



The Travelers Companies, Inc.

First Quarter 2026 Results Teleconference

April 16, 2026, 9:30 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 16, 2026, at 9:30 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 Travelers does not update the information in this transcript to reflect subsequent developments or to delete outdated information and assumes no duty to do so.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 & answer session. As a reminder, this conference is being recorded on April 16, 2026.

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 2026 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, CFO; and our three segment presidents, Greg Toczydlowski of Business Insurance; Jeff Klenk of Bond & Specialty Insurance; and Michael Klein of Personal Insurance. We 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 an excellent start to 2026, with strong underwriting performance across all three segments and a strong result from our investment portfolio. We also continued to deliver on key strategic initiatives during the quarter.

For the quarter, we earned core income of \$1.7 billion, or \$7.71 per diluted share, generating core return on equity of 19.7%. Over the trailing four quarters, we generated a core return on equity of 22.7%, driven by excellent underlying fundamentals.

Underwriting income of \$1.2 billion pre-tax benefitted from strong levels of underlying underwriting income and favorable prior year development. Each of our three segments generated attractive underlying and reported margins.

Turning to investments, our high-quality investment portfolio continued to perform well. After-tax net investment income increased by 9% to \$833 million, driven by strong and reliable returns from our growing fixed income portfolio.



Our underwriting and investment results, together with our strong balance sheet, enabled us to return more than \$2.2 billion of excess capital to shareholders during the quarter, including approximately \$2 billion of share repurchases. Even after that return of capital and having made important investments in the business, adjusted book value per share was 16% higher than 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 14% increase in our quarterly cash dividend to \$1.25 per diluted share, marking 22 consecutive years of dividend increases with a compound annual growth rate of 8% over that period.

Turning to the top line, through disciplined marketplace execution across all three segments, we generated net written premiums of \$10.3 billion in the quarter.

In Business Insurance, we grew net written premiums to \$5.8 billion. Excluding the Property line, we grew domestic net written premiums in the segment by 6%. The declining premium volume in Property continues to be a large account dynamic. Property premiums were higher in our small commercial business and about flat in our Middle Market business.

Renewal premium change in Business Insurance was 5.8%. Retention increased a point from recent quarters to a very strong 86% and was higher or stable in every line, reflecting deliberate execution on our part and a generally high level of stability in the market. Renewal Premium Change in our core Middle Market business was about unchanged sequentially, also with retention higher at 89%.

In terms of the product lines: RPC in Auto, CMP and Umbrella remained in the double digits; RPC in GL and Workers' Comp was stable; and RPC in the Property line was positive.

New business in the segment was a record \$775 million – a reflection of our strong value proposition.

In Bond & Specialty Insurance, we grew net written premiums by 7% to \$1.1 billion. In our high-quality Management Liability business, renewal premium change ticked up sequentially, with excellent retention of 87%. In our industry-leading Surety business, we grew net written premiums by 14%.

In Personal Insurance, we generated net written premiums of \$3.5 billion with solid retention and positive renewal premium change in both Auto and Homeowners.

You'll hear more shortly from Greg, Jeff and Michael about our segment results.

The results we released this morning are part of a larger story – they reflect a set of advantages that we have developed – and that have compounded – over a long period of time.

Over the course of many years, we've managed through a wide variety of challenging conditions:

- The 2008 financial crisis;
- Dramatic changes in interest rates;
- A major inflection in liability loss cost trends;
- A global pandemic;
- Severe natural catastrophes; and
- Periods of heightened geopolitical and economic uncertainty.

We didn't predict the full scope of any of those events. But by carefully balancing risk and reward on both sides of the balance sheet, we were positioned to manage successfully through all of them. We've consistently delivered growth in book value per share and earnings per share at industry-leading returns averaging more than 1,000 basis points above the 10-year Treasury over the last 10 years – and with industry-low volatility. We've also built as strong a capital position as we've ever had.

That track record isn't a coincidence. It reflects a set of structural advantages that hold up regardless of the environment, starting with the breadth of the franchise. We're a market leader across nine major lines of insurance, serving personal and commercial customers across the country, and diversified across distribution partners, industry class and customer size. That balance, which represents a bigger advantage than people sometimes appreciate, has resulted in our consolidated loss ratio being less volatile than the loss ratio of our least volatile segment. In an uncertain world, that kind of structural hedge is a meaningful source of stability.

Where we operate also matters. More than 95% of our premiums come from North America. At a time of considerable geopolitical complexity, that concentration is a strategic advantage. And the domestic market offers substantial room for growth. With our broad product capability, our leading market position and the execution you've seen from us over the years, we're well positioned to continue gaining share – as we have in our commercial businesses over the past five years.

Equally important is our ability to navigate the loss environment. We have the data, the analytics and the discipline to see changes in loss activity early and to reflect what we see in our reserves, our risk selection, our pricing and our claim strategy. That capability is foundational – because until you have an accurate view of the loss environment, the many downstream decisions are working from the wrong inputs. Our early identification of the acceleration in social inflation is a good example. We adjusted before the market did, and since then, we've grown the business and significantly improved our margins.

Our scale is also a significant and growing advantage. Our profitability and cash flow support our ability to invest more than \$1.5 billion annually in technology – including in our ambitious AI strategy.

Our size gives us the data to power AI and the resources to deploy it – creating a virtuous cycle of better insights, better decisions and better outcomes. Our financial strength also enables us to absorb the increasing severity of weather losses, and all of these benefits position us as a preferred counterparty in the reinsurance market. Beyond that, our product breadth, risk control, claim expertise and other capabilities that benefit from scale make us more relevant to our distribution partners, deepening those relationships and our access to quality business. Over time, companies that can leverage scale effectively will have a meaningful edge in consolidating industry premium.

As for our investment portfolio, the principles that guide us are the same ones that have served us well for decades. We have consistently managed for risk-adjusted returns, not headline yield. More than 90% of our portfolio is in high-quality fixed income with an average credit rating of AA-. The issue of the day – private credit – is a non-issue for us. We manage interest rate risk by holding the vast majority of our fixed income securities to maturity and carefully coordinating the duration of our assets and liabilities. Our investing discipline has produced default rates that were a fraction of industry averages through every stress event of the past two decades. You can't gracefully reposition a portfolio in the middle of a dislocation. The time to build that resilience is before you need it.

In short, whether we're talking about underwriting or investing, the advantages we've built are designed to deliver across environments – and they have.

Before I wrap up, I'd like to share that a number of my colleagues and I have just returned from our Travelers Leadership Conference – a multi-day event we host each year for the principals and senior leaders of our most significant distribution partners.

As we've shared before, the vision for our innovation agenda includes enhancing 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 through best-in-class products, services and experiences. What we heard consistently is that our deep specialization across a wide range of modernized, simplified and tailored products – along with a broad and consistent appetite, an extraordinary field organization, the ability to deliver exceptional experiences and our industry-leading claim capabilities – are major differentiators in the market.

To sum it up, we are off to an excellent start for 2026, and we are highly confident that the advantages that have driven our success will extend our strong record of outperformance.

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

Dan Frey

Thank you, Alan. Travelers delivered \$1.7 billion of core income in the first quarter, resulting in quarterly Core return on equity of 19.7% and a trailing 12-month Core return on equity of 22.7%.

First quarter earnings were driven by yet another very strong quarter of underlying underwriting income, which at \$1.2 billion after tax marked our seventh consecutive quarter of more than \$1 billion. Net investment income of more than \$800 million after tax and net favorable prior year reserve development of \$325 million after tax also contributed to the strong bottom line results. After tax CAT losses were just over \$600 million.

The all-in combined ratio of 88.6% was again excellent. The underlying underwriting gain reflected \$10.6 billion of earned premium and an underlying combined ratio of 85.3%.

Within the underlying combined ratio, the first quarter expense ratio came in at 29%. That's what we expected given the timing of expenses in Q1, and we still expect the full year expense ratio to be in line with our prior guidance of right around 28 1/2%.

The previously-announced sale of most of our Canadian operations closed as expected on January 2, and I wanted to take a couple of minutes to summarize the impact of that sale on our first quarter results. Let's start with premium volume. The year-over-year comparison – with Canada's business included in 2025 but not included in 2026 – reduced the first quarter growth rate for consolidated net written premium and net earned premium by about two points each. The impact in both Business Insurance and Bond & Specialty was about one point, while the impact in Personal Insurance was about four points. The impacts on the growth rate of both written and earned premium will be similar for the remaining quarters of this year. To help with modeling the year-over-year impact for the rest of the year, we've provided the quarter-by-quarter dollar impacts on slide 19 of the webcast presentation.

Within net income for the quarter is a gain on sale consistent with our expectations when we originally announced the transaction last May. That gain does not impact Core Income. And finally, within the equity section of the balance sheet, you see a reduction in Accumulated Other Comprehensive Loss which is primarily because the previously unrealized FX loss related to the sold Canadian entities became a realized loss upon sale. The move from unrealized to realized had no impact on total equity or on book value per share.

Turning back to the rest of the quarterly results, catastrophe losses for the quarter totaled \$761 million pre-tax, with the largest events being the winter storm that impacted much of the country in January and a large tornado-hail event in March, both of which you can see in the table of significant CAT losses in the MD&A section of our 10-Q.

We reported net favorable Prior Year Reserve Development of \$413 million pre-tax in the first quarter, with all three segments contributing. In Business Insurance, net favorable development of \$162 million pre-tax was driven by Commercial Property and Workers Comp. In Bond & Specialty, net favorable PYD of \$65 million pre-tax was driven by better-than-expected results in Surety. Personal Insurance recorded net favorable PYD of \$186 million pre-tax, with both Auto and Home contributing.

After tax net investment income increased 9% from the prior year quarter to \$833 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. New money yields at the end of Q1 were about 70 basis points higher than the yield imbedded in the portfolio.

Our outlook for fixed income NII by quarter – including earnings from short-term securities – is consistent with the guidance we provided on our fourth quarter earnings call, expecting roughly \$810 million after tax in the second quarter, growing to approximately \$840 million in the third quarter and then to around \$870 million in the fourth quarter.

Net Investment Income from our alternative investment portfolio was also positive in the quarter, although down from a year ago. 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 \$2.2 billion were again very strong, as we generated more than \$2 billion in operating cash flow for the fourth consecutive quarter.

As interest rates increased during the quarter, our net unrealized investment loss increased from \$1.5 billion after tax at year end to \$2.4 billion after-tax at March 31.

Adjusted book value per share, which excludes unrealized investment gains and losses, was \$161.60 at quarter-end, up 16% from a year ago. Adjusted book value per share also increased 2% from year end, despite the very strong level of share repurchases during Q1.

Share repurchases this quarter included \$1.8 billion of open-market repurchases, in line with the guidance we shared last quarter. And as a reminder, \$700 million of that \$1.8 billion came from the closing of the Canadian business sale in January. We had an additional \$185 million of buybacks in connection with employee share-based compensation plans. We still have approximately \$5.2 billion remaining under prior Board authorizations for share repurchases.

Dividends were \$238 million in the quarter, and as Alan mentioned earlier, our Board authorized a 14% increase in the quarterly dividend to \$1.25 per share.

In summary, our first quarter results once again demonstrate significant and durable underwriting earnings power and attractive margins across our well-diversified book of business, along with steadily increasing NII 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 2026, delivering another quarter of excellent financial results and successful execution in the marketplace. Segment income of \$839 million was a first quarter record, benefitting from strong underlying underwriting results and net investment income as well as favorable prior year reserve development.

For the 14th consecutive quarter, we delivered an underlying combined ratio below 90%. That sustained underwriting success reflects the strength of our risk selection, granular pricing segmentation and field execution.

Turning to the top line, we generated net written premiums of \$5.8 billion. Domestic net written premiums were up 4% over the prior year quarter, as we grew our leading Middle Market and Select businesses by 5% and 3% respectively. National Property premium declined, as we maintained our disciplined underwriting standards.

Turning to production, we achieved renewal premium change of 5.8% for the quarter. Excluding the Property line, RPC was nearly 8% and in line with the fourth quarter. Renewal premium change was positive in all lines and higher sequentially in the Umbrella and Auto lines. Retention increased to 86%, up sequentially from the fourth quarter – a reflection of our continued focus on retaining our high-quality book of business and generally stable market conditions. Strong new business of \$775 million was a quarterly record. These production results benefit from the investments we've made in product and underwriting precision. Our new Commercial Auto product, TCAP, which contains industry-leading segmentation is now live in 47 states. We also recently enhanced our Property pricing models, refining catastrophe and non-cat segmentation. Our advanced analytics, market-facing tools, and sales enablement capabilities also played key roles in our success, reflecting the competitive advantages these investments continue to build.

We're pleased with these production results and the excellent execution by our field organization.

As for the individual businesses:

In Select, renewal premium change was strong at 8.8%, while retention increased one point sequentially to 82%. As expected, we are seeing the benefit of having largely completed our targeted CMP risk-return optimization effort. New business of \$157 million was strong and in line with last year's record. These results underscore our continued investments in product, underwriting and agent experience. BOP 2.0 is now fully deployed nationwide – completing a multi-year initiative that has transformed our small commercial offering. The recent rollouts of the product in California and New York were meaningful milestones, and the industry-leading segmentation embedded in the product is contributing to profitable growth. We continue to enhance TRAVIS, our digital quoting platform which processes over one million transactions annually. TRAVIS is a reflection of our ongoing commitment to delivering an industry-leading experience for our distribution partners.

In Middle Market, renewal premium change remained attractive at 6.6% while retention improved two points from the fourth quarter to a very strong 89%. Price increases remained broad based as we achieved higher prices on about three quarters of our Middle Market accounts. New business of \$468 million was up 7% compared to the prior year quarter, reaching a new quarterly high.

Once again, another great quarter for Business Insurance. We are energized by both the impact of the new capabilities contributing to our strong performance and by the additional capabilities we are currently building that will drive our continued success throughout the remainder of 2026 and into the future. With that, I'll turn the call over to Jeff.

Jeff Klenk

Thank you, Greg, and good morning, everyone. We're pleased to report that Bond & Specialty started the year with another strong quarter on both the top and bottom lines. We generated segment income of \$254 million, an excellent combined ratio of 83.3%, and a strong underlying combined ratio of 88.9%.

Turning to the top line, we grew net written premiums by a very strong 7% in the quarter to \$1.1 billion.

In our high-quality domestic Management Liability business, renewal premium change was slightly higher sequentially, while retention remained strong at 87%. We're encouraged by our continued progress in achieving improved pricing through our purposeful and segmented initiatives while continuing to deliver strong retention.

Turning to our market-leading Surety business, we are very pleased that we increased net written premiums by 14% from the prior year quarter. Bond premium growth came from both long-term accounts, many of which are relationships spanning decades, as well as high-quality new accounts recently added to our industry-leading portfolio. These new Surety relationships reflect years of effort spent by our outstanding field team earning trust, as well as the strategic investments we've made over time to deliver value beyond the bond itself. Our portfolio of premier contractors is well positioned to continue to benefit from higher and broad-based infrastructure spending.

So, Bond & Specialty Insurance delivered strong results in the first quarter of 2026, driven by our consistent underwriting and risk management diligence, excellent execution by our field organization in delivering our leading products and value-added services, and by continuing to leverage our market-leading competitive advantages.

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

Michael Klein

Thanks, Jeff, and good morning, everyone.

In Personal Insurance, we delivered segment income of \$704 million for the first quarter of 2026. Strong underlying underwriting income and favorable prior year reserve development both contributed to this excellent bottom line result.

The combined ratio of 82.9% was a terrific result in the quarter.

The underlying combined ratio of 78.3% improved by 1.6 points compared to the first quarter of 2025, reflecting strong profitability in both Automobile and Homeowners & Other.

Net written premiums for the segment were \$3.5 billion. As a reminder, we completed the sale of our Canada Personal lines business on January 2, 2026.

The decrease in Domestic net written premiums of 5% year-over-year reflects the impact of both Auto and Home actions we've taken over the past year to improve Property pricing, terms and conditions; and to reduce exposure in high catastrophe risk geographies. The decrease also reflects higher ceded premium related to expanded coverage we purchased as part of the enterprise catastrophe reinsurance program, which renewed on January 1st.

Turning to Automobile, bottom-line results continue to be very strong. The first quarter combined ratio was 82.9%, reflecting a very strong underlying combined ratio of 88.3%, and a 6.3 point benefit from favorable prior year development.

As a reminder, the first quarter is historically our seasonally lowest combined ratio quarter in Auto.

In Homeowners & Other, the first quarter combined ratio was an excellent 83.0%.

The underlying combined ratio of 69.7% improved by approximately three points compared to the prior-year quarter, primarily related to the continued benefit of earned pricing.

As another reminder, the second quarter historically has been the seasonally highest quarter for Homeowners' weather-related losses.

Turning to production, in Automobile, retention of 82% was relatively consistent with recent periods and renewal premium change continued to moderate, reflective of our strong profitability. We are pleased to note that both Auto new business premium, and the number of new business policies written increased compared to the prior-year quarter.

In Homeowners & Other, retention improved to 85%. Renewal premium change in Homeowners moderated, reflecting our successful efforts to align replacement costs with insured values. We expect renewal premium change to further moderate into the mid-single digits reflecting improved profitability. We were encouraged to see new business premium higher year over year, as we broadened our disciplined efforts to deploy Property capacity.

These production results reflect progress toward our objective of delivering profitable growth over time. We are executing a range of initiatives to generate new business growth in both Auto and Property, including continuing to enhance product and pricing segmentation, unwinding eligibility restrictions, lifting agent binding limitations and increasing new agency appointments.

We are focused on providing total account solutions that, together with continued investment in digitization and ease of doing business, make us an indispensable partner for our agents, and an undeniable choice for customers.

To sum it up, we are operating from a position of strength. The underlying profitability in our Personal lines business is excellent. Our multi-year efforts to improve returns and manage volatility in the Property portfolio are largely behind us, and the early signs of growth momentum in both Auto and Home are encouraging.

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

Abbe Goldstein

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



Operator

At this time, if you would like to ask a question, simply press star, followed by the number one on your telephone keypad. We ask that you please limit questions to one and one follow-up. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Gregory Peters with Raymond James.

Gregory Peters

Good morning, everyone. So for my first question, Alan, you've talked about your investment in technology every year for years now. And I'm curious how it is affecting the culture of the company. And I'm thinking about this from two perspectives. First of all, a number of your peers have talked about the potential for headcount reduction. And then at the SBU or line of business level, there are risks, I suppose, of deploying new technology, both on growth and margin and maybe sometimes that might outweigh the benefits. So some perspective on those two points would be helpful.

Alan Schnitzer

Greg, good morning. Thanks for that question, and I love that question.

And I'll take you back to, I think it was 2017, when we came out and we said, innovation is going to be a strategy for Travelers. And what we've done in the intervening years really is hone our innovation skills. And we're referring to the last essentially 10 years is innovation 1.0 positioning us for innovation 2.0. But when you talk about the culture, that's a culture that, fortunately, we've developed and honed over a decade. And so, that's everything from, how do you pick the right initiatives, how do you assess performance along the way? How do you measure results, how do you prepare an organization to manage change? How do you communicate to an organization that's in the middle of change? And so, that has been a constant for us. And I just don't think you can wake up on Monday morning and say "Okay. We're going to be innovative today." It's a skill set, and we've got a lot of hard-won know-how in doing it. And I think that shaped our culture which is prepared for it.

Gregory Peters

Okay. I guess related to just – I'm looking at the Personal lines results, again, Michael, just balancing profitability with possibly adjusted pricing to drive new business and growth. Just curious about how you're looking at that equation.

Michael Klein

Sure, Greg. Thanks for the question. And that is absolutely what we're trying to accomplish, right, balance growth with returns and generate profitable growth over time. Certainly, given the strong profit position, we've taken a number of actions across pricing eligibility and distribution management to drive growth.

Importantly, I think we're doing that. I mentioned it from a position of strength. The segment combined ratio and underlying combined ratio in Personal Insurance is the lowest first quarter segment combined ratio in the last 10 years. So that gives us some flexibility to look at pricing segmentation that gives us the opportunity to look at base rate levels in certain states to ensure that pricing is consistent with loss costs.

And then, as I mentioned in the prepared remarks, we're executing a range of initiatives across distribution management, expanding eligibility, relaxing limitations to support that growth. And as I mentioned, we're encouraged by the momentum we're starting to see.

Gregory Peters

Got it. Thank you, everyone, for the answers.

Alan Schnitzer

Thanks, Greg.

Operator

Your next question is from David Motemaden with Evercore.

David Motemaden

Hi, thanks, good morning. I had a question just on the RRC within the Select business. I was a little surprised that – at the deceleration there. I was hoping you could unpack that a little bit and sort of what lines were driving that deceleration?

Greg Toczydlowski

Hi, David, if you're referencing the RPC, first of all, let me point out, that's a real strong number for Select, just at under 9%, and you can see that drove a real strong retention number also. Rate came in at 4% and down from the fourth quarter, but that really is a reflection of how we feel about the portfolio and the rate adequacy and the very deliberate execution of our field organization.

Alan Schnitzer

David, I'd add to that, when you're looking at that pricing metric, any pricing metric, and I would say this for Select or, frankly, anywhere else, you really have to look at it as a package of what's the pricing, where are the returns and where is the retention. And when you look at that trio together and you look at Select, it's an excellent outcome.

David Motemaden

Got it, thank you. And then maybe just for my follow-up. I thought the underlying loss ratio in BI that was definitely better than I was looking for. Could you just talk through the moving pieces there? I think last year, you had talked about increasing IBNR on Liability lines. You saw maybe an update there.

And then, also, you guys had talked about some light non-cat Property losses, I think in the first couple of quarters last year, and there were some questions if that is durable or not. So I was wondering if you have any updated thoughts there that you might be reflecting in loss picks?

Dan Frey

Yes, David, it's Dan. I'll take that. So look, overall, I feel really terrific about the underlying profitability in Business Insurance. And as Greg called out in his prepared remarks, now that's been sustained for quite a while. So I think we're in a really sweet spot for the point Alan was just making about retention, pricing and returns. Nothing really unusual in the quarter, sort of the normal suspects that you would expect – a little bit of mix impact, but nothing that we would call out as being particularly unusual including non-cat weather or anything else.

We also talked about our comment last year on the Casualty lines and putting a little bit of what we call I think an uncertainty provision in both 2024 and 2025. I think we said at the end of the 2025 year-end call but I'll repeat it here – we did, again, carry that into the 2026 loss pick. So, the losses have not performed poorly. We like the margins in this line. But again, it's a pretty long tail line. There's still a lot of uncertainty. There's still a lot of attorney rep. We're going to have a healthy respect for that uncertainty. So we did include that provision again in the 2026 loss picks.

David Motemaden

Got it, thanks, that makes sense.

Operator

Your next question is from Robert Cox with Goldman Sachs.

Robert Cox

Hi, thanks, good morning. Just a question for you around AI exclusions from policy terms. We're hearing brokers talk about increasing inbounds around AI-related exclusions from policy terms. So I'm just curious how Travelers is thinking about underwriting exclusions for AI-related risks and if you're seeing this play out in the market at all?

Greg Toczydlowski

Hi, Rob, this is Greg. Clearly, we're looking at our policy language all the time when there's new perils or dynamics in the marketplace. And that's evolving right now and we haven't had any material changes, but it's something we're watching very closely.

Robert Cox

Okay. Great, thank you. And then maybe I just wanted to check in on tort reform. I know we've talked in the past, Florida is kind of viewed as a success story there. There's a number of other states who have recently passed some fairly comprehensive actions. I'm just curious if – do you think that these other states could have similar success as Florida, and if Travelers would plan to proactively change strategy in those states with regards to underwriting and pricing? Or would you wait to see an improvement before changing strategy?

Alan Schnitzer

Rob, we've been very encouraged by what we saw in Florida, and we've seen other encouraging actions in some of the states, as you've mentioned, Georgia, Texas, Louisiana, South Carolina and so forth. So it's been terrific to see and I think in part attributable to a really strong ground game that we and the rest of the industry have put on, just state-by-state, making sure that we're pounding the pavement together with other industries, just making the case for the impact of litigation abuse on affordability. And so, we're really pleased to see early gains, and we hope to continue the momentum.

We will – it's hard to answer your question on how we're going to execute on a – with a broad brush, but we will look at the dynamics in each state. We'll look at the actions that states take, and either at the outset or over time, that will impact how we think about the opportunity there and how we execute. But we're hopeful that this is the beginning of some momentum.

Robert Cox

Thank you.

Alan Schnitzer

Thank you.

Operator

Your next question comes from Andrew Anderson with Jefferies.

Andrew Anderson

Hi, good morning. Within BI, as some of these lines continue to see firm pricing, other than Property, how do you think about the relative attractiveness of Workers' Comp from either a growth or a margin perspective?

Alan Schnitzer

The Workers Comp business is a fantastic business for us, and it continues to be – continues to perform very well. You can look at the calendar year returns. And we are more than open for business and Workers Comp.

Andrew Anderson

Got it. And within Surety, growth accelerated, again – how would you kind of frame the demand conditions relative to credit quality?

Jeff Klenk

Yes, hi. This is Jeff Klenk responding, Andrew. I would tell you that our growth in the quarter for Surety was really broad-based. As I mentioned in the prepared remarks, it was new and existing customers. It was from several of the different segments within our Surety business. We are really proud of the high credit quality of our book of business. We continue to look at that as we take new customers into that portfolio. And we feel really good that our portfolio will continue to benefit from this broad-based infrastructure spending that's out there as we look ahead. Thanks for the question.

Andrew Anderson

Thank you.

Operator

Your next question comes from Josh Shanker with Bank of America.

Josh Shanker

Thank you for fitting me in. I was curious about the expense ratio. It's a little higher than it's been in the past on both the acquisition costs and the other expense ratio. Can you talk about the drivers and how we should think about that as the year progresses?

Dan Frey

Sure, Josh. It's Dan. So, we're not at all surprised with the expense ratio. If you look at our results over the last five or six years, if you look at the quarters within any given full year, it's not at all unusual to see the expense ratio vary by a point or more from quarter to quarter. 2025 really didn't, but '25 was more of an outlier and just sort of happenstance.

So you mentioned compensation commissions. So things like at what point do you evaluate the level of accrual that you think you're going to need for profit sharing or contingent commission. So in the first quarter last year, we were sitting here coming out of one of the largest cat events in the history of the industry with California wildfires and saying, look, at this rate, we probably don't need a whole lot of extra accrual for contingent commissions and profit sharing. That's a different situation this year given the profitability of the book in the first quarter.

But as I said in my prepared remarks, first quarter came out pretty much where we expected it to be when we gave the guidance last year that we expected 28.5% for this year's full year.

Josh Shanker

And on Personal lines, is there a difference in the complexion of a business that's churning out of your portfolio versus business that you're winning currently?

Michael Klein

Thanks, Josh. It's Michael. I would say absolutely, the business that's churning out the portfolio is not as high quality as the business that's coming in. When we look at the profile of the business lost versus the profile of the business added new, the profile of the business we're adding new is superior to the profile of the business that we're losing.

Josh Shanker

And what are the qualitative features that make that business better? Is it bundled? Is it higher value homes? Is it more cars per home? Or what is the difference between those two cohorts?

Michael Klein

I mean, the elements that we look at when we look at profile, include all those things: credit quality, limits, bundling, number of vehicles, age of vehicle, age of home, really pretty much across the board, the profile characteristics of the business we're adding is better than the profile of the characteristics of the business we're losing.

Josh Shanker

So can we say that you're churning the business you're losing with some intentionality, that's a business you don't want any more?

Michael Klein

I would say we're very happy with the trade-off between what we're writing new and what we're losing. I mean, again, remember, in Personal Insurance, the business is mostly systematized. So there is certainly an element of business we are non-renewing, or declining to offer renewal for, based on risk quality, risk characteristics, our estimate of what the loss ratio relativity on that business is.

But really, I think what you're seeing is the successful outcome of a pricing and segmentation strategy that's tuned to attract the business that we want.

Josh Shanker

Thank you very much.

Operator

Your next question comes from Yaron Kinar with Mizuho.

Yaron Kinar

Thank you, good morning, everybody. I had two questions on Business Insurance. The first one, it seems like renewal pricing change is below loss trend for the first time in a while, at least based on the last long-term loss trend that the company provided a few years ago. And assuming that persists, how does that change the company's approach to writing and retaining business? As an example, I think the last time we saw RPC in this range retention rates were a bit lower than where they are today.

Alan Schnitzer

So Yaron, I'm not going to respond to whether it's, in fact, expanding or shrinking on a written basis. But what I will say is we're thrilled with the book of business we have, and we're very happy about the business we're putting on the books. And so, the way we think about the execution isn't looking at retention as sort of a headline number. It's executing at a very granular account-by-account basis.

So, when you're looking at the business we want to retain, you want to keep your quality business, you want to get the right price on it and, through a lot of hustle and franchise value, write new business. And so, we are – the retention, and the fact that it ticked up, given the quality of the book and the returns in the business, it's fantastic.

Yaron Kinar

Okay. Got it. And then my follow-up, again in BI, more focus on Select accounts. I'm just trying to think about the impact of AI here, where, on the one hand, I think it probably offers an opportunity to increase TAM [Total Addressable Market], you can drive scale and efficiency benefits there. But at the same time it could also mean that we see more of a shift of Small Commercial to larger brokers with more data and analytics capabilities, maybe greater negotiating power.

So I'm just curious to hear how you think about those dynamics, whether – am I thinking about this is correct? How do you see the business develop over the coming years with the advent of AI?

Alan Schnitzer

I honestly think it's a little too early to know how that's going to happen. We acquired – we've acquired three digital agencies brokers over the years, Simply Business, Zensurance and InsuraMatch, expecting the digitization of Small Commercial to move up in size and it really hasn't. And we think about Simply Business, for example, the Small Commercial, it writes is, I would describe it as micro. And for whatever reason, we just haven't had the take up there the way we would have expected eight or ten years ago.

So I think before we see how this business is going to transition from one size of distributor to another, you're going to have to see customers adopt digital distribution for research and purchasing. We just haven't seen it.

Greg Toczydlowski

And one thing I would throw out in addition, we're really excited about the GenAI within the independent agent channel and particularly Select and in Middle Market.

In Select, we've executed some GenAI that helps us process the business, endorsements and changes and just remove the friction and allow it to be much smoother for our independent agent channel. So I don't think it has all applicability of just changing distribution channels. We think it can be a great facilitator in having us be more efficient in our existing distribution channels.

Alan Schnitzer

And your – just to go back to your question, to the extent small commercial does gravitate to the larger brokers, it's probably good for – I mean it's probably a good thing for us. We've got those relationships and that's probably a plus for Travelers.

Yaron Kinar

Thanks so much.

Operator

Okay, your next question is from Tracy Benguigui with Wolfe Research.

Tracy Benguigui

Hello, good morning. A follow-up on the AI and Commercial Lines distribution. I appreciate your comments on Simply Business and the lower tick-up rate. But if I could take that in a different angle, rather than brokers being disintermediated, I'm wondering, over time can commission structures change due to the advancement of AI.

Alan Schnitzer

It's pretty early, I think, in the evolution of AI and the distribution of insurance to probably get into that Tracy, and it's probably a broader conversation maybe for a different time, different day.

Tracy Benguigui

Okay. I also have a big picture casualty reserving question. Are claim patterns normalizing, post-COVID catch-up period? And if so, does that inform your loss development factor selection?

Dan Frey

Hi Tracy, it's Dan. So compared to what we saw in COVID, I would say COVID was probably as disrupted payout patterns as we saw. So, normalized relative to that, yes. But the trend in payout patterns in the Casualty lines, particularly the long tail Liability lines, has still been increased frequency of attorney reps, general lengthening of the tail.

So the things that we talked about in the middle of 2024 when we made some adjustments to our loss picks for accident years '21 through '23 and then started to factor in that uncertainty provision, I talked about in a question earlier today, is still relevant because we have not seen attorney rep rate slow down. We have not seen severity increases slow down. We have not seen payout patterns return to their pre-COVID patterns. It's an extended payout pattern that has, if anything, continues to slightly extend.

Tracy Benguigui

Okay. Thank you.

Operator

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

Elyse Greenspan

Hi, thanks. My first question, I wanted to ask just about M&A and just capital, Alan, just given that things are starting to soften just from a market and premium perspective are continuing to soften. I was hoping to just get your current views on just M&A, things that you might consider and how that just fits into your capital priorities right now.

Alan Schnitzer

So Elyse, I'll give you the same answer that I think I've given you for 10 years consistently on that, which is we're always interested in M&A of all potentially shapes and sizes, and we're very active in looking at things. I think our shareholders should demand that we're active in looking at things.

And whether that's the larger transactions or whether we're considering bolt-ons or whether we're considering acquiring capabilities, that's all within our thought process and within our regular activity. I don't – we don't need to do anything at all to continue to be successful. We've got all the tools and capabilities that we need to be successful.

But if we find the right opportunity that meets our objectives, and I've shared many times, our – I mean, obviously, we're going to assess the transaction in 1 million different dimensions, but we're looking for transactions that either improve our return profile, lower volatility or provide us with some of the strategic capability. And we're active looking for those and when we see them and can get them done at the right terms and conditions, we'll do it.

Elyse Greenspan

Thanks. And then my follow-up on Personal lines, as we start to think about gas prices being elevated, just given what's going on overseas and I guess the offset could be potential – that there's potentially supply chain issues, right, which would impact severity gas prices, obviously potentially helpful to frequency. Can you guys just – just hoping to get some color just on the outlook on – just for margins within Personal lines given some of the things going on in the market right now?

Michael Klein

Sure, Elyse. It's Michael. I would say the gas price dynamic really depends on duration. Short to even medium-term increases in gas prices don't materially change commuting patterns and driving levels. So it does have to be a sustained elevation in gas prices to really impact miles driven.

And to be clear, if gas prices stay high for an extended period of time, that puts downward pressure on miles driven and it's actually a benefit to frequency. That's the most kind of straightforward dynamic that we could see. But again, gas prices would need to stay high for an extended period of time to drive that.

From a supply chain standpoint, I mean, it's a fast-moving, fast-changing situation. There's lots of different things that could happen. There are scenarios where elevated costs actually put sort of downward pressure on consumer purchases and actually reduce used car prices because there's not as much demand. As just one example of the type of scenario we could see, but at this point, it would be speculative to really go beyond that and sort of pick a path.

Operator

Your next question is from Mike Zaremski with BMO.

Mike Zaremski

Hi, thanks. A question on the Home insurance side. Mike, I believe you said, Michael, that pricing would start to move to the mid-single digits. If I look at – if we look at Travelers' historical loss trends in Home, it looks like it's well into the double digits. So are you signaling that that the loss cost trend is better after kind of the changes you've made, or you're letting margins deteriorate a bit to accelerate growth or a little bit of both? Because especially, if you look at the cat load increased guide over the last few years, it's pretty much all emanated from Home being a bigger part of the equation. Thanks.

Michael Klein

Sure, Mike. It is Michael. Sort of taking those pieces and putting them together, what I would say is the guidance for Property pricing moving down towards mid-single digits really just reflects the fact that we have rate adequacy broadly in virtually every state across the country as we sit here today and we're pleased with the profitability of the portfolio. And I think importantly, that's been driven by pricing but also by changes in appetite, terms and conditions and business mix, including state distribution.

And so, what you saw between fourth quarter of last year and first quarter of this year was really that we had caught up on insurance to value. We had gotten coverage limits where they needed to be on Property policies. And so, we've gone to a lower inflation factor on those policy – Property policies renewing in 2026. That really explains most of the quarter-to-quarter drop in RPC.

What I'm signaling in the go-forward is that rate will also start to moderate in response to that improved profitability. And underneath that certainly is an assumption based on what we've been seeing that the elevated inflation, that I think you're referring to in your question, has returned to a more normal level, and so that's aligned with that pricing expectation.

Mike Zaremski

That's helpful. And my follow-up is pivoting to Commercial Lines loss cost trend. And if we look at your commentary about loss cost trend being mid-single digits-plus in the past. If you look at kind of your reserve releases and especially over the last year or more, it kind of implies that loss trend has been a bit below the historical stated trend.

Would you agree with that? Or is loss trend maybe improving slightly versus your historical view? Thanks.

Dan Frey

Yes, Mike, it's Dan. I think – if you look at Business Insurance, in particular, a large part of the favorable reserve development we've seen over the last several years in general has been Comp related. And we've said on Comp each time that it's come up, there's been favorable – favorability in both frequency and in severity, particularly in medical cost trend severity. That doesn't really bleed over into the way we think about loss trend in Commercial Auto or Commercial Property or the General Liability lines as an example. So I don't think that we've seen a sea change in the way we think about loss trend to the positive. There's still a lot of pressure on the Liability lines which is why we continue to talk about things like double-digit pricing in Umbrella. Fair question, but I don't think we've seen any big changes there.

Alan Schnitzer

And Mike, I'd add to that, that one of the reasons that we've gotten away from talking about loss trend is because it's a pretty narrow concept of frequency and severity.

It's a very blunt instrument to think about what's happening across billions of dollars of premium, each line has its own dynamic, and there are other things that impact margins. There's base year changes, there's exposure changes, mix changes, change in our large loss assumptions, other adjustments that we make for one reason or another, there's a lot of estimation in that number.

So we try to get away from it. But holistically speaking, what I'd say is the loss picks we have reflect what we think is going on with loss trend and on the whole, it behaved about as we expected.

Mike Zaremski

Thanks.

Operator

We have time for one more question, and that question comes from Pablo Singzon with JP Morgan.

Pablo Singzon

Hi, thanks for squeezing me in. So first, just a quick modeling question. You talked about the impact of the Canada sale and earned and written premiums. I think you had mentioned two points. Should there be a similar proportionate impact on the dollar run rate acquisition and G&A expenses?

Dan Frey

I think the way we think about it, Pablo, is just think about combined ratio in general. So there's a little bit of a mix difference between the way Canada performed relative to the other lines but not so significant that we think we would call it out and tell you need to adjust the run rate loss ratio.

So you asked the same question you asked about whether it's acquisition cost or G&A or loss ratio or claims and claim adjustment expense sort of up and down the income statement, we don't think it's going to significantly change the profile of the profitability related to those dollars.

Pablo Singzon

Understood. And then the second one, just a follow-up to Rob's question on AI and not entirely related to the quarter. So Travelers is one of the largest cyber writers in the U.S., and I guess the question is, how are you thinking about your exposures there on risk management given recent developments of the AI? Thanks.

Jeff Klenk

Yes. Thanks for the question, Pablo. It's Jeff. So absolutely, it is an underwriting consideration. We're thinking about artificial intelligence and with some of the more recent announcements in the last few days about the strength of the LLM models and what that could mean. It's not just on the negative side. It's also got the potential to be on the positive side from an investment in resilience and capability to actually address the threat. And so, we're heavily invested. We've continued to invest in our risk control capabilities to address the cyber risk issue.

And I think that, ultimately, we're going to have to make sure we're staying on top of in partnership with broader government entities, as we already are. And I think the investments we've made in our cyber risk control team for the benefit of our customers, the really good news for them is that as this technology continues to expand and change, we're going to be even in a better position to help them identify and remediate vulnerabilities as they come about. Thanks for the question.

Pablo Singzon

Thank you very much.

Operator

There are no further questions at this time. I'll now turn the call back over to Ms. Goldstein for any closing remarks.

Abbe Goldstein

Thanks so much. We appreciate you tuning in. We know we lost some questions in queue. So as always, please feel free to follow up with Investor Relations. And appreciate your time. Have a good day.

Operator

This concludes today's conference call. Thank you for participating. 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 2026 Plan) 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;
- the Company's cybersecurity policies and practices;
- new product offerings;
- the impact of developments in the tort environment; and
- the impact of developments in the geopolitical environment, including the war with Iran

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, or increases in loss costs may not be offset 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 continued 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, including with respect to artificial intelligence, 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;
- future pandemics (including new variants of COVID-19); and
- the sale of our Canadian insurance business (excluding surety) to Definity Financial Corporation is subject to closing conditions, including obtaining required regulatory approvals and the satisfaction of other customary closing conditions, and may not occur.

Technology and Intellectual Property Risks

- as a result of cyber attacks (the risk of which could be exacerbated by geopolitical tensions, including the war with Iran) 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, including with respect to artificial intelligence; 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, 2026, and in our most recent annual report on Form 10-K filed with the SEC on February 12, 2026, in each case as updated by our periodic filings with the SEC.