The Travelers Companies, Inc.

First Quarter 2024 Results Teleconference

April 17, 2024, 9:00 a.m. ET

CORPORATE PARTICIPANTS

Alan Schnitzer – *Chairman and Chief Executive Officer*

Dan Frey – *Executive Vice President and Chief Financial Officer*

Greg Toczydlowski – *Executive Vice President and President of Business Insurance*

Jeff Klenk – *Executive Vice President and President of Bond & Specialty Insurance*

Michael Klein – *Executive Vice President and President of Personal Insurance*

Abbe Goldstein – *Senior Vice President of Investor Relations*

This transcript is a textual representation of The Travelers Companies, Inc. (Travelers) conference call on April 17, 2024, at 9:00 a.m. EST and is provided by Travelers only for reference purposes. This transcript should be read with the accompanying webcast, related press release and financial supplement which are available on Travelers website www.travelers.com. While efforts are made to provide an accurate transcription, there may be inaccuracies or omissions in the attached transcript.

The information in this transcript is current only as of the date of the earnings conference call transcribed herein and may have subsequently changed materially. Travelers does not update the information in this transcript to reflect subsequent developments or to delete outdated information and assumes no duty to do so. For further information, please see Travelers reports filed with the SEC pursuant to the Securities Exchange Act of 1934 which are available at the SEC's website (www.sec.gov).

Operator
Good morning, ladies and gentlemen. Welcome to the first quarter results teleconference for Travelers.

We ask that you hold all questions until the completion of formal remarks, at which time you will be given instructions for the question-and-answer session.

As a reminder, this conference is being recorded on April 17, 2024. At this time, I would like to turn the conference over to Ms. Abbe Goldstein, Senior Vice President of Investor Relations. Ms. Goldstein, you may begin.

Abbe Goldstein
Thank you. Good morning, and welcome to Travelers' discussion of our first quarter 2024 results. We released our press release, financial supplement and webcast presentation earlier this morning. All of these materials can be found on our website at travelers.com under the Investors section.

Speaking today will be Alan Schnitzer, Chairman and CEO; Dan Frey, Chief Financial Officer; and our three segment Presidents: Greg Toczydlowski of Business Insurance, Jeff Klenk of Bond & Specialty Insurance and Michael Klein of Personal Insurance. They will discuss the financial results of our business and the current market environment. They will refer to the webcast presentation as they go through prepared remarks, and then we will take your questions.

Before I turn the call over to Alan, I'd like to draw your attention to the explanatory note included at the end of the webcast presentation. Our presentation today includes forward-looking statements. The company cautions investors that any forward-looking statement involves risks and uncertainties and is not a guarantee of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements due to a variety of factors.

These factors are described under forward-looking statements in our earnings press release and in our most recent 10-Q and 10-K filed with the SEC. We do not undertake any obligation to update forward-looking statements. Also, in our remarks or responses to questions, we may mention some non-GAAP financial measures. Reconciliations are included in our recent earnings press release, financial supplement and other materials available in the Investors section on our website.

And now I'd like to turn the call over to Alan Schnitzer.

Alan Schnitzer
Thank you, Abbe. Good morning, everyone, and thank you for joining us today.

We are very pleased to report excellent top- and bottom-line results for the quarter. Core income was $1.1 billion or $4.69 per diluted share, generating core return on equity of 15.4%. After-tax core income increased by $126 million despite a $211 million one-time tax benefit in the prior year quarter.

On a pre-tax basis, this year's core income was $413 million, or 45% higher year-over-year. Strong core income was driven by record net earned premiums of $10.1 billion, up 14% compared to the prior year period and an excellent combined ratio of 93.9%. The combined ratio improved 1.5 points, notwithstanding elevated catastrophe activity, primarily in the Central and Eastern regions of the United States. The underlying combined ratio improved 2.9 points to an outstanding 87.7%, driven by strong underlying results in each of our three segments.

Looking at the two commercial segments together, the aggregate BI, BSI underlying combined ratio was an excellent 88.8% for the quarter. The underlying combined ratio in Personal Insurance was 86.1% a 6.8-point improvement over the prior year.

Turning to investments. Our high-quality investment portfolio continued to perform well, generating after-tax net investment income of $698 million for the quarter, driven by strong and reliable returns from our growing fixed income portfolio and higher returns from our non-fixed income portfolio. Our underwriting and investment results, together with our strong balance sheet, enabled us to grow adjusted book value per share after returning $620 million of excess capital to shareholders through dividends and share repurchases, and making important investments in our business as we notched another quarter of successful execution on a number of important strategic initiatives.

In recognition of our strong financial position and confidence in the outlook for our business, I'm pleased to share that our Board of Directors declared a 5% increase in our quarterly cash dividend to $1.05 per share, marking 20 consecutive years of dividend increases, with a compound annual growth rate of 8% over that period.

Turning to the top line. We grew net written premiums by 8% to $10.2 billion in the quarter. All three segments and excellent execution by our colleagues in the field contributed to our top line success. In Business Insurance, we grew net written premiums by 9% to $5.6 billion. Renewal premium change remained very strong at 10.6%, while retention remained high. The combination of strong pricing and retention reflects deliberate execution on our part and a marketplace that continues to be generally disciplined in the face of persistent headwinds. The segment generated a very strong $691 million of new business in the quarter, a reflection of the fact that our customers and distribution partners value the products and services that we offer and the experiences that we provide.

In Bond & Specialty Insurance, we grew net written premiums by 6% to $943 million. That was driven by strong retention of 90% and record new business in our high-quality Management Liability business, along with excellent production in our market-leading Surety business, where net written premiums were up 15%. Given the attractive returns, we are very pleased with the strong production results in both of our commercial business segments.

In Personal Insurance, continued strong pricing drove 9% growth in net written premiums. Renewal premium change was 16.6% in our Auto business and 13.4% in Home. We'll hear more shortly from Greg, Jeff and Michael about our segment results.

Before I turn the call over to Dan, I'll share that more than 100 of my Travelers colleagues and I just returned from our Travelers Leadership Conference – TLC as we call it. It's a multi-day event that we host every year for the principals and senior leaders of our most significant distribution partners. Most of our guests have been coming for years, some for decades. We're also pleased every year to host a number of first-timers.

The represented firms are industry leaders and collectively account for more than half of our premium volume. We all returned home with the continued confidence that our relationships with these business partners and their firms are strong as ever. We confirmed that they remain very supportive of the strategic initiatives that we have underway, and we took away valuable feedback on how we can accomplish even more together. The independent agent and broker channel remains a robust and growing part of our industry. At Travelers, we proudly partner with more than 15,000 agent broker firms across their 35,000 locations.

We're a top three markets for the majority of these firms. That's a critical advantage because distributors place a disproportionate amount of their business with their top few carriers. We don't take these relationships for granted. As we've shared before, the vision for our innovation agenda includes optimizing our value proposition as an indispensable partner to our agents and brokers.

We continue to make significant investments to ensure that we realize that vision by offering best-in-class products, services and experiences. Case in point, in our Bond & Specialty business, we recently conducted a blind survey of agents and brokers, ours and others, to determine how we ranked on the 10 attributes they identified as most likely to impact their placement decisions.

Among our key competitors, we ranked first or tied for first in each of the 10 categories. We hear over and over again that Travelers deep specialization across a wide range of modernized, simplified and tailored products, along with a broad and consistent appetite are major differentiators for us in the market. For example, in Business Insurance, we offer a wide variety of coverages and product solutions, admitted and E&S across industries representing more than 85% of domestic GDP. Everything from a BOP product for local florist to a package solution for a Main Street middle market account, to loss-sensitive workers' compensation for a large national account.

Across our three business segments, our distribution partners generally don't need to go to multiple carriers to satisfy customers' insurance needs. And the more lines per account we write, the higher the lifetime value of the customer. A primary focus of ours has been digitizing the value chain, in part to create value and provide great experiences for our agents and brokers and in part to create efficiencies for them and for us. I'll share a few examples.

In Business Insurance, we believe we were the first to offer agents and brokers a comprehensive portfolio loss data exchange, which allows us to digitally transfer to a small commercial or middle market distributor loss information on their entire book with us. This capability enables our distribution partners to efficiently develop important insights into their books of business and supports their marketing efforts. In our middle market business, we believe we were the first carrier to offer multi-line digital submission capabilities.

In our Small Commercial business, agents can transact with us through APIs or through our new quote and issue platform, TRAVIS, which has reduced quoting time by 25% for our leading BOP product. Across Business Insurance, nearly all of our largest distributors are currently leveraging one or more of our digital capabilities.

In Personal Insurance, earlier this year, we added our proprietary aerial imagery viewer to our agent portal. This advanced capability integrates a high-resolution over-time photo series of a home into agents quoting workflow. This gives our partners a bird's eye view, helping them to better understand that customers or prospects insurance needs and how they may have evolved. We bring our franchise value directly to agents and brokers through distribution, underwriting, sales and claim professionals in more than 80 local offices. Through our expansive and empowered field organization, we foster deep relationships with our partners and are well positioned to deliver the strength and expertise of Travelers at the local level.

We're also investing in our distribution partners' workforces by providing education and training programs to their up-and-coming producers. Our flagship Travelers Agency Leadership Program and agency producer school provide in-person training to invited participants. We also offer larger virtual programs that have trained thousands of producers, including more than 3,000 just last year. We remain deeply committed to our vision of being the undeniable choice for the customer and an indispensable partner to our agents and brokers. Our pole position with leading distributors is a significant competitive advantage and one that's hard to replicate.

To sum it up, the year is off to a terrific start with strong profitability and production in all three segments, as well as higher investment income. In short, 'we're firing on all cylinders. We also continue to invest in important strategic initiatives. We have demonstrated success in executing our innovation strategy, which has contributed to superior returns with industry low volatility, growth in our premium base, and higher adjusted book value per share.

With this momentum and the best talent in the industry, we remain well positioned for success this year and beyond.

And with that, I'm pleased to turn the call over to Dan.

Dan Frey
Thank you, Alan. Core income for the first quarter increased by 13% to $1.1 billion and core return on equity was 15.4%. The growth in core income was driven by higher net investment income and, despite the one-time tax benefit in the prior year that Alan mentioned, higher underlying underwriting income, partially offset by a higher level of catastrophe losses.

Our pre-tax underlying underwriting gain of $1.2 billion was up 50% from the prior year quarter, reflecting higher levels of earned premium and an underlying combined ratio that improved by 2.9 points to 87.7%. The underlying combined ratio was among our best ever and featured continued strong results in both Business Insurance and Bond & Specialty, complemented by a strong result in Personal Insurance, reflecting another quarter of significant improvement.

We were pleased with the first quarter expense ratio of 28.7%, which was flat year-over-year despite the impact of Corvus, for which we had a full quarter of expenses but very little earned premium, as there was no unearned premium carried in from the closing of the transaction on January 2. For the full year, we remain comfortable with an expense ratio expectation of 28% to 28.5%. We reported net favorable prior year reserve development of $91 million pre-tax in the first quarter. There was no net prior year reserve change in Business Insurance as favorable development in Workers' Comp of nearly $100 million was largely offset by modest increases for Liability coverages in recent accident years, along with modest charges in our run-off book. In Bond & Specialty, net favorable PYD of $24 million pre-tax was driven by better-than-expected results across multiple lines. Personal Insurance recorded net favorable PYD of $67 million pre-tax, with improvements in both Auto and Home.

After-tax net investment income increased 25% from the prior year quarter to $698 million. Fixed income NII was higher than in the prior year quarter and in line with our expectations, benefiting from both higher yields and a higher level of invested assets. Returns in our non-fixed income portfolio were also up from last year's quarter. Our updated outlook for fixed income NII, including earnings from short-term securities, is $640 million after tax in the second quarter growing to approximately $665 million in the third quarter and then to around $690 million in the fourth quarter.

Regarding income taxes in the first quarter, recall that last year's quarter included a one-time tax benefit of $211 million related to the repeal of Internal Revenue Code Section 847 and that's the main reason you see a higher effective tax rate in this year's quarter.

Turning to capital management. Operating cash flows for the quarter of $1.5 billion were again very strong and we ended the quarter with holding company liquidity of approximately $1.6 billion. As interest rates increased during the quarter, our net unrealized investment loss increased from $3.1 billion after-tax at year-end to $3.7 billion after-tax at March 31. Remember, the changes in unrealized investment gains and losses do not impact how we manage our investment portfolio. We generally hold fixed income investments to maturity. The quality of our fixed income portfolio remains very high and changes in unrealized gains and losses have little or no impact on our cash flows, statutory surplus, or regulatory capital requirements.

Adjusted book value per share, which excludes unrealized investment gains and losses, was $125.53 at quarter end, up 2% from year-end and up 8% from a year ago. Share repurchases this quarter included $250 million of open market repurchases. We had an additional $138 million of buybacks in connection with employee share-based compensation plans. We have approximately $5.8 billion remaining under prior Board authorizations for share repurchases. Dividends were $232 million in the quarter and as Alan mentioned earlier, our Board authorized a 5% increase in the quarterly dividend to $1.05 per share. In summary, the quarter's strong results once again demonstrate the significant earnings power of our ability to grow premiums across our well-diversified book of business while maintaining very attractive margins, along with steadily increasing net investment income from our growing fixed income portfolio.

And with that, I'll turn the call over to Greg for a discussion of Business Insurance.

Greg Toczydlowski
Thanks, Dan. Business Insurance continues to deliver exceptional results with a strong first quarter of 2024 and in terms of both the top and bottom lines. Segment income of $764 million was up from the first quarter of 2023, driven by higher net investment income and higher pre-tax underlying underwriting income. We're once again particularly pleased with the quarter's exceptionally strong underlying combined ratio of 89.2%, among our best ever.

Net written premiums increased 9% to an all-time quarterly high of $5.6 billion. Renewal premium change was once again historically high at 10.6% with renewal rate change of 7%, driving most of the strong pricing. Retention remained excellent at 86% and new business of $691 million was an all-time first quarter high. Let me give you a little more texture on the continued strong pricing environment. Renewal rate change remained high, coming in at 7% or higher for the fourth quarter in a row. It was also up almost 2.5 points from the first quarter of 2023. In our Select and core Middle Market Businesses, renewal rate remained consistent with the fourth quarter. Renewal rate change in our National Property book was strong and in the double digits, but down a couple of points sequentially. That's an appropriate result threading the needle between healthy returns in the business and continued weather volatility. From a line perspective, Umbrella, Property and Auto led the way, all with renewal rate change in or very close to double digits.

Renewal rate change was higher compared to the preceding and prior year quarters in GL, Umbrella, Auto and CMP. In Workers' Comp, renewal rate change was about 0.5 point more negative than the preceding and prior year quarters. With continued healthy exposure, renewal premium change in Comp continues to be positive in the low single digits. Again, an appropriate result given the strong results in the line. Retention remained healthy across the board. We're pleased with our production results, the exceptional granular execution by our field organization and the resulting growth in top line and attractive margins.

As for the individual businesses, in Select, renewal premium change remained strong at 10.4% with renewal rate change of 4%, consistent with the fourth quarter and up more than two points from the first quarter of 2023. Retention also remained strong at 84%, while new business increased 22% from the prior year quarter to $156 million driven by the continued success of our BOP 2.0 product. We're also encouraged with the impact we're seeing from TRAVIS, our new front-end rate quote and issue interface platform that Alan mentioned.

In Middle Market, renewal premium change was 10% with renewal rate change of 7%, consistent with the strong fourth quarter result and up close to three points from the prior year quarter. Retention remained strong at 87%.

To sum up, Business Insurance had a great start to the year. We continued to grow our profitable book while investing in capabilities to enhance our position as the undeniable choice for the customer and an indispensable partner for our agents and brokers.

With that, I'll turn the call over to Jeff.

Jeff Klenk
Thanks, Greg. Bond & Specialty started the year with another quarter of strong returns and our 29th consecutive quarter of profitable net written premium growth. Segment income was $195 million, driven by strong earned premiums and a combined ratio of 84.5%. Underneath the combined ratio, the underlying loss ratio improved 2.7 points to an excellent 46.4%. As Dan mentioned, the expense ratio was elevated compared to recent periods, primarily due to the Corvus acquisition. We expect that to continue to be the case for the next several quarters as we integrate and earn in Corvus' business.

Turning to the top line. We grew net written premiums by 6% in the quarter. In our high-quality Domestic Management Liability business, we again delivered excellent retention of 90% with slightly higher sequential renewal premium change. We grew new business by 34% from the prior year quarter to a record $91 million driven by Corvus production. As a reminder, we are in the midst of transitioning Corvus' $200 million profitable book of business onto Travelers paper, which will continue to be reflected in our new business production in the coming quarters. Net written premiums in our market-leading Surety business grew a terrific 15%, reflecting continued strong demand for our Surety bonds.

So we're pleased to have once again delivered strong top- and bottom-line results this quarter.

And now I'll turn the call over to Michael.

Michael Klein
Thanks, Jeff. Good morning, everyone.

I'm pleased to report Personal Insurance generated first quarter segment income of $220 million and a combined ratio of 96.9%, both of which are significantly improved relative to the prior year quarter. The underlying combined ratio of 86.1% reflects a 6.8-point improvement compared to the prior year quarter, driven by higher earned pricing in both Automobile and Homeowners & Other.

Net written premiums grew 9% as a result of continued price increases in both Auto and Home. In Automobile, the first quarter combined ratio of 94.6% improved 10 points compared to the prior year, primarily reflecting a lower underlying combined ratio as well as favorable prior year development. The underlying combined ratio of 94.9% improved 8.5 points compared to the prior year, driven by the benefit of higher earned pricing. At the same time, vehicle severity trends moderated, and the quarter also included a modest frequency benefit from the mild winter.

As a brief reminder, the first quarter underlying combined ratio is typically our seasonally lowest in Auto. We are very pleased with the trajectory of Auto profitability. In Homeowners & Other, the first quarter combined ratio of 99.1% was impacted by higher catastrophe losses, reflecting an active cat quarter with 19 PCS-designated events for the industry more than 50% higher than the long-term average. The underlying combined ratio of 77.6% improved five points primarily driven by the impact of earned pricing. Turning to production. Our results demonstrate continued disciplined execution of rate and non-rate measures to balance profitability and growth. In Domestic Automobile, retention of 82% remains strong, and renewal premium change of 16.6% was consistent with our expectations. Given the improving profitability of our book, we continue to expect renewal premium change to moderate throughout 2024.

New business premium was consistent with the prior year quarter. Underneath this headline number, new business volumes grew in states where we have achieved written rate adequacy. In Homeowners & Other, retention of 84% remains strong and was consistent with recent quarters. Renewal premium change of 13.4% reflected higher renewal rate change and was consistent with our expectations, as we have largely closed the gap in insurance to value. We expect renewal premium change to remain at these levels throughout 2024 as we continue to seek rate in response to elevated loss costs. The declines in Homeowners' new business and policies in force reflect our ongoing efforts to thoughtfully deploy capacity as we continue to manage rate adequacy, catastrophe risk and regulatory risk.

Personal Insurance team has made notable progress on improving the underlying fundamentals of our business, while sustaining investments in key capabilities for the future. We're moving closer to our goal of delivering target returns. Auto profitability continues to improve. We have reached written rate adequacy in all but a few states and are continuing to temper non-rate actions accordingly. For Homeowners, we remain focused on managing growth while improving profitability. At the same time, we're delivering key strategic capabilities.

In February, we completed two noteworthy product launches. One in Boat 2.0 in the U.S. and Optima Home in Canada. Quantum Boat 2.0 delivers a better agent and customer experience with improved segmentation and strengthens our position as a provider of total account solutions, building on the success of Quantum Auto 2.0 and Quantum Home 2.0. Optima Home is an extension of our market-leading Quantum Home 2.0 Property product, enabling us to deliver a more robust total account solution in the Canadian market. Both product launches mark further progress on our journey to modernize our products and platforms, making us an even more compelling choice for customers and distributors.

To sum it up, I'm very pleased with the positive start to the year in Personal Insurance and grateful to our team.

Now I'll turn the call back over to Abbe.

Abbe Goldstein
Thank you. We're ready to open up for questions.

Operator
Thank you. If you would like to ask a question, simply press star one on your telephone keypad. If you would like to withdraw your question, press star one again. Please ensure that your phone is not on mute when asking your question.

Your first question comes from the line of David Motemaden of Evercore. Your line is open.

David Motemaden
Hi, thanks, good morning.

I had a question just on the more recent accident year reserve increases in Business Insurance and some of those Liability lines that Dan was highlighting. I'm wondering, is there any more detail you can provide here with regards to specific accident years? It sounded like GL and also, I don't think you guys are alone and seeing some adverse on these years, which – but I think everyone had thought that these were better priced years relative to '19 and prior. So could you just talk about what exactly is the disconnect here and why there are some adverse coming on those years?

Dan Frey
Hi David, it's Dan. Sure. So I'll take that. So yes, by more recent accident years, we're not talking about '15 through '19, we're talking about years more recent than that. I guess the thing I'll reiterate from my comments is we're talking about some pretty small movements here. So we had some adverse in those recent accident year Liability lines. We also had some modest charges in the run-off book. I think what we're doing here, David, is trying to be reactive to all the information we're seeing those recent accident years in the Liability lines, which tend to take longer to develop and be on the books for a while, are more leveraged to IBNR. We're just trying to get some more IBNR into those lines to recognize that uncertainty.

Alan Schnitzer
David, it's Alan. The other thing I'd add is, there's not any significant new developments here. These are generally the same trends we've been talking about for a long time, a little more of the same. And again, to reiterate Dan's comment, when you look at the overall reserves we have for these lines, these are very small adjustments.

David Motemaden
Got it. Okay. That's helpful. And then maybe just switching gears to the Personal Auto business. Michael, I think you had mentioned that there was maybe some benefit just from mild frequency given a warmer than typical first quarter. Is there any way you could size that just to help us think about the sustainability of the improvement in the Auto business?

Michael Klein
Yes. Sure, David. I think the mild frequency impact on the underlying combined ratio was a little less than a point.

David Motemaden
Great, thank you.

Operator
Your next question comes from the line of Gregory Peters with Raymond James. Your line is open.

Gregory Peters
Good morning, everyone.

So for the first question, I'll focus on the Business Insurance segment. In the comments and in the stats, I think there's 7% or higher renewal rate change for four consecutive quarters, and you – and retention seems to be holding up, maybe slipping a little bit. Maybe you could step back and give us some context about – or texture, I think, is a word to use, about the competitive environment. Curious, given all the rate change that's coming through, why we haven't seen more aggressive actions on behalf of some of the competitors yet or maybe it's – they're still reconciling previous year's results as well. I don't know. Just some color there would be helpful.

Alan Schnitzer
Good morning, Greg, it's Alan. I'll start and then turn it over to Greg. Hard for us to comment for competitors, but we do think that in the pricing we've been able to achieve with these retentions, you do see a reflection of the competitive environment. And I'd say that everybody is – well, what we would speculate is that everybody is reacting to the same things that we're reacting to. I mean there's – returns are in a much better place after years of pricing and improvements in terms and conditions. But there are some headwinds and some uncertainty out there. And it's all the things we've talked about. There's social inflation, economic inflation, a tight labor market, weather, geopolitics, I think, puts a certain lens over the way we all see the world. And so, I suspect what you have is a marketplace that's reacting to an overall level of risk and uncertainty.

Gregory Peters
Okay. I guess I'll pivot then, if you look at the proxy statement, I know ROE targets a very important metric for you all. I think the target was 12.8% for '23, up from 11.6% from '22. Can you talk about how you're looking at the ROE targets for the company for '24, please?

Alan Schnitzer
Yes, I don't think we're going to share that target. It gets competitively sensitive and close to pricing. But I will say we think about that in terms of the overall outlook for our business. We think about the rate at which the interest rate environment is earning into the fixed income portfolio, which turns over on a lag basis. And we think about really what we want to achieve as a margin over both the 10-year treasury and our cost of equity. So that's – those are the things we think about as we put the plan together. Dan, anything else I'm missing there?

Dan Frey
No, you got it all.

Gregory Peters
Got it, thanks.

Alan Schnitzer
Thank you.

Operator
Your next question comes from the line of Elyse Greenspan with Wells Fargo. Your line is open.

Elyse Greenspan
Hi, thanks.

My first question is on Personal Auto. I think you guys said that Q1 is seasonally the lowest combined ratio quarter. But you still have a good amount of rate earning in, in the book. So shouldn't that obscure some of the seasonality? Or would you expect Q1 to be better from a combined ratio perspective on the underlying side relative to the other three quarters of the year, even knowing you have rate to earn in.

Michael Klein
Sure, Elyse. It's Michael. So just taking a step back and talking about Auto, the seasonality comment is a long-term average comment. Typically, Q1 is roughly three points lower than the overall combined ratio for the year. But that's, again, a long-term average and largely an all-else equal environment. So that three points doesn't adjust for earned effect of pricing, potentially having impact in the back half of the year and so you have to make an adjustment for that, no question.

But again, I would just take a step back and maybe put a little more color around my response to David as well, right? So the mild winter weather benefit we would view as sort of a one-off in the quarter that we wouldn't expect to continue – we don't see any reason to assume adjusted for that. That seasonality is any different today than it was historically – and at the end of the day – to the premise of your question, the earned effect of pricing is far, in a way, the biggest driver of the improvement in the quarter, and there's more of that to come going forward.

Elyse Greenspan
Thanks. And then my second question, I wanted to go back to the Liability reserve increase in the quarter. Can you give us a sense if there were some additions, I know the numbers are modest, like you guys said, an accident year 2023. And then given the additions you see here, are you adjusting your longer trend – long-term loss trend assumption for the Liability lines following this?

Dan Frey
Elyse, it's Dan. I'll start with the PYD piece and avoid the temptation of splitting what is a small number to begin with into its individual accident years. So we're not going to do that. I do think if you look at the results in Business Insurance, we talked about the fact that you saw some improvement in the underlying combined ratio, including in the underlying loss ratio. You have the benefit of pricing and a couple of other things like mix, which we talked about last quarter.

At the same time, like in any quarter, you've got some puts and takes, and one of those puts and takes in this quarter is booking a little bit more IBNR in the current accident year to reflect some of the uncertainty that we're seeing. Not big numbers, but we are reacting to it.

Elyse Greenspan
Thank you.

Operator
Your next question comes from the line of Brian Meredith with UBS. Your line is open.

Brian Meredith
Yes, thanks. First one for Michael. Michael, I'm just curious, one of your competitors in the Personal Auto space is showing some pretty strong growth in policies in force really kind of capitalizing on the market. I'm just curious, are you in a position at this point to kind of go after and get some growth given how your results have improved so much?

Michael Klein
Sure, Brian. Thanks for the question. Certainly, again, underneath the results in the quarter, if you look at it on a state-by-state basis, states where we have achieved written adequacy, we did achieve new business premium growth. And consistent with our comments last quarter, what I would say to you is we're executing a very granular state-by-state geography-by-geography strategy as we look to temper some of the non-rate actions that we had in place in Auto.

And if you take a step back, if you look at it over the last couple of years, we have a small increase in policies in force in Auto over the last couple of years or so. We've got a small decrease in Property, all while premiums are up 30-plus percent. So we feel pretty good about the starting point. And directly to your question, our focus in Auto is on profitably growing Auto on a go-forward basis. Our focus on Home remains on improving profitability. And so that's why we talk about sort of balancing profitability and growth across the whole portfolio.

Brian Meredith
Makes sense, thanks. And then a follow-up on the business insurance. Alan, Greg, I wonder if you could kind of dissect kind of the competitive landscape kind of Large, Middle, Small, are any of them kind of incrementally more competitive? It feels like Small Middle seems to be a little more stable right now than maybe the Large from what we're hearing in the marketplace.

Alan Schnitzer
Brian, let me just comment, I'll turn it to Greg. I think all of these markets are always competitive all the time, and that's sort of the way we think about it. So I'm not sure. I mean, as Greg shared in his prepared remarks, to the extent that you're thinking about renewal price change as a proxy for competition – and I don't think it is, by the way – that did come down a couple of points, but again, still among our highest rate achieved in any line at double digits and a reflection of terrific returns in the line. So I don't think there's been any sea change in – or any significant shift among those businesses. I'd said, it's competitive business that we have. I don't know, Greg, what's your thought.

Greg Toczydlowski
Yes. Maybe I'll touch on new business since Alan just hit on rate. And you can see on the new business, we had a real strong quarter in Small Commercial, up 22%. So that we are seeing a little more dislocation in that market than we are in Middle Market, but the combination of our new segmented products, BOP 2.0 and our new Commercial Automobile product, we feel terrific about our position there and where we're writing that new business and at what returns we're going to achieve there.

Middle Market still had – the delta wasn't as big on new business, but we had a record result in the first quarter of the prior year. So really strong new business levels. So – and not as much dislocation, Brian, in the Middle Market, but really feeling good about the combination of where the returns are. And our field teams staying really active on the new business front.

Brian Meredith
Terrific, thank you.

Operator
Your next question comes from the line of Ryan Tunis with Autonomous Research. Your line is open.

Ryan Tunis
Thanks, good morning.

I just had a couple, I guess, on exposure acting as rate - exposure active as rate has clearly been a tailwind in particular, for margins. It's been flagged for the past couple of years, especially in the Workers' Comp line. But this is the first quarter in a long time, I think I've seen that Workers' Comp NPW shrink year over year. So curious sort of what dynamic might be going on there.

Greg Toczydlowski
Yes. Good morning, Ryan, how are you doing, this is Greg. Yes, exposure continues to be strong, down somewhat as you look at the business is not a surprise to us as the Fed has been very active in curtailing inflation. So definitely, we're seeing some of that in Workers' Comp. But the primary driver of the down in Comp is – we do still have rate reductions, as I shared in my prepared comments, relative to the other products. And as we're an account solution, we're going to remain very active and disciplined with our underwriting. And as we invoke both of those dynamics in the business, that's what drove the overall net written premium change in the Comp line.

Ryan Tunis
Got it. And I guess if I look at the overall – the exposure is still positive across the book. So clearly something else is picking that up. On the Property side, are you guys still getting positive exposure adjustments from like insured value adjustments? Or is that really just kind of a 2023 catch-up thing that's already happened?

Greg Toczydlowski
Yes. As you can imagine, it's somewhat linear with inflation, Ryan. So '23, we had some record results of trying to keep up with the replacement cost and building materials. So it's down somewhat from '23, but still up overall.

Alan Schnitzer
Ryan, as a macro comment, if you look at that exposure, it's easy to get very focused on recent periods. But if you look at that number over time, it's a pretty healthy number that I think is consistent with what is today a pretty healthy economy.

Ryan Tunis
Thank you.

Operator
Your next question comes from the line of Meyer Shields with KBW. Your line is open.

Meyer Shields
Great, thanks. If I can stick with Property for effect in the last year when we track renewal pricing changes. It sort of peaked in the second and third quarter. And I'm wondering whether there's a seasonal element to that? Or we should just sort of follow that curve to anticipate smaller rate increases because of the reduced indicated need over the course of 2024.

Greg Toczydlowski
Meyer, yes, there really isn't a seasonal element of pricing overall. Our field underwriters are going to look at the exposure at hand and the renewal book will change over time as we write incremental new business. And so overall, it's dependent on the exposures that come up for that particular quarter. That's more of the dynamic than any seasonality.

Dan Frey
Meyer, it's Dan. I'll just add, in case your question is not just seasonality of pure price change, but within the Property line, there's some seasonality of its mix on a written premium basis. And to your point, and you could see it in the financial supplement, the second and third quarters tend to be relatively higher levels of Commercial Property compared to what comes up in Q1 and Q4.

Meyer Shields
Okay. That's very helpful. Thank you.

If I can switch gears, I wanted to talk a little bit about Workers Compensation reserve releases. And based on the statutory numbers, there were like $900 million of releases in 2023, and I think you said less than $100 million this quarter. So that's slowing down. I was hoping you could maybe break that down either by accident year or the difference between actual claim emergence versus indications?

Dan Frey
Yes, Meyer, it's Dan. So again, I'm going to resist the temptation to do it by accident year. It's multiple accident years in Comp as it normally is. We're really just going through the same robust and disciplined review process every quarter in Comp and in every line. We'll go through the latest data. We'll look at how it might have varied from what our actuarial models would have expected. And we'll do our best to determine the reasons why the actual varied from expected and book the necessary adjustments accordingly. And the number is just sort of going to be what it's going to be. And – if you think about this quarter versus last quarter or this quarter versus next quarter in any particular line, prior year reserve development might be more, might be less. We'll wait and see what the data tells us. But it's more of the same in terms of thematically what's coming through.

We have continued to make assumptions around what long-term severity is going to be. We have assumptions around what frequency is going to be. The net of those things is there's been some more good news in the first part of this year.

Alan Schnitzer
Meyer, I'll also add that as we – one part of our consideration process as we go through this is to make sure that we're appropriately reflecting our thoughts about uncertainty. So that's just something to keep in mind.

Meyer Shields
Okay, that's very helpful. Thank you so much.

Operator
Your next question comes from the line of Mike Zaremski of BMO. Your line is open.

Mike Zaremski
Hi, great, good morning.

Maybe a question on the Business Insurance segment, when we look at the underlying combined ratio, it's shown a nice trend of, I guess, improvement versus prior years. And that's kind of despite you all kind of topping off IBNR and kind of adding to reserves on recent vintages. And so just curious about that dynamic – how was it that your view of kind of the underlying has stayed excellent kind of – and not kind of, I'm drifted a bit higher as you've taken some just small actions. Is it – and is it just pricing power has been you think, just much higher than loss cost trend? Or just any color on that would be helpful.

Alan Schnitzer
Let me start, and I'll turn it over to you, Dan. So – we understand that sometimes the investment community can get very focused on a couple of metrics as you think about what drives it, but that's really not the way it comes together. It comes together through all the things that impact margins. And so if you look at the excellent result this quarter, earned pricing was a significant benefit. Favorable mix was a little bit of a benefit. And then there were some small items going the other way that partially offset some of that benefit.

As Dan mentioned, we booked a little bit more IBNR as a reflection of uncertainty, a little bit of non-cat weather, a little bit of discrete large loss activity. None of those things significant. And as you can tell from the fact that it was an excellent and improving number, but every quarter, there are just a bunch of factors that add up and puts and takes.

Dan Frey
Yes, that's right. And I think the only thing I'd add to that, and I'd sort of confirm your premise in the question, Mike, it's really a very strong pricing environment. And if you go back and look at BI commentary over the last year or two, it's one of the reasons we've been so pleased to see retention remain as strong as it has because we love the profile of the book. And we're trying to – so we're happy to be retaining it, happy to get pricing on top of it, and that's improving margins, and then in any quarter it's going to be impacted by some of the things that Alan just mentioned.

Mike Zaremski
Okay. That's helpful. My last follow-up is on maybe more on Homeowners, Personal lines. Given the – what seems like a continued trend of a higher catastrophe losses, any changes you're seeing in the industry or that Travelers is trying to implement on terms and conditions, such as roof replacement? Or are there any trends there we should be thinking about? Thanks.

Michael Klein
Sure, Mike. It's Michael. Absolutely. I think if you dig underneath our comments around non-rate actions, there's a variety of things that we're executing on and many of which we're seeing across the industry.

And examples include, first of all, eligibility, right, based on an evaluation of the exposure, also eligibility on age of roof, underwriting restrictions around things like roof condition and tree overhang. Our primary approach on sort of risk sharing, if you will, is really to focus on AOP and wind, hail, tornado deductibles. We've implemented higher wind, hail, tornado deductibles in virtually every severe convective storm exposed state across the country.

I think the last count, we're up to, I think, 21 states where we've increased deductibles to help deal with the exposure. And then managing distribution and managing appetite to manage aggregation of exposure within a local or a state-by-state geography. So really, those are some examples of the variety of actions we're taking from a non-rate perspective, which is really what we're referring to when we talk about managing growth and improving profitability in Property.

Mike Zaremski
Thanks.

Operator
Your next question comes from the line of Michael Phillips with Oppenheimer. Your line is open.

Michael Phillips
Thanks, good morning, everybody.

Totally different turn here. Florida Homeowners market, obviously, a market you've not been a big player in. I'm wondering if any of the reforms that have been taking place in the past couple of years have given you cause to maybe revisit there.

Michael Klein
Sure. Great question and certainly something that we spend time evaluating. What I would say is certainly, reforms in Florida, some of the depopulation of Citizens in Florida, are certainly things that make Florida look better than it has in the past, but it is still a highly cat-exposed geography. It is still a place where we think the risk-reward is not in balance. And one of the things, frankly, in Florida that remains a significant concern is the potential assigned risk obligation in the event of a significant catastrophe.

And so – and I think Alan's referred to this in the past – we see signs of improvement in the state, but it's going to take more than what we've seen. And one of the things that causes you to think about is whether or not you can compete in Florida on an admitted basis versus an excess and surplus lines basis. So those are all some of the considerations around Florida. The upshot for us is while we do see those signs of improvement, we haven't seen enough change to cause us to change our perspective on wanting to reopen for new business and property in Florida.

Alan Schnitzer
Yes. The tort reforms that they enacted, we think we're an excellent start. We'd certainly love other states to follow suit because we think regulatory reform is important as it relates to affordability, not just in insurance, but of homeownership and autos. But there are some other structural things in the state that just make it difficult at the moment. We'll continue to re-evaluate it.

Michael Phillips
Okay. Great, thank you, that's perfect color. Second question, Personal Auto. Are you seeing any signs of, kind of, just higher attorney involvement in Personal Auto that give you cause for concern?

Michael Klein
Sure, Michael. I would say that in Q1 – first of all, bodily injury is where most attorney involvement occurs. And in Q1 – it's the longest tail element of the exposure we see in Personal Insurance. So concluding anything based on what we saw in the quarter from a bodily injury standpoint is a challenge. But the same sort of social inflation litigation abuse challenges that Greg has talked about a lot in Business Insurance, we're not immune from in Personal Insurance. We have seen over a longer period of time, increased attorney involvement impact bodily injury. But all that said, if we look at bodily injury results in the quarter, bodily injury loss trends were pretty consistent with what we expected.

Michael Phillips
Okay, thank you very much.

Operator
Your next question comes from the line of Michael Ward with Citi. Your line is open.

Michael Ward
Thanks, good morning.

I was just curious, the growth in Commercial Auto accelerated pretty meaningfully. Was that mostly price? Or, how should we think about the pricing environment in that line?

Greg Toczydlowski
Good morning, Michael. Yes, it was. Most of the growth that happened from a net written premium change was due to RPC. One thing I would point out and I referenced a little bit earlier, we do have our new Automobile product that we've rolled out across all Business Insurance in our Express Select underwriting model and also in our transactional Middle Market business, our TCAP product. So we feel terrific about that latest segmentation, and that should ultimately improve the return profiles on that business overall. But the biggest change was RPC.

Michael Ward
Great, thank you. And maybe just back to GL. You noted the charges were relatively modest. I guess just compared to last year's charges, are they similar or – any other color around that? Thanks.

Dan Frey
Hi Michael, it's Dan. I guess I'll say, if you just look at the comment being that Comp was approaching $100 million, the segment was zero, some of it was runoff, you could get to an implication of sort of a box around how much the GL must have been and for whatever it's worth, and I'm not sure how much it's worth, that would tell you that the first quarter number was probably less than some of the magnitude that we saw in last year. But again, we'll do a full evaluation again next quarter, and the number will be more or less favorable or unfavorable depending on what the data tells us.

Michael Ward
Thank you.

Operator
Your next question comes from the line of Robert Cox with Goldman Sachs. Your line is open.

Robert Cox
Hi, thanks.

So, we saw some data potentially indicating a slowdown in premium growth in the E&S market. And I know Travelers has about $2.5 billion in E&S and you guys have indicated that margins there are quite attractive. Just curious if you saw any changes in competitive dynamics in E&S or pricing?

Greg Toczydlowski
Yes, Robert, this is Greg. Yes, as we've shared with you underneath that $2.5 billion, we have quite a bit of diverse businesses that drive that. And we didn't really see any material slowdown in the segments that we compete in.

Robert Cox
Okay. Got it. And maybe secondly, I'm curious as – I think you started to go through some of the re-underwriting of the Corvus book – if you've learned anything material and if there's any major takeaways.

Jeff Klenk
Yes. Thanks, Robert. It's Jeff. We're 3.5 months now into our integration. We're feeling really good about bringing in and leveraging the capabilities of both organizations. I would tell you that we feel really good about the quality or the profitability of the Corvus book of business. It's consistent, and we're taking some of those capabilities. We've already completed the scans using their proprietary technology to the existing Travelers book of business, really comfortable with what we're seeing. Thanks for the question.

Robert Cox
Thank you.

Operator
We have time for one more question. It will – sorry. It will be from Paul Newsome of Piper Sandler. Your line is open.

Paul Newsome, your line is open.

Paul Newsome
Hi, good morning, and thanks for squeezing me in.

Maybe just a couple of quick Personal lines questions. Is it fair to say that the renewal premium change for both Auto and Home, given what you've already filed and the fact that you're getting to closer to – or you've got more states to adequacy that we should see that decelerate fairly meaningfully in the next couple of quarters? And just any thoughts about that so that we aren't surprised.

Michael Klein
Sure, Paul. It's Michael. So I would separate Auto and Home. So for Auto, you'll see RPC moderate as we go throughout the year. I wouldn't suggest it's going to be a sharp decline. One of the things that I think is important to think about as you think about RPC over time for us is we write mostly 12-month policies in Auto, and so while someone who writes about a 6-month policy is going to see RPC accelerate quickly on the front end, they're going to actually see it decelerate more quickly on the back end.

Ours is going to be a more gradual increase and then a more gradual decrease because we filed a rate in May of 2023, we're still renewing policies at that same higher rate in April of 2024. So just a little bit of context for why I say it's going to be more of a gradual deceleration in Auto RPC.

In Property RPC, we don't anticipate a deceleration. We're going to continue to drive rate into the Property portfolio in response to increased loss costs and I would expect RPC to remain relatively consistent through the balance of 2024 in Property.

Paul Newsome
I do notice that the renewal rate in Home did come down quite a bit, at least sequentially. Is that just sort of an anomaly? Or is it something to note?

Michael Klein
Sure, Paul. So the RPC drop from Q4 to Q1 in property is what we were referring to last year when we talked about the fact that we've made a lot of progress on insurance to value in Home. So when you think about renewal premium change in Personal lines Property, it's really driven by two primary things. One is rate and then the other is increase in the coverage limit on the dwelling. And in 2022 and 2023, we made dramatic increases in Property Coverage A limits in Home. That drove a decent amount of the Property RPC.

In my prepared remarks, that's why I mentioned that when you look at that 13.4%, it actually reflects improvement in rate from last quarter to this quarter and the drop is really because we've essentially caught up on insurance to value and Property. So that's why I say you're not going to see a further incremental change in RPC due to that Coverage A limit dynamic, because that's just going to stay the same, and now what you're looking at is mostly our outlook for rate and Property for 2024, which, again, is to keep it pretty consistent.

Paul Newsome
Thank you, that helps. As always, much appreciated.

Operator
Thank you. I will turn the call to Ms. Goldstein for closing remarks.

Abbe Goldstein
Thank you all very much again for joining us this morning, and as usual, if there's any follow-up, please feel free to reach out directly to Investor Relations. Have a great day.

Operator
This concludes today's conference call. We thank you for joining. You may now disconnect your lines.

*****

Forward-Looking Statements
This transcript contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may,” “will,” “should,” “likely,” “probably,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “views,” “ensures,” “estimates” and
similar expressions are used to identify these forward-looking statements. These statements include, among other things, the Company’s statements about:

- the Company’s outlook, the impact of trends on its business, such as the impact of elevated industrywide loss costs in Personal Insurance, and its future results of operations and financial condition;
- the impact of legislative or regulatory actions or court decisions;
- share repurchase plans;
- future pension plan contributions;
- the sufficiency of the Company’s asbestos and other reserves;
- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the cost and availability of reinsurance coverage;
- catastrophe losses and modeling;
- the impact of investment, economic and underwriting market conditions, including interest rates, inflation and disruption in the banking and commercial real estate sectors;
- the Company’s approach to managing its investment portfolio;
- the impact of changing climate conditions;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company’s competitive advantages and innovation agenda, including executing on that agenda with respect to artificial intelligence;
- the Company’s cybersecurity policies and practices;
- new product offerings;
- the impact of developments in the tort environment;
- the impact of developments in the geopolitical environment; and
- the impact of the Company’s acquisition of Corvus Insurance Holdings, Inc.

The Company cautions investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the Company’s control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Some of the factors that could cause actual results to differ include, but are not limited to, the following:

Insurance-Related Risks

- high levels of catastrophe losses;
- actual claims may exceed the Company’s claims and claim adjustment expense reserves, or the estimated level of claims and claim adjustment expense reserves may increase, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments, including increased inflation;
- the Company’s potential exposure to asbestos and environmental claims and related litigation;
- the Company is exposed to, and may face adverse developments involving, mass tort claims; and
- the effects of emerging claim and coverage issues on the Company’s business are uncertain, and court decisions or legislative changes that take place after the Company issues its policies can result in an unexpected increase in the number of claims.

Financial, Economic and Credit Risks

- a period of financial market disruption or an economic downturn;
- the Company’s investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses;
- the Company is exposed to credit risk related to reinsurance and structured settlements, and reinsurance coverage may not be available to the Company;

- the Company is exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that it has with third parties;
- a downgrade in the Company's claims-paying and financial strength ratings; and
- the Company's insurance subsidiaries may be unable to pay dividends to the Company's holding company in sufficient amounts.

Business and Operational Risks

- the intense competition that the Company faces, including with respect to attracting and retaining employees, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates;
- disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape;
- the Company's efforts to develop new products or services, expand in targeted markets, improve business processes and workflows or make acquisitions may not be successful and may create enhanced risks;
- the Company's pricing and capital models may provide materially different indications than actual results;
- loss of or significant restrictions on the use of particular types of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of the Company's products;
- the Company is subject to additional risks associated with its business outside the United States; and
- future pandemics (including new variants of COVID-19).

Technology and Intellectual Property Risks

- as a result of cyber attacks (the risk of which could be exacerbated by geopolitical tensions) or otherwise, the Company may experience difficulties with technology, data and network security or outsourcing relationships;
- the Company's dependence on effective information technology systems and on continuing to develop and implement improvements in technology; and
- the Company may be unable to protect and enforce its own intellectual property or may be subject to claims for infringing the intellectual property of others.

Regulatory and Compliance Risks

- changes in regulation, including higher tax rates; and
- the Company's compliance controls may not be effective.

In addition, the Company's share repurchase plans depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels appropriate for the Company's business operations, changes in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions, changes in tax laws (including the Inflation Reduction Act) and other factors.

Our forward-looking statements speak only as of the date of this press release or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Forward Looking Statements" in the quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on July 20, 2023, and in our most recent annual report on Form 10-K filed with the SEC on February 15, 2024, in each case as updated by our periodic filings with the SEC.