) Current Year Restricted Surplus	1,005,256	23,207,966
(5) Cumulative Total Transferred to Unassigned Funds	$ -	$ 27,682,884

e List the other insurers included in the above transactions

Company	Assumed	Ceded
Munich Reinsurance America, Inc (10227)	$ 1,586,560	$ -
Commercial Risk Re-Insurance Co (27955)	-	3,173,120
General Reinsurance Corporation (22039)	-	74,370,000
nSpire Re Limited (AA-1784124)	-	19,534,921
Platinum Underwriters Reinsurance Inc (10357)	-	27,292,090
Various	-	46,594,784
Total	$ 1,586,560	$ 170,964,915

f Paid Loss/LAE Recoverable

1 Authorized Reinsurers

Company	Total Paid/Loss/LAE Recoverable	Amount Over 90 Days Past Due
Platinum Underwriters Reinsurance Inc (10357)	$ 44,259	$ -
General Reinsurance Corporation (22039)	41,960	41,960
Various	26,151	3,776
Total	$ 112,370	$ 45,736

2 Unauthorized Reinsurers

Company	Total Paid/Loss/LAE Recoverable	Amount Over 90 Days Past Due	Collateral Held
nSpire Re Limited (AA-178412)	$ -	$ -	$ 6,061,977
Various	15,801	12,506	-
Total	$ 15,801	$ 12,506	$ 6,061,977

NOTES TO FINANCIAL STATEMENTS

G Reinsurance Accounted for as a Deposit

As of December 31, 2013, the Company had one assumed reinsurance contract accounted for as a deposit with a non-zero balance This contract has been in runoff since 2001 and has a deposit balance of $600,321 at year-end Due to the immaterial nature of the deposit balance the Company accounts for it at the estimated ultimate remaining payments on an undiscounted basis

As of December 31, 2013, the Company had two ceded reinsurance contracts accounted for as a deposit with non-zero balances These contracts have been in runoff since 2002 and have a combined balance of $405,249 at year-end Due to the immaterial nature of these balances the Company accounts for them at their estimated ultimate remaining recoverables on an undiscounted basis

H Disclosures for the Transfer of Property and Casualty Run-off Agreements

Not applicable

I Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not applicable

24 RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A Accrued retrospective premiums (Page 2, Line 15 3) have been determined based upon loss experience on business subject to such experience rating adjustment Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts Ten percent of the amount not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss expense reserves), or collateral as permitted by SSAP No 66, *Retrospectively Rated Contracts*, has been nonadmitted The amount shown in Part E below is the Company's proportionate share of the accrued retrospective premiums of the TRV Pool (see Note 26)

B The Company records accrued retrospective premium as an adjustment to earned premium

C See Schedule P - Part 7A

D Not applicable

E Calculation of nonadmitted retrospective premium

1	Total accrued retrospective premium	$ 24,292,163
2	Unsecured amount	3,102,785
3	Less Nonadmitted amount (10%)	310,279
4	Less Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	393,543
5	Admitted amount (1) - (3) - (4)	$ 23,588,341

25 CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

During the period from January 1, 2013 to December 31, 2013, the prior year-end total loss and loss adjustment expense reserves developed favorably by $187,267,000, resulting from better than expected loss and defense and cost containment (DCC) development primarily in the other liability – occurrence, homeowners, special property, and workers' compensation lines, and from lower estimates for adjusting and other expenses, partially offset by loss and DCC deterioration primarily in the products liability – occurrence and commercial multi-peril lines

The improvement in the other liability – occurrence line was concentrated in the excess coverages for accident years 2004 – 2012 and reflected more favorable legal and judicial environments than what the Company previously expected Also contributing to the improvement was a reallocation of IBNR to products liability – occurrence for recent accident years This improvement was partially offset by unfavorable development in asbestos and environmental reserves for "Prior" accident years The improvement in the homeowners line was driven primarily by better than expected development for catastrophe and non-catastrophe claims for accident years 2011 and 2012 The improvement in the special property line was driven primarily by better than expected development for catastrophe and non-catastrophe claims for accident years 2010 – 2012 The improvement in the workers' compensation line was concentrated in accident years 2008 and prior, and reflected lower than expected medical inflation Lastly, the improvement in adjusting and other expense reserves was driven by improvement in the underlying loss and DCC reserves and by the allocation of adjusting and other expense reserves by year as disclosed in the Schedule P Interrogatories of the Company

The deterioration in the products liability – occurrence line was primarily caused by unfavorable development in asbestos reserves for "Prior" accident years and by a reallocation of IBNR from the other liability – occurrence line for recent accident years The deterioration in the commercial multi-peril line was driven primarily by worse than expected development for the liability coverage for accident years 2008 – 2011

The remaining changes are generally the result of ongoing analyses of recent loss data and trends A portion of the change from prior year effects relates to retrospectively rated policies which are subject to premium adjustments

26 INTERCOMPANY POOLING ARRANGEMENTS

The Company is a participant in the TRV Pool, an intercompany pooling arrangement The lead company of the TRV Pool is Indemnity Under the terms of the arrangement, the property-casualty underwriting risks for substantially all lines of business of the intercompany pool participants are reinsured with Indemnity The pool of net underwriting risks remaining after reinsurance is transacted with third parties by Indemnity is then retroceded to the pool participants based on pool participation percentages The provision for reinsurance and the write-off of uncollectible reinsurance are reported in the statutory financial statements of Indemnity and are not allocated to the other pool participants

The names, NAIC company codes and intercompany pool percentages of the companies participating in the TRV Pool are as follows

TRV Pool Participant	NAIC Company Code	Pool Participation %
St Paul Fire and Marine Insurance Company	24767	24 79
The Travelers Indemnity Company	25658	23 29
Travelers Casualty and Surety Company	19038	20 36
The Phoenix Insurance Company	25623	5 00
The Standard Fire Insurance Company	19070	4 84
United States Fidelity and Guaranty Company	25887	4 41
Travelers Casualty Insurance Company of America	19046	2 73
Farmington Casualty Company	41483	1 48

NOTES TO FINANCIAL STATEMENTS

The Automobile Insurance Company of Hartford, Connecticut	19062	1 37
The Travelers Indemnity Company of Connecticut	25682	1 37
The Charter Oak Fire Insurance Company	25615	1 27
Northland Insurance Company	24015	1 22
St Paul Surplus Lines Insurance Company	30481	0 88
The Travelers Indemnity Company of America	25666	0 77
St Paul Protective Insurance Company	19224	0 58
Northfield Insurance Company	27987	0 52
Travelers Casualty Company of Connecticut	36170	0 47
Travelers Commercial Casualty Company	40282	0 47
Travelers Commercial Insurance Company	36137	0 47
St Paul Mercury Insurance Company	24791	0 40
Travelers Property Casualty Company of America	25674	0 36
Travelers Property Casualty Insurance Company	36161	0 30
The Travelers Casualty Company	41769	0 29
Travelers Constitution State Insurance Company	41750	0 29
TravCo Insurance Company	28188	0 27
Travelers Excess and Surplus Lines Company	29696	0 27
The Travelers Home and Marine Insurance Company	27998	0 27
Travelers Personal Security Insurance Company	36145	0 27
Travelers Personal Insurance Company	38130	0 27
Discover Property & Casualty Insurance Company	36463	0 14
Discover Specialty Insurance Company	10213	0 14
Northland Casualty Company	24031	0 14
American Equity Specialty Insurance Company	10819	0 10
Fidelity and Guaranty Insurance Underwriters, Inc	25879	0 10
St Paul Guardian Insurance Company	24775	0 10

All of the above TRV Pool companies are party to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have contractual rights of direct recovery from the non-affiliated reinsurers under the terms of such reinsurance agreements

As of December 31, 2013 the Company had $54,505,727 receivable from affiliates as a result of its intercompany reinsurance transactions which settled in January 2014

27 STRUCTURED SETTLEMENTS

The Company has purchased annuities from life insurance companies, under which the claimant is the payee and the *Company* is the owner of the annuity contract, to fund structured settlements These annuity contracts are now the direct responsibility of the life insurance companies from whom they have been purchased and claims settled by the purchase of such annuity contracts are treated as closed claims In the event that the life insurance company fails to make the required annuity payments, the Company would be required to make such payments if and to the extent not paid by *state guaranty associations*

The following data represents the Company's proportionate share of structured settlement annuities purchased by members of the TRV Pool (see Note 26)

A

Loss Reserves Eliminated by Annuities	Unrecorded Loss Contingencies
$771,927,256	$771,927,256

B

Life Insurance Company and Location	Licensed in Company's State of Domicile	*Statement* Value of Annuities
Fidelity & Guaranty Life Insurance Company, Baltimore, MD	Yes	$ 229,908,982
MetLife Insurance Company of Connecticut, Bloomfield, CT	Yes	90,782,198
Genworth Life and Annuity Insurance Company, Richmond, VA	Yes	59,328,762
Symetra Life Insurance Company, Bellevue, WA	Yes	56,800,937
All other companies		335,106,377

28 HEALTH CARE RECEIVABLES

Not applicable

29 PARTICIPATING POLICIES

Not applicable

30 PREMIUM DEFICIENCY RESERVES

1	Liability carried for premium deficiency reserves	$ 0
2	Date of the most recent evaluation of this liability	December 31, 2013
3	Was anticipated investment income utilized in the calculation?	Yes

31 HIGH DEDUCTIBLES

At December 31, 2013, the amount of reserve credit recorded by the Company for high deductible policies on unpaid claims was $1,538,384,820 and the amount billed and outstanding on paid claims was $13,191,432 These amounts represent the Company's proportionate share of the TRV Pool (see Note 26)

32 DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

A Except for certain third party administered claims, tabular workers' compensation case reserves have been discounted in accordance with the various state laws under which the benefits are paid The tabular case reserves, as included in Schedule P, reflect a discount rate of 3 5% or as specified by state requirements, generally using the following United States Life Tables

Non-Fatal Cases	United States Life Tables Total Population 1969-71 – MI
	United States Life Tables Total Population 1979-81 – TX
	United States Life Tables Total Population 1999 – FL, NJ & NY
	United States Life Tables Total Male or Total Female 1989-91 – CA
	United States Life Tables Total Male or Total Female 2006 – MA
	United States Life Tables Total Male or Total Female 2000 – MN
	United States Life Tables Total Male or Total Female 1999 – all other states

NOTES TO FINANCIAL STATEMENTS

Fatal Cases	United States Life Tables Total Female 1969-71 – MI *
	United States Life Tables Total Female 1979-81 – TX *
	United States Life Tables Total Female 1989-91 – CA *
	United States Life Tables Total Female 2006 – MA *
	* and the 1979 NCCI Remarriage Table
	New York Mandated Mortality & Remarriage Table – NY
	United States Life Tables Total Female 2000 – MN **
	United States Life Tables Total Female 1999 – all other states **
	** and the Railroad Retirement Board Remarriage Table

Other liability reserves related to annuity obligations from structured settlements are discounted using a discount rate of 5% and reflect the 1983 Individual Annuity Mortality table adjusted for impairment and future mortality improvement

The Company develops loss reserve estimates for workers' compensation tabular claims that are expectations of what the ultimate settlement costs for these claims will be upon final resolution in the future These estimates are based on the Company's assessment of facts and circumstances currently known and, using Company experience, multiple actuarial estimation methods This includes estimates of payment patterns reflecting actual mortality, morbidity and settlement history that relate both to claims currently identified as tabular as well as claims not yet identified as tabular ("IBNR" tabular) The total reserves and the corresponding discount that the Company has established for these claims reflects these multiple estimation methods, payment patterns and a discount rate of 5% The liabilities and discount amounts shown below reflect estimates of the ultimate liability for tabular claims Furthermore, the case vs IBNR discount amounts shown below each reflects estimates of the ultimate resolution costs for these claims case amounts for claims already identified as tabular, IBNR amounts for claims yet to be identified as tabular

The December 31, 2013 liabilities of the Company included $460,652,180 and $28,504,098 of such discounted liabilities related to workers' compensation and other liability-occurrence reserves, respectively The amount of discount for case and IBNR reserves at December 31, 2013 is as follows

Tabular Discount

	Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
		Case	IBNR
1	Workers' Compensation	$93,243,858	$104,934,949
2	Other Liability-Occurrence	3,270,046	41,624,599
3	Total	$96,513,904	$146,559,548

* Excludes medical loss reserves and all loss adjustment expense reserves

B Non-tabular reserves have not been discounted

C No changes in the rates or other key assumptions used to discount prior accident year reserves have been made

33 ASBESTOS/ENVIRONMENTAL RESERVES

The following represents the Company's allocable share of the pooled property-casualty business of the TRV Pool, based on its pro rata participation percentage of 24 79%

A Does the Company have on the books or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses? Yes (X) No ( )

Exposure for asbestos losses arises from liability coverage written many years ago The exposures include bodily injury and property damage losses

Exposure for asbestos losses arises from liability coverage written many years ago The exposures include bodily injury and property damage losses

Because each policyholder presents different liability and coverage issues, the Company generally reviews the exposure presented by each policyholder at least annually Among the factors which the Company may consider in the course of this review are available insurance coverage, including the role of any umbrella or excess insurance the Company has issued to the policyholder, limits and deductibles, an analysis of the policyholder's potential liability, the jurisdictions involved, past and anticipated future claim activity and loss development on pending claims, past settlement values of similar claims, allocated claim adjustment expense, potential role of other insurance, the role, if any, of non-asbestos claims or potential non-asbestos claims in any resolution process, and applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim

The Company continues to be involved in coverage litigation concerning a number of policyholders, some of whom have filed for bankruptcy, who in some instances have asserted that all or a portion of their asbestos-related claims are not subject to aggregate limits on coverage In these instances, policyholders also may assert that each individual bodily injury claim should be treated as a separate occurrence under the policy It is difficult to predict whether these policyholders will be successful on both issues To the extent both issues are resolved in a policyholder's favor and other Company defenses are not successful, the Company's coverage obligations under the policies at issue would be materially increased and bounded only by the applicable per-occurrence limits and the number of asbestos bodily injury claims against the policyholders Although the Company has seen a moderation in the overall risk associated with these lawsuits, it remains difficult to predict the ultimate cost of these claims

The Company's quarterly asbestos reserve review includes an analysis of exposure and claim payment patterns by policyholder category, as well as recent settlements, policyholder bankruptcies, judicial rulings and legislative actions The Company also analyzes developing payment patterns among various policyholders as well as projected reinsurance billings and recoveries In addition, the Company reviews its historical gross and net loss and expense paid experience, year-by-year, to assess any emerging trends, fluctuations, or characteristics suggested by the aggregate paid activity Conventional actuarial methods are not utilized to establish asbestos reserves nor have the Company's evaluations resulted in any way of determining a meaningful average asbestos defense or indemnity payment

1 Direct Basis - Asbestos	2009	2010	2011	2012	2013
a Beginning reserves	$ 769,163,000	$ 721,823,000	$ 678,591,000	$ 633,480,000	$ 608,114,000
b Incurred losses and LAE	39,664,000	51,315,000	34,706,000	31,805,000	43,106,000
c Calendar year payments for losses and LAE	87,004,000	94,547,000	79,817,000	57,171,000	61,085,000
d Ending reserves	$ 721,823,000	$ 678,591,000	$ 633,480,000	$ 608,114,000	$ 590,135,000

NOTES TO FINANCIAL STATEMENTS

2 Assumed Reinsurance Basis - Asbestos	2009	2010	2011	2012	2013
a Beginning reserves	$ 48,163,000	$ 45,231,000	$ 50,005,000	$ 55,267,000	$ 55,713,000
b Incurred losses and LAE	6,198,000	13,633,000	13,635,000	8,102,000	3,995,000
c Calendar year payments for losses and LAE	9,130,000	8,859,000	8,373,000	7,656,000	6,285,000
d Ending reserves	$ 45,231,000	$ 50,005,000	$ 55,267,000	$ 55,713,000	$ 53,423,000

3 Net of Ceded Reinsurance Basis - Asbestos	2009	2010	2011	2012	2013
a Beginning reserves	$ 721,813,000	$ 683,078,000	$ 631,096,000	$ 604,171,000	$ 586,587,000
b Incurred losses and LAE	45,862,000	34,706,000	43,383,000	40,895,000	47,102,000
c Calendar year payments for losses and LAE	84,597,000	86,688,000	70,308,000	58,488,000	53,694,000
d Ending reserves	$ 683,078,000	$ 631,096,000	$ 604,171,000	$ 586,578,000	$ 579,995,000

Where appropriate, these agreements also include indemnities and hold harmless provisions to protect the Company

B Ending loss and LAE reserves for unreported claims included in Part A above

1 Direct Basis	$ 492,304,000
2 Assumed Reinsurance Basis	$ 22,479,000
3 Net of Ceded Reinsurance Basis	$ 470,779,000

C Ending LAE reserves for reported and unreported claims included in Part A above

1 Direct Basis	$ 148,927,000
2 Assumed Reinsurance Basis	$ 487,000
3 Net of Ceded Reinsurance Basis	$ 140,395,000

D Does the Company have on the books or has it ever written an insured for which you have identified a potential for the existence of a liability due to environmental losses? Yes (X) No ( )

Exposure for environmental losses arises from liability coverage written many years ago The exposures include bodily injury and property damage losses

The resolution of environmental exposures by the Company generally occurs through settlements with policyholders as opposed to claimants Generally, the Company strives to extinguish any obligations it may have under any policy issued to the policyholder for past, present and future environmental liabilities and extinguish any pending coverage litigation dispute with the policyholder This form of settlement is commonly referred to as a "buy-back" of policies for future environmental liability In addition, many of the agreements have also extinguished any insurance obligation which the Company may have for other claims, including but not limited to asbestos and other cumulative injury claims The Company and its policyholders may also agree to settlements which extinguish any liability arising from known specified sites or claims Where appropriate, these agreements also include indemnities and hold harmless provisions to protect the Company The Company's general purpose in executing these agreements is to reduce the Company's potential environmental exposure and eliminate the risks presented by coverage litigation with the policyholder and related costs

In establishing environmental reserves, the Company evaluates the exposure presented by each policyholder and the anticipated cost of resolution, if any In the course of this analysis, the Company generally considers the probable liability, available coverage, relevant judicial interpretations and historical value of similar exposures In addition, the Company considers the many variables presented, such as the nature of the alleged activities of the policyholder at each site, the number of sites, the total number of potentially responsible parties at each site, the nature of the alleged environmental harm and the corresponding remedy at each site, the nature of government enforcement activities at each site, the ownership and general use of each site, the overall nature of the insurance relationship between the Company and the policyholder, including the role of any umbrella or excess insurance the Company has issued to the policyholder, the involvement of other insurers, the potential for other available coverage, including the number of years of coverage, the role, if any, of non-environmental claims or potential non-environmental claims in any resolution process, and the applicable law in each jurisdiction The evaluation of the exposure presented by a policyholder can change as information concerning that policyholder and the many variables presented is developed Conventional actuarial techniques are not used to estimate these reserves

In its review of environmental reserves, the Company considers past settlement payments, changing judicial and legislative trends, its reserves for the costs of litigating environmental coverage matters, the potential for policyholders with smaller exposures to be named in new clean-up actions for both on- and off-site waste disposal activities, the potential for adverse development, the potential for additional new claims beyond previous expectations, and the potential higher costs for new settlements

The majority of the net environmental reserve is carried in a bulk reserve which includes unresolved environmental claims, incurred but not reported environmental claims and the anticipated cost of coverage litigation disputes relating to these claims The bulk reserve the Company carries is established and adjusted based upon the aggregate volume of in-process environmental claims and the Company's experience in resolving those claims The balance of the net environmental reserve consists of case reserves

1 Direct Basis - Environmental	2009	2010	2011	2012	2013
a Beginning reserves	$ 83,225,000	$ 82,496,000	$ 74,706,000	$ 71,742,000	$ 70,294,000
b Incurred losses and LAE	20,824,000	9,866,000	16,361,000	19,621,000	17,341,000
c Calendar year payments for losses and LAE	21,553,000	17,656,000	19,325,000	21,069,000	19,845,000
d Ending reserves	$ 82,496,000	$ 74,706,000	$ 71,742,000	$ 70,294,000	$ 67,790,000

2 Assumed Reinsurance Basis- Environmental	2009	2010	2011	2012	2013
a Beginning reserves	$ 15,825,000	$ 13,969,000	$ 13,055,000	$ 14,192,000	$ 17,080,000
b Incurred losses and LAE	247,000	1,290,000	3,470,000	4,917,000	392,000
c Calendar year payments for losses and LAE	2,103,000	2,204,000	2,333,000	2,029,000	1,583,000
d Ending reserves	$ 13,969,000	$ 13,055,000	$ 14,192,000	$ 17,080,000	$ 15,889,000

3 Net of Ceded Reinsurance Basis- Environmental	2009	2010	2011	2012	2013
a Beginning reserves	$ 102,568,000	$ 97,455,000	$ 86,895,000	$ 84,620,000	$ 86,132,000
b Incurred losses and LAE	17,354,000	8,677,000	18,840,000	22,313,000	16,036,000
c Calendar year payments for losses and LAE	22,467,000	19,237,000	21,115,000	20,801,000	20,595,000
d Ending reserves	$ 97,455,000	$ 86,895,000	$ 84,620,000	$ 86,132,000	$ 81,573,000

NOTES TO FINANCIAL STATEMENTS

E Ending loss and LAE reserves for unreported claims included in Part D above

1	Direct Basis	$ 67,003,000
2	Assumed Reinsurance Basis	$ 9,819,000
3	Net of Ceded Reinsurance Basis	$ 75,550,000

F Ending LAE reserves for reported and unreported claims included in Part D above

1	Direct Basis	$ 12,950,000
2	Assumed Reinsurance Basis	$ 16,000
3	Net of Ceded Reinsurance Basis	$ 12,533,000

As a result of the processes and procedures discussed above, management believes that the reserves carried for asbestos and environmental claims at December 31, 2013 are appropriately established based upon known facts, current law and management's judgment However, the uncertainties surrounding the final resolution of these claims continue, and it is difficult to determine the ultimate exposure for asbestos and environmental claims and related litigation As a result, these reserves are subject to revision as new information becomes available and as claims develop The continuing uncertainties include, without limitation, the risks and lack of predictability inherent in complex litigation, any impact from the bankruptcy protection sought by various asbestos producers and other asbestos defendants, a further increase or decrease in the cost to resolve, and/or the number of, asbestos and environmental claims beyond that which is anticipated, the emergence of a greater number of asbestos claims than anticipated as a result of extended life expectancies resulting from medical advances and lifestyle improvements, the role of any umbrella or excess policies the Company has issued, the resolution or adjudication of disputes pertaining to the amount of available coverage for asbestos and environmental claims in a manner inconsistent with the Company's previous assessment of these claims, the number and outcome of direct actions against the Company, future developments pertaining to the Company's ability to recover reinsurance for asbestos and environmental claims and the unavailability of other insurance sources potentially available to policyholders, whether through exhaustion of policy limits or through the insolvency of other participating insurers In addition, uncertainties arise from the insolvency or bankruptcy of policyholders and other defendants It is also not possible to predict changes in the legal, regulatory and legislative environment and their impact on the future development of asbestos and environmental claims This environment could be affected by changes in applicable legislation and future court and regulatory decisions and interpretations, including the outcome of legal challenges to legislative and/or judicial reforms establishing medical criteria for the pursuit of asbestos claims It is also difficult to predict the ultimate outcome of complex coverage disputes until settlement negotiations near completion and significant legal questions are resolved or, failing settlement, *until the dispute is adjudicated This is particularly the case with policyholders in* bankruptcy where negotiations often involve a large number of claimants and other parties and require court approval to be effective As part of its continuing analysis of asbestos and environmental reserves, the Company continues to study the implications of these and other developments

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the Company's current reserves In addition, the Company's estimate of claims and claim adjustment expenses may change These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's operating results in future periods

34 SUBSCRIBER SAVINGS ACCOUNTS

Not applicable

35 MULTIPLE PERIL CROP INSURANCE

Not applicable

36 FINANCIAL GUARANTY INSURANCE

Not applicable

KPMG

KPMG LLP
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755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Directors
The Travelers Companies, Inc and subsidiaries

We have audited the accompanying financial statements of The Travelers Indemnity Company, its Pooled Affiliates, and its 100% Reinsured Pool (the Travelers Combined Pool), which comprise the combined balance sheet (statutory basis) as of December 31, 2013 and 2012, and the related combined statements of income (statutory basis), changes in capital and surplus (statutory basis), and cash flow (statutory basis) for the years then ended and the related notes to combined financial statements (statutory basis)

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the state insurance departments whose jurisdiction the Travelers Combined Pool are subject Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in note 2 to the financial statements, the financial statements are prepared by the Travelers Combined Pool using statutory accounting practices prescribed or permitted by the state insurance departments whose jurisdiction the Travelers Combined Pool are subject, which is a basis of accounting

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other than U S generally accepted accountıng prıncıples Accordıngly, the financıal statements are not ıntended to be presented ın accordance wıth U S generally accepted accountıng prıncıples

The effects on the financial statements of the varıances between the statutory accountıng practıces ın note 2 and U S generally accepted accountıng prıncıples, although not reasonably determınable, are presumed to be material

Adverse Opınion on U.S. Generally Accepted Accountıng Principles

In our opınıon, because of the sıgnıficance of the varıances between statutory accountıng prıncıples and U S generally accepted accounting prıncıples dıscussed ın the Basis for Adverse Opınıon on U S Generally Accepted Accountıng Prıncıples paragraph, the financıal statements referred to above do not present faırly, ın accordance wıth U S generally accepted accountıng prıncıples, the financıal posıtıon of the Travelers Combıned Pool as of December 31, 2013 and 2012, or the results of ıts operatıons or ıts cash flows for the years then ended

Opinıon on Statutory Basıs of Accounting

In our opınıon, the financıal statements referred to above present faırly, ın all materıal respects, the admıtted assets, lıabılıtıes, and surplus of the Travelers Combıned Pool as of December 31, 2013 and 2012, and the results of ıts operatıons and ıts cash flow for the years then ended, ın accordance wıth statutory accountıng practıces prescrıbed or permıtted by the respectıve ınsurance departments of the states ın whıch the Travelers Combıned Pool members are domıcıled as descrıbed ın note 2

Other Matter

Our audıts were conducted for the purpose of formıng an opınıon on the financıal statements as a whole The supplementary ınformatıon ıncluded on the Combınıng Worksheets, Summary Investment Schedule, Supplemental Investment Rısks Interrogatorıes, and Property and Casualty Interrogatorıes Relatıng to Reınsurance ıs presented for purposes of addıtıonal analysis and ıs not a requıred part of the financıal statements but ıs supplementary ınformatıon requıred by the state ınsurance departments whose jurısdıctıon the Travelers Combıned Pool are subject Such ınformatıon ıs the responsıbılıty of management and was derıved from and relates dırectly to the underlyıng accountıng and other records used to prepare the financıal statements The ınformatıon has been subjected to the audıtıng procedures applıed ın the audıts of the financıal statements and certaın addıtıonal procedures, ıncludıng comparıng and reconcılıng such ınformatıon dırectly to the underlyıng accountıng and other records used to prepare the financıal statements or to the financıal statements themselves, and other addıtıonal procedures ın accordance wıth audıtıng standards generally accepted ın the Unıted States of Amerıca In our opınıon, the ınformatıon ıs faırly stated ın all materıal respects ın relatıon to the financıal statements as a whole

KPMG LLP

Aprıl 22, 2014