



The Travelers Companies, Inc.

First Quarter 2025 Results Teleconference

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CORPORATE PARTICIPANTS

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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 & Answer segment.

As a reminder, this conference is being recorded on April 16, 2025.

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 2025 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 pleased to report a substantial profit for the quarter despite the devastating January California wildfires. We delivered core income of \$443 million or \$1.91 per diluted share, as outstanding underlying results, strong net favorable prior year reserve development and higher investment income more than offset catastrophe losses.

Over the last four quarters, thanks to strong underlying fundamentals, we generated a core return on equity of 14.5%. That demonstrates our ability to deliver healthy returns over time, notwithstanding elevated industry-wide catastrophe losses. Underlying underwriting income of \$1.6 billion pre-tax was up more than 30% over the prior year quarter. That was driven by strong net earned premiums of \$10.7 billion and a consolidated underlying combined ratio that improved 2.9 points to an excellent 84.8%.

All three segments contributed to these underlying results with strong and higher net earned premiums and excellent underlying profitability. The underlying combined ratio in Business Insurance improved to an excellent 88.2%. The underlying combined ratio in our Bond & Specialty business was a very strong 87.3% and the underlying combined ratio in Personal Insurance improved by more than six points to a terrific 79.9%.

Consistent with the announcement we made in February, our catastrophe losses from the California wildfires were \$1.7 billion pre-tax. I'm grateful to our Claim team, their continued excellent work taking care of our customers and supporting the community's recovery. We've already paid out nearly \$0.75 billion, including substantial advance payments to our customers who suffered total losses. Even after that, operating cash flows for the quarter were a very strong \$1.4 billion.

Turning to investments. Our high-quality investment portfolio continued to perform well. After-tax net investment income of \$763 million for the quarter was driven by strong and reliable returns from our growing fixed income portfolio and positive returns from our thoughtfully managed alternative investment portfolio. Our underwriting and investment results, together with our strong balance sheet, enabled us to return nearly \$600 million of excess capital to shareholders, including \$358 million of share repurchases. At the same time, we continue to make important investments in our business as we completed another quarter of successful execution on a number of important strategic initiatives. Even after this deployment of capital, adjusted book value per share increased by 11% as compared to a year ago. 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 \$1.10 per share, marking 21 consecutive years of dividend increases with a compound annual growth rate of 8% over that period.

Turning to production. Excellent execution by our field organization drove our top line growth with all three of our segments contributing. During the quarter, we grew net written premiums to \$10.5 billion. In Business Insurance, we grew net written premiums by 2% to a record \$5.7 billion after the ceded premium impact of the enhanced Casualty reinsurance program that we announced last quarter. As we previewed with you, that reduced the segment's net written premium growth in the quarter by four percentage points as the full years' worth of ceded premium was booked in the first quarter.

Renewal premium change in the segment was double digits or high single digits in every line other than Workers' Comp. Even with strong pricing pretty much across the board, retention improved nearly two points from the fourth quarter to 86% and was higher in every line. That dynamic of strong pricing and retention speaks to continued discipline in the marketplace. New business for this segment was a record \$735 million, 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 \$1 billion, with excellent retention of 89% in our high-quality Management Liability business. In our industry-leading Surety business, we grew net written premiums by 13%. Given the attractive returns, we are very pleased with the strong production results in both of our Commercial business segments.

In Personal Insurance, net written premiums grew 5% to \$3.8 billion, driven by strong renewal premium change, particularly in our Homeowners business. You'll hear more shortly from Greg, Jeff and Michael about our segment results.

Before I turn the call over to Dan, I'd like to comment on how Travelers is positioned for what feels like an uncertain macroeconomic road ahead. In short, we are entering 2025 in a position of strength. We are a market leader in a diversified portfolio of businesses, each with a strong value proposition to offer to our customers and distribution partners. Our underlying margins are in great shape. And in each segment,

we have attractive loss ratios and expense ratios that reflect years of strategic focus on optimizing operating leverage.

Our cash flow is strong and resilient. Our investment portfolio was thoughtfully managed to deliver highly reliable returns, including through periods of market stress. And we have a fortress balance sheet, featuring a strong capital base and almost no debt coming due in the next eight years. On top of all that, we have the resources and financial strength to continue making strategic investments in our business without interruption. All of which is to say, just as we have successfully served our customers and distribution partners and created shareholder value over time, including through periods of economic disruption, we are very well positioned to continue doing so now.

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

Dan Frey

Thank you, Alan.

Travelers delivered \$443 million of core income in the first quarter despite significant losses from the California wildfires. The higher level of cat losses was partially offset by a significant increase in underlying underwriting income, a higher level of net favorable prior year reserve development and higher net investment income. And as you heard from Alan, trailing 12-month core return on equity was 14.5%. Our pre-tax underlying underwriting gain of \$1.6 billion was up 32% from the prior year quarter, reflecting higher levels of earned premium and an underlying combined ratio that improved by 2.9 points to 84.8%.

The underlying combined ratio was our second-best result ever and once again featured very strong results in all three business segments. We were pleased with the first quarter expense ratio of 28.3%, an improvement of 40 basis points from the prior year quarter. For the full year, we remain comfortable with an expense ratio expectation of 28% to 28.5%. Our continued focus on operating leverage enables us to maintain this level of expense ratio even as we increase the amount of strategic technology spend to further strengthen our competitive advantages, positioning us for continued success well into the future. We reported net favorable prior year reserve development of \$378 million pre-tax in the first quarter, with all three segments contributing. In Business Insurance, net favorable development of \$74 million pre-tax was driven by Workers Comp. In Bond & Specialty, net favorable PYD of \$67 million pre-tax was driven by better-than-expected results in Management Liability and Surety. Personal Insurance recorded net favorable PYD of \$237 million pre-tax with significant improvements in both Auto and Home.

Catastrophe losses for the quarter totaled \$2.3 billion pre-tax, driven by the California wildfires in January, for which our estimate of \$1.7 billion is unchanged from the estimate we pre-announced in February. After-tax net investment income increased 9% from the prior year quarter to \$763 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.

Our outlook for fixed income NII by quarter, including earnings from short-term securities, is \$725 million after tax in the second quarter, growing to approximately \$755 million in the third quarter and then to around \$790 million in the fourth quarter. NII from our alternative investment portfolio was also positive in the quarter. Given recent movement in the equity markets, this is a good time to remind you that results for our private equities, hedge funds and real estate partnerships are generally reported to us on a one-quarter lag. And while not perfectly correlated, our non-fixed income returns tend to directionally follow the broader equity markets. In other words, the impact of the decline in financial markets that occurred in the first quarter will be reflected in our second quarter results.

Turning to capital management. Operating cash flows for the quarter of \$1.4 billion were again very strong despite the elevated payout related to the California wildfires, and we ended the quarter with holding company liquidity of approximately \$1.6 billion. As interest rates decreased during the quarter, our net unrealized investment loss decreased from \$3.6 billion after tax at year-end to \$3.3 billion after tax at March 31. Adjusted book value per share, which excludes unrealized investment gains and losses, was \$138.99 at quarter-end, basically unchanged from year-end and up 11% from a year ago.

Share repurchases this quarter included \$250 million of open market repurchases. We had an additional \$108 million of buybacks in connection with employee share-based compensation plans. We have approximately \$4.8 billion remaining under prior Board authorizations for share repurchases. Dividends were \$241 million in the quarter. And as Alan mentioned earlier, our Board authorized a \$0.05 increase in the quarterly dividend to \$1.10 per share.

In summary, our first quarter results once again demonstrate the significant earnings power that results from our ability to leverage our competitive advantages 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 investment portfolio.

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

Greg Toczydlowski

Thanks, Dan.

Business Insurance had a strong start to 2025 with segment income for the first quarter of \$683 million. Underlying underwriting income, net prior year reserve development and net investment income all improved from the first quarter of 2024. The underlying combined ratio of 88.2% was an excellent result and one point better than the prior year quarter, driven by the benefit of earned pricing.

Turning to the top line. We grew net written premiums by 2% to a record quarterly high of \$5.7 billion, inclusive of the four-point ceded premium impact that Alan referenced. As we indicated in our comments previously, we expect the change in our reinsurance program to be neutral in terms of underwriting income. Pricing remains strong with renewal premium change of 9.2%, driven by renewal rate change of 6.4%. Retention increased to an excellent 86% and new business of \$735 million was an all-time quarterly high.

We're pleased with these production results and our ability to sustain strong levels of pricing and retention. That combination is a reflection of market-wide discipline in response to ongoing environmental trends and uncertainty. Renewal rate change remained high, coming in at well over 6% for the eighth quarter in a row. The small tick down from Q4 was driven by our National Property book, where returns are very strong after several years of compounding rates and improvements in terms and conditions.

In our Select and core Middle Market businesses, renewal rate change remained strong and in line with fourth quarter levels. From a line perspective, renewal rate change was highest in Umbrella and Auto, while CMP reached an all-time high and GL remained strong. The execution by our field organization was exceptional, achieving the highest retention levels in our best-performing business and the highest levels in our other accounts. The granular execution contributes to optimizing the portfolio's returns.

This success is possible based on the robust data that we have, the advanced analytics and sophisticated tools we put in the hands of our frontline underwriters as well as the strength of the talent that we have in the field. As for the individual businesses, in Select, renewal premium change remained strong at

11.6%, up 1.5 points from the first quarter of last year, while renewal rate change of 5.8% was up nearly two points from a year ago.

As we expected, retention was stable at 80%, driven based on our targeted CMP risk return optimization efforts, which will begin to wind down in the third quarter. New business of \$159 million was a quarterly record. Overall, we feel terrific about how we're strategically managing the mix of business to drive long-term profitable growth in Select. Our distribution partners have embraced the industry-leading experience and segmentation benefits we're getting from our BOP 2.0 and new Commercial Auto products.

In Middle Market, renewal premium change was in line with the fourth quarter at close to 10% with strong renewal rate change of 7.5%. The rate increases remain broad-based as we achieved positive rate change on more than 3/4 of our Middle Market accounts. Retention of our high-quality book remained historically high at 89% and increased one point from the fourth quarter, while new business of \$434 million was an all-time quarterly high.

To sum up, Business Insurance had a great start to the year. We continued to grow our high-quality book while investing in capabilities that position us well for long-term success.

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

Jeff Klenk

Thanks, Greg.

Bond & Specialty started the year with another strong quarter on both the top and bottom lines. We generated segment income of \$220 million, an excellent combined ratio of 82.5% and a strong 87.3% underlying combined ratio in the quarter.

Turning to the top line. We're pleased that we grew net written premiums by 6% in the quarter. In our high-quality Domestic Management Liability business, we delivered excellent retention of 89%. Renewal premium change remained positive and generally consistent with the fourth quarter. As expected, new business was lower than the first quarter of 2024. As a reminder, Corvus production was reflected as new business in the prior year quarter and now is mostly renewal premium. Comparison to prior year new business levels will be similarly impacted for the next few quarters.

Turning to our market-leading Surety business. We grew net written premiums by an excellent 13% from the prior year quarter. This growth reflects a robust construction environment, continued strong demand for our Surety products and services and outstanding execution by our team in growing our high credit quality portfolio. So we're pleased to have once again delivered strong top and bottom line results this quarter while continuing to make significant strategic investments in our business with some notable achievements.

To name just a few, we released our first product on our new Management Liability technology platform, a modernized accountants professional liability product and rate plan with enhanced digital capabilities and a significantly streamlined workflow. Capitalizing on the Corvus acquisition for the benefit of our admitted cyber customers, we launched an improved cyber risk policyholder portal with enhanced value-added services. And we're leveraging our industry-leading data advantage and deploying multiple artificial intelligence models to drive underwriting enhancements, including as just one example, automating the process for certain Employment Practices Liability renewals.

Looking ahead, we're planning additional capability and product releases during the year that will further extend our competitive advantages.

And with that, I'll turn the call over to Michael.

Michael Klein

Thanks, Jeff, and good morning, everyone.

In Personal Insurance, the first quarter segment loss of \$374 million and combined ratio of 115.2% reflect the impact of the California wildfires, a significant event for us and the industry. Strong underlying underwriting income and favorable prior year development partially offset catastrophe losses in the quarter. The underlying combined ratio of 79.9%, a record quarterly result for the segment, continues to reflect the actions we've taken to improve the underlying fundamentals of our business in both Automobile and Homeowners & Other.

Net written premiums grew 5% in the quarter, driven by higher renewal premium change. In Automobile, the first quarter combined ratio was 83.4% and included a six-point benefit from favorable prior year development. The underlying combined ratio of 87.5% improved 7.4 points compared to the first quarter of the prior year. This improvement was driven by lower losses resulting from both favorable frequency across all coverages and sustained moderation of severity trends, as well as the benefit of higher earned pricing. As a brief reminder, the first quarter is historically our seasonally lowest combined ratio of the year in Auto.

In Homeowners & Other, the first quarter combined ratio of 145.5% includes the impact of the California wildfires. The underlying combined ratio of 72.6% improved five points compared to the first quarter of 2024, driven by the continued benefit of earned pricing and lower non-weather losses compared to the prior year. Our production results reflect our efforts to position our portfolio for long-term profitable growth.

In Domestic Automobile, retention of 82% remained consistent with recent periods. Renewal premium change continues to moderate as intended, reflecting improved profitability and our focus on returning to profitable growth in Auto. We're pleased to note that Auto new business premium increased relative to the prior year quarter, driven by states that are not constrained by our Property actions.

In Domestic Homeowners & Other, renewal premium change increased to 19.6% as a result of our actions to align insured values with rising replacement costs, while we continued to achieve strong rate increases. The decline in Homeowners policies in force continues to be driven by our deliberate efforts to improve profitability and reduce exposures in high cat risk geographies. While those same actions continue to constrain our ability to grow Auto PIF in the near term, we believe the trade-off makes sense for the long-term performance of our diversified Personal lines portfolio.

Before I wrap up, I'd like to thank our team and our distribution partners for their hard work and dedication in serving our customers. With their partnership and support, we remain confident in our ability to deliver value to our clients and to build a larger, more profitable business over time.

And with that, I'll turn the call back over to Abbe.

Abbe Goldstein

Thanks, Michael. We are ready to open up for Q&A.

Operator

Thank you.

We will now begin the Question & Answer session. If you have dialed in and would like to ask a question, please star one on your telephone keypad to raise your hand and join the queue. If you would like to withdraw your question, simply press star one again.

We'll go first to David Motemaden at Evercore.

David Motemaden

Thanks, good morning. Alan, you made some comments just on the macro environment at the end of your prepared remarks. I'm wondering if you could just talk about how you're thinking through the impacts of the tariffs across your businesses, both Personal and Commercial lines? And more importantly, how you're thinking about responding in the marketplace?

Alan Schnitzer

Sure, David. Good morning, thanks for the question. Just in terms of background and at a high level, I'd say, as far as the direct impacts go, we think it's pretty manageable for us. It's just a fraction of Auto and Property losses that are physical-damage-related and only a fraction of those are for materials that would be impacted by the tariffs. The most significant impact for us is likely to be a onetime impact to physical damage repair costs. For us, that most notably impacts private passenger Auto. From there, the impacts diminish pretty significantly.

And just to give you a sense of the magnitude, David, assuming the tariffs, as they've been announced, remain in place and are largely passed through, and I think there's a question about that, we'd expect somewhere around a mid-single-digit increase to PI Auto severity. Again, that's a one-time impact, not a slope impact. Having said that, we would actually expect the actual impact to be somewhat less. So first, we think participants in the value chain will likely seek to mitigate the impact through some combination of advanced inventory buildup, substitution of goods, reorganization of the supply chain, lower tariff pass-through rates, things like that.

And second, the actual impacts could be mitigated by other factors, for example, extended lives of cars on the road. Also just looking at our PI Auto margins now, the Auto margins, as you can see, are in a pretty good place. And if the recent favorable loss trends persist – and we'll see whether they do or not. But if recent favorable trends persist, we may be able to absorb whatever the impact is inside our loss picks.

So I would say for now, we're prepared to watch and react to the extent that we need to. And however the loss trends evolve, we've got the tools and the capabilities to see it pretty quickly and we'll reflect it in our pricing models.

David Motemaden

Understood, thanks for that. And maybe just switching gears to the growth in the quarter within Business Insurance. Sorry to be super short term here, but when I think about the 2%, is it right to think about just adding back that four points of reinsurance drag and sort of- that's like a- sort of like a run rate level before I think about different moving pieces as we head into the second quarter, such as mix and price?

Alan Schnitzer

David, let me start, and I'll turn it over to you, Greg. So as for a starting point, we would – definitely would add back the four to get to a level. There's always other things in the quarter that are going to impact premium from one period to another. There's production booking, for example, there's endorsements, cancellations, all those sorts of things. So that would have an impact.

I would tell you to look at the strength of the production in the quarter. I mean you can look at retention prices, all very strong levels.

Greg Toczydlowski

Nothing else to add, thank you.

David Motemaden

Thank you.

Operator

We'll move next to Gregory Peters at Raymond James.

Gregory Peters

Good morning, everyone. I think it was Dan, in the comments around the expense ratio, you mentioned increased tech spend. One of your peers had an Investor Day and spoke at length about what they're doing on the tech side of the business. I went back to your fourth quarter presentation where you gave a slide on your technology investments, of the routine and necessary versus the strategic. I'm under the impression that a portion of your tech spend is just maintenance on legacy systems.

So can you talk about what you're doing on the tech spend area in response to this? And is the strategic just all new initiatives? Or is that partly a rehab of legacy systems?

Alan Schnitzer

Yes. Well, first of all, Greg, thank you. I love that you're focusing on that slide because we think it tells a great story. I mean you can see over the period in that slide, we've done a great job of maintaining the routine but necessary expenditures. And yes, that is everything from licensing fees to patching systems, all the things you have to do, whether you like it or not, routine but necessary, I think, sums it up. And if you look over that period, we have increased the mix of our strategic spend from I think at the beginning of the first year in that period, I think it's something like 1/3, and I think last year, it was approaching 1/2.

And so it's – I mean, that certainly would be new expenses, but it would also be the carryover expenses of things that we've started in prior years that we continue to invest in. So all in all, we are spending considerably more, over \$1.5 billion a year. Our strategic mix is much more favorable now, and we've done all that inside an expense ratio that we've reduced meaningfully over the period. So we think we're investing in the right things and doing it pretty effectively.

Gregory Peters

Got it, thanks for the color. And my follow-up question. And I don't get too hung up on a quarterly number, but the PYD for the first quarter seemed a little bit better than expected. And I know you already addressed the tariff component inside your loss costs, but I'm just curious, has there been any change in your perspectives on what your underlying loss cost trends are across your book? And then maybe speak specifically to the development again in the Auto business, which clearly was a little stronger than I expected, at least?

Dan Frey

Hi Greg, it's Dan. So I'll start with the PYD Auto piece, just to give you a little bit of color there. So better than we had allowed for. And in Auto, you're really talking about better-than-expected frequency and severity in both the physical damage coverage and bodily injury. So sort of good across the board.

Just to go back to the loss trend question, we've sort of tried to get away from giving a specific trend number, but I think it's fair to say that trend in the quarter at least behaved pretty much as we would have

expected it to. And so that's why you hear both Michael and Greg talking about the benefit of earned price and how that shows through in improved margins because the loss trend really was about as expected.

Gregory Peters

Got it, thanks for the answers

Dan Frey

Thanks, Greg.

Operator

We'll move next to Brian Meredith at UBS.

Brian Meredith

Yes, thanks. A couple of them here quickly. Dan, I'm just curious, when we think about the deductible on your Cat program, is it fair to just assume whatever the Cat losses were in the quarter and the remainder of the \$4 billion is kind of what you've got less in your deductible? Or should we think about it a different way?

Dan Frey

Yes, Brian. So the one thing to keep in mind is, as we said in describing that program at the end of the year, which is not a change from the way it had worked in previous years, the first \$100 million of any event is for our account. So, you really would look at the items that we put in the 10-Q table of significant Cats because that's anything over \$100 million, take \$100 million off of those, and that's what goes towards the \$4 billion. That's – basically, that's directionally how it works.

Brian Meredith

Perfect, thanks for that clarification. And then my second question, I'm just curious, maybe this is for Jeff. Surety bond growth. Given what we're seeing, potential for economic activity as well as just some of the reductions in, kind of, government spending, do you think that will have any impact on Surety business here going forward? Or is this just not a big government component to it?

Jeff Klenk

No, there's definitely a government component to a lot of the large projects, Brian. So that's a fair question. We're watching that closely. We're working with our contractors. There's a lot of planning that they do, long-term planning that they're focused on. So we're definitely hearing that from them.

All of that said, we've had some nice, strong growth. We expect the infrastructure investments and bond demand to continue. But – and as I've mentioned to you before, we have a really high credit quality book of contractors on the Surety side. And so we feel good about our position as we move forward.

Brian Meredith

Great, thank you.

Operator

We'll take our next question from Meyer Shields at KBW.

Meyer Shields

Thanks. I don't know if it's too early to ask this question, but do you have a sense as to how your insureds are responding to potential uncertainty in the economy?

Alan Schnitzer

Good morning Meyer. We're also looking at – I'm not sure if you mean too early in the morning or too early in the – I do think it's too early for us to see that. And I also – as I really think about that question, I think it's too early to really know what it is we're all responding to. I mean, there's obviously a lot of change, back and forth. So I'm not sure people really know what they're responding to yet.

Meyer Shields

Right. I was kind of asking whether that level of uncertainty itself produces a result maybe just because of caution, but I completely take your point on the timing. Second question, I guess for Michael, two-pronged question. How quickly do you think Travelers can respond if there is an inflection in loss costs compared to maybe the most recent interruption? And is there any reason to switch the book more towards six-month policies because we keep on seeing these fluctuations or these inflections in loss trend?

Michael Klein

Yes. Thanks, Meyer. I think as Alan mentioned, we see the changes in our loss costs relatively quickly. We incorporate those into our experience relatively quickly. As a little bit of a technical point, right, what you're doing as you factor those increased costs into your experience is including them in the historical experience that you had. So one of the things that impacts how quickly you can respond is how good your experience was as you factor those things in. But I don't see a challenge with our ability to recognize and factor those costs into our outlook as quickly as we see them.

To the second part of your question in terms of six-month policies, we did make a change in the last year or two in terms of monoline Auto policies being predominantly written on a six-month basis at new business. So that is working its way into the portfolio. I wouldn't say it's dramatically changed the makeup of the portfolio between six months and annual. But directionally, we are moving a little bit towards a higher percentage of six-month policies in the portfolio as a result.

Meyer Shields

Okay, great, thank you.

Alan Schnitzer

Thanks, Meyer.

Operator

We'll move next to Alex Scott at Barclays.

Alex Scott

Hi, good morning. First one I have for you is on the International insurance business. I noticed your net premium written continues to be up more significantly year-over-year. I'm just interested in where you're seeing the growth opportunities there?

Greg Toczydlowski

Hi Alex, this is Greg. What you're seeing there, if you're looking at the International within the BI segment, there's two primary drivers of that. One is, the Fidelis relationship continues to be very strong. That's one of them. And the other one is, Lloyd's can bounce around and be a little bit lumpy from quarter-to-quarter, and we had a strong quarter this month. So that's what's driving those items.

Alex Scott

Okay. That's helpful. And then maybe along the same lines, I'm just trying to understand premiums, noticed Middle Market was down a little bit year-over-year. I had kind of been thinking that that's an area

where pricing's staying pretty attractive relative to loss cost trend. I mean, hard to tell whether that's just the Casualty reinsurance impact and the allocation of Middle Market. But could you help me think through that and just relative attractiveness of that market?

Greg Toczydlowski

Yes, Alex, and you nailed it. You know, we feel terrific about the returns we're producing across the portfolio and specifically in Middle Market and the growth we're getting there. What you just mentioned is the primary driver of the Casualty agg treaty that we called out. If you think about Middle Market, it has a much higher amount of Umbrella and Excess Casualty products, much more Casualty-based than you would see, particularly relative to Select. So it's going to feel disproportionately that impact in that business.

Alan Schnitzer

Alex, I don't – I mean, I don't – mean just for a second that we're immune from what's going on in the economy and economic activity, but again, I would point you back to the production statistics. I mean, Middle Market had very strong retention pricing and new business. I would just point you back there just for a sense of the health of the growth.

Alex Scott

Yes, that's all helpful, thank you.

Operator

We'll move next to – excuse me, Wes Carmichael with Autonomous Research.

Wes Carmichael

Hi, good morning. My first question on Business Insurance with the \$74 million of favorable development. You called out Workers Comp as a primary driver, but could you share any color on the gross development from Comp and if there are any netting offsets to that?

Dan Frey

Yes. So it's Dan. So really, we try to do a pretty good job of calling out the things that moved and were noteworthy in any way in this quarter. So usually, that means we're talking about more than one or two things, but this quarter, it really did happen to be driven by Comp. It's not to say that there weren't other lines that moved. There are always other puts and takes in any given line in any given quarter, just nothing that moved big enough to call out one way or the other.

Wes Carmichael

No, that's helpful, Dan. And maybe just back on the macro and capital management, but curious how management is thinking about buybacks from here and perhaps some heightened macro uncertainty? And maybe if there's a bit of pressure on the stock just from broader stock market pressure generally, is that an opportunity to lean into buybacks? Or might you want to be more measured in a period of heightened uncertainty?

Dan Frey

Yes. So we really – we have the same philosophy of capital management, first of all. So no change in the way we think about that. Remember, we entered 2025 in a pretty strong capital position given how strong the finish to the 2024 year was. We talked about buyback activity in the first quarter. I'd say that was probably dialed back a little bit from what we might otherwise have done given the significance of the California wildfires and the fact that they occurred so early in the quarter.

I feel like we're going to maintain a very healthy capital position. Our history is we're going to continue to generate more capital than we need to run the business and can deploy at attractive returns. And so I'd expect us – not in any particular month or any particular quarter, but I'd expect us to continue to be doing buybacks. And we don't really try to sort of lean in or lean out depending on short-term fluctuations in the stock price. We're really just rightsizing capital over time.

Wes Carmichael

Thank you.

Operator

Next, we'll go to Robert Cox at Goldman Sachs.

Robert Cox

Hi, thanks for taking my question. First question, I appreciate the thoughts on the impacts of tariffs. I was curious if you also see tariffs eventually impacting the Liability costs within your claims over time.

Alan Schnitzer

Yes, good morning. I would say that for now, we see that as pretty negligible. I mean, you just look at the mix of the cost drivers in the Liability lines and just not a lot of it is subject to tariffs. And I don't mean to suggest that it's a zero impact, but we think the likely outcome is it's pretty negligible.

Robert Cox

Okay. And then as a follow-up, I just wanted to ask on the Business Insurance underlying loss ratio, how the pressure that you guys have kind of been seeing and the industry has been seeing for the last couple of years in Casualty is trending there? Maybe more specifically, the Other Liability Occurrence loss ratios, are they still kind of going up year-over-year? I know you guys added to the conservatism in those picks last year. And also, is there any kind of one-time items like non-cat weather this quarter?

Dan Frey

Sure, Rob, it's Dan. So no one-time call-outs. Again, that's something we try to be pretty careful on if there is one and really didn't hear anything from Greg, Michael or Jeff about reasons to adjust the sort of "jump-off point" for this quarter. In terms of the Casualty lines and the way we're thinking about those loss picks, yes, you're right to remember that last year, we talked about adding a bit more in the IBNR for those lines given the uncertainty in the line. We've carried that into 2025. So I wouldn't put a fine point and quantify it, but we've carried that sort of philosophy into the way we're thinking about making our loss picks this year.

Robert Cox

Thanks.

Dan Frey

Thank you.

Operator

Our next question comes from Michael Zaremski at BMO Capital Markets.

Michael Zaremski

Yes, thanks, good morning. First question on Home Insurance. Just wanted to unpack more. And Michael, I appreciate your comments in the prepared remarks, but unpack kind of the reacceleration we've seen in pricing. Do you feel this is more Travelers-specific as you continue to kind of reshape your geographic footprint? Or is this more, kind of, an industry-wide you feel in terms of reacting to what you said was also

higher replacement costs and what we can see as persistently higher catastrophe levels? And just also curious, does your pricing power, does that include changes in deductibles or terms and conditions? Thanks.

Michael Klein

Sure. Thanks, Michael. So I would say the change from Q4 to Q1 really is about increasing insured limits to keep up with replacement costs. And we think that's really in response to broad industry trends, right? Continued increases in labor and materials, particularly things like roofing costs, roofing labor, are big drivers of that. So we think that's really sort of a broad-based industry and economic trends that we're responding to. And again, the delta from the sort of mid- to low teens to the high teens from Q4 to Q1 really is driven by that limit change. As I mentioned, we continue to seek and obtain significant rate in Property underneath that, and those two come together to perform that RPC number.

Michael Zaremski

Got it. And my follow-up is kind of switching gears to social inflation. When we look at statutory data on an industry-wide basis, which I appreciate is a bit backward looking, it appears that social inflation levels are rising. Would you agree with that viewpoint? Or are you all seeing that maybe the trend line has stabilized? And obviously, we appreciate that Travelers has been very proactive and taking more conservative views on your reserves and et cetera. But just curious on an industry-wide basis, if you – if Travelers has a view whether kind of social inflation continues to kind of gear a bit higher? Thanks.

Alan Schnitzer

I would say social inflation is unfortunately alive and well and continues to impact the industry, including us. We see that. I would also say we've anticipated that. So the levels of social inflation we're seeing are generally consistent with our expectations. Thank you for the question.

Operator

We'll move next to Elyse Greenspan with Wells Fargo.

Elyse Greenspan

Hi, thanks, good morning. My first question. Within Personal Lines, are there any kind of – I think you called out lower non-weather losses in Home. Any kind of one-off items that you would put numbers on within the underlying combined ratios in Auto and Home in the quarter?

Michael Klein

Thanks, Elyse. It's Michael. I don't think really beyond what I called out, again, just to reiterate, right, on Auto, we said improved frequency across multiple coverages, and we talked about sustained moderation in severity trends. The one thing I would say in Auto, again, just to reiterate, is Q1 is typically our lowest combined ratio quarter in that line. So if you think of that as a one-off, that's just, I think, an important reminder.

Other than that, I think we had another mild winter in 2025. We had a mild winter in 2024. So that's, again, just something to keep in mind as you look forward. The last thing I would point out on Auto is renewal premium change has been declining on a written basis. That will drive lower earned impact from – lower earned favorable impact from pricing as we look forward, which again, you can just see as you look in the rearview mirror at those RPC numbers, there won't be as much favorable earned effective pricing in the go-forward quarters.

As respect to Property, again, I pointed to favorable non-weather experience. That's something we've been talking about. It's something we continue to see, particularly favorable frequency in non-weather water and fire loss experience.

Elyse Greenspan

Thanks. And then my follow-up, sticking, I guess, with Personal Auto on the impact of tariffs. I know in response to an earlier question, right, you guys mentioned one of the offsets, right, as an advanced buildup in advance of these tariffs. And you guys, I think, said mid-single-digit impact on trend. So as you think about timing, just given, right, that there is obviously going to be a buildup of parts and it takes time for there to be an impact, do you think you'll start to see the impact of the tariffs and that higher loss trend in May and June, so like in the Q2? Or how do you think about just like, the quarterly cadence of the impact on your Personal Auto margin from the tariffs?

Alan Schnitzer

Yes, Elyse, two things. One, I just want to be really clear on this. It's not a change in trend. It's a one-time change in the severity. So I think it's just an important clarification. And two, it's hard for us to really know when this would take effect, but the May, June time frame seems a little short, so probably a little later in the year, sometime in the back half of the year, but I'm not sure I'd call it more finally than that.

Elyse Greenspan

Thank you.

Alan Schnitzer

Thank you.

Operator

We'll move next to Andrew Andersen at Jefferies.

Andrew Andersen

Hi, good morning. Just on the Auto business, I think you mentioned it was constrained a little bit by some actions on the Property side. Could you maybe level set for us how much of the Auto book is open for new business and how much of the Homeowners book is open for new business?

Michael Klein

Sure. Maybe I'll just step back and give a little broader context in addition. So I would say that we are open for new business in most geographies across the country. And then within that, we have some very specific constraints. On the Auto side, we're open for new business in virtually every state. Again, we have a more limited appetite in a couple of key geographies there related to whether or not we think we have rate adequacy. But at this point, we're talking less than a handful of states where we have those challenges.

The Property answer is a little more complicated because in Property, we've really got three primary issues that we're working through in terms of managing and thoughtfully deploying our Property capacity. First is overall profitability. And as we've talked about, Property is a little bit behind Auto in terms of reaching target margins on a state-by-state basis, and so we're managing that. Second is catastrophe exposure. And then third is local market concentration of exposure.

And so predominantly in Property, the places that we are not open for new business fall into those last two categories. We have some specific local geographies where we've got outsized market share that we're working to manage down. And then we've got our sort of continued optimization of risk and reward as respect to catastrophe losses. So that's the color behind it. But I would say the places that were literally closed for new business are pretty limited. But that, more broadly, it's a matter of monitoring and thoughtfully deploying the Property capacity in many of those markets.

Andrew Andersen

Thank you. And then just on Workers Comp it looks like it was down 7% year-over-year. I wouldn't think that's impacted by the Casualty Reinsurance Program. But could you maybe just talk about the pricing that you're seeing there and maybe growth in that market?

Greg Toczydlowski

Yes. Yes, Andrew, this is Greg. Yes, we continue to see pricing that's down in the Workers C'omp side of the business, so that's what's driving that. We'll have fluctuations from quarter-to-quarter, of course, like Audit premium. And Audit premium, I just want to comment on – Audit premium that goes into net written premium is the change in Audit premium. And we had historically high levels last year, while we still have strong levels of Audit premium. That change also factored into that.

Andrew Andersen

Thank you.

Operator

We'll move next to Cave Montazeri at Deutsche Bank.

Cave Montazeri

Thank you. A follow-up on Personal Insurance policies in force. Situation in California, I guess, a bit of a headwind when it comes to growth. Are you seeing any other geographies for the Homeowners that maybe could help you offset that, maybe a geography where you're not really big, thinking maybe we're seeing Florida is improving a bit, albeit from a low base. Are you seeing any offsets that could maybe allow you to grow PIF in Homeowners?

Michael Klein

Yes. Thanks for the question. I would say to take that question and link it back to my response to the previous one, California certainly is a distinct example of where we are constraining Property capacity, but it's not the only one. We have a number of states, particularly in the South and in the Midwest, where we're constraining Property capacity for the reasons that I mentioned. And again, most of the time, that's limiting growth. But in some of those cases, it's non-renewing business in areas where we've got too much concentration.

That said, to your point, there are places where we're open for business in both Property and Auto. And I think that you see that contributing to the new business growth in Auto this quarter because we are seeing new business growth in those places. It is important to remember, I think, when you think about our line of business growth and production, that we're essentially 50-50 Property and Auto. And so, we're different from most participants in the industry, our actions in Property, given that mix of business and given our tendency to package Auto and Property does mean that our Property actions are going to have an impact on our ability to grow Auto.

But really, at the end of the day, we focus on each state individually, looking at the Auto and Property opportunities and the opportunity to best manage the portfolio. And we are working to take advantage of those places where we don't have the constraints to help support Auto and overall portfolio growth.

Cave Montazeri

Thank you. And my follow-up is on the reserve releases in Workers Comp. Could you guys give us an update on what you're seeing in terms of medical claims inflation versus your own assumptions?

Dan Frey

Sure. So that's continued to behave pretty well for us. And we've made the comment a bunch of times, but it's worth reiterating. The long-tail nature of Comp just means you can't afford to get behind on the assumptions that you're making. So even though we've seen medical cost inflation come in benign to what we had allowed for, we've been pretty reluctant to make a fundamental change to our longer-term view that we're baking into our pricing assumptions and our reserving actions. So, another quarter where you saw some good news in medical severity. And again, our view is, we continue to assume that that is going to return to some higher, normal by historical standard level of inflation on a go-forward basis.

Cave Montazeri

Thank you.

Operator

We'll take our next question from Bob Huang at Morgan Stanley.

Bob Huang

Good morning. I think a lot of the questions I have were asked, but maybe one on Commercial Auto. I know that you talked about Auto PYD as a whole. But if we look at statutory disclosures on Commercial Auto as well as your – like a variety of other data, for example, your 10-Q claims and claims adjusted expenses data and things of that nature, industry seems to be facing continued headwind from litigation costs and reserve challenges, but it seems like you're holding up fairly okay. Just curious, how you think about Commercial Auto for the industry, but also as well as for yourselves going forward. Yes, maybe some commentaries around that.

Dan Frey

Yes, Bob, it's Dan. So I'll focus on us rather than the industry. Commercial Auto was a challenge when we started talking about social inflation back in 2018, 2019. We really haven't had much mention of Commercial Auto in the last couple of years really because I think we've reached a point where we started to make sure that we were reviewing and assessing the data as it came in, informed by what we went through in 2018 and 2019. And as a result, to your observation, we really haven't had to do much in the way of changing those estimates in the last couple of years.

As to whether or not the industry is in a good place from a reserving perspective, I'm not sure. One thing that we are sure about the industry in Commercial Auto is it continues to need price because returns on that line still aren't where we'd like them to be. But as you heard Greg say again today, we continue to get price there. But feel good about where we are on the balance sheet.

Alan Schnitzer

Just to add, we have a new Commercial Auto product that is out in the market, and we feel terrific about it.

Bob Huang

Excellent, thanks. I got – my next one is kind of a long-winded tech question. So if you think about the capabilities you've mentioned, right – enhanced digital capabilities, streamlined workflow, cyber risk policies – how much of the capabilities are contingent on in-house software development? How much of it is based on third-party capabilities? I guess the way I'm thinking about it is that, if we go back to how much we think about maintenance tech versus new technology spend, like, does that ratio eventually change to the point where you don't have to spend as much on maintenance technology going forward? Just kind of curious on your tech strategy thoughts there, if that makes sense at all?

Alan Schnitzer

Yes. Bob, I think your premise is right. I'm not going to quantify how much is in which bucket. I will say that anytime we're investing in a capability, we analyze whether there's a proprietary benefit to us developing it and owning it. And when there is a proprietary benefit, we do that. When there's not a proprietary benefit, we're happy to source it from third parties. So I do think the trend you're describing probably is a fair one, and we'll continue to drive the favorable mix of our investment spending.

Bob Huang

Excellent, thank you.

Alan Schnitzer

Thank you.

Operator

And we'll take our last question today from Mark Hughes at Truist.

Mark Hughes

Yes, thank you very much. The change in reinsurance, is it possible to break that out by the line of business? Was that all in GL?

Dan Frey

Mark, it's Dan. It's mostly GL, but we described it sort of broadly as the Casualty lines. And so, I think we're going to not probably get more specific. But it would help us with things like your core GL, Umbrella claims, things like that.

Mark Hughes

Understood, thank you very much.

Dan Frey

Thank you.

Operator

And that does conclude the Q&A session. I'll turn the conference back over to Abbe Goldstein for closing remarks.

Abbe Goldstein

Thanks, everyone, for joining us today. And as always, if there's any follow-up, please get in touch with Investor Relations. Have a good day.

Operator

And this concludes today's conference call. Thank you for your participation. You may now disconnect.

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 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 reserves; including asbestos;
- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the cost and availability of reinsurance coverage;
- catastrophe losses (including the January 2025 California wildfires) and modeling;
- the impact of investment, economic and underwriting market conditions, including interest rates, tariffs and inflation;
- the Company's approach to managing its investment portfolio;
- the impact of changing climate conditions;
- strategic and operational initiatives to improve growth, profitability and competitiveness;
- the Company's competitive advantages and innovation agenda, including executing on that agenda with respect to artificial intelligence;
- 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, including the recent California wildfires;
- actual claims may exceed the Company's claims and claim adjustment expense reserves, the estimated level of claims and claim adjustment expense reserves may increase, or the Company may be unable to offset increases in loss costs with sufficient price increases, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments, including increased inflation and the impact of tariffs;
- 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 (including as a result of a failure to raise the "debt ceiling");
- 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 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 April 16, 2025, and in our most recent annual report on Form 10-K filed with the SEC on February 13, 2025, as updated by our periodic filings with the SEC.