

Q1 2018 Earnings Call

Company Participants

- Alan D. Schnitzer, Chairman and Chief Executive Officer
- Gabriella Nawi, Senior Vice President- Investor Relations
- Gregory C. Toczydlowski, Executive Vice President & President, Business Insurance
- Jay S. Benet, Vice Chairman & Chief Financial Officer
- Michael F. Klein, Executive Vice President & President, Personal Insurance, and Head of Enterprise Business Intelligence & Analytics
- Thomas M. Kunkel, Executive Vice President & President, Bond & Specialty Insurance
- William Herbert Heyman, Vice Chairman & Chief Investment Officer

Other Participants

- Amit Kumar, Analyst
- Brian Meredith, Analyst
- Elyse B. Greenspan, Analyst
- Jay A. Cohen, Analyst
- Jay Gelb, Analyst
- Joshua D. Shanker, Analyst
- Kai Pan, Analyst
- Larry Greenberg, Analyst
- Meyer Shields, Analyst
- Ryan J. Tunis, Equity Research Analyst
- Sarah E. DeWitt, Analyst
- Yaron Kinar, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen. Welcome to the First Quarter Results Teleconference for Travelers. We ask that you hold all questions for the completion of formal remarks, at which time you will be given instructions for the question-and-answer session. As a reminder, this conference is being recorded on April 24, 2018.

At this time, I would now like to turn the conference over to Ms. Gabriella Nawi, Senior Vice President of Investor Relations. Ms. Nawi, you may begin.

Gabriella Nawi {BIO 2211991 <GO>}

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Thank you. Good morning and welcome to Travelers' discussion of our first quarter 2018 results. Hopefully, all of you have seen our press release, financial supplement and webcast presentation released earlier this morning. All of these materials can be found on our website at www.travelers.com, under the Investors section.

Speaking today will be Alan Schnitzer, Chairman and CEO; Jay Benet, Chief Financial Officer; and our three segment presidents: Greg Toczydlowski of Business Insurance; Tom Kunkel, 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 questions.

Before I turn it over to Alan, I would like to draw your attention to the explanatory note included at the end of the webcast. 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 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, Alan Schnitzer.

Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you, Gabby. Good morning everyone and thank you for joining us today. This morning, we reported first quarter core income of \$678 million, generating core return on equity of 11.9%. Core income was up 10% over the prior-year quarter driven by higher pre-tax underwriting income and a lower U.S. corporate income tax rate. Catastrophe losses of \$280 million after-tax was slightly higher than the also unusually high level of catastrophe losses in the prior-year quarter.

Results this quarter were impacted by, among other events, poor March nor'easters. One of those storms, cat 15, generated high claim counts for us in Virginia, Maryland and Washington, D.C., with some areas experiencing hurricane-force winds of up to 90 miles an hour. Both historically and going forward on a model basis, we like the risk-adjusted returns in the mid-Atlantic. And accordingly by design, we have meaningful market shares in those states. Our results in the quarter were also impacted by mudslides in California and a severe winter storm in the UK. So all-in, an unusual weather quarter. Despite the high level of catastrophe losses, underwriting income increased and record Q1 net earned premiums were a contributing factor. We achieved the top-line growth, while continuing to deliver a strong underlying combined ratio of 92.4%.

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We also continued to invest in the strategic initiatives we've discussed with you, while carefully managing our expense ratio. Our expense ratio has improved by about a 1 point from the 2016 level and also down slightly from the prior-year quarter. We accomplished that through disciplined growth in our top-line, disciplined expense management, and the successful execution of our productivity and efficiency initiatives. Also noteworthy in the quarter, pre-tax income from our fixed income investment portfolio increased the first time since 2008. Jay will have more to say about that shortly.

Turning to the top-line and production, we are very pleased with the continued successful execution of our marketplace strategies. Net written premiums grew by 5% to a first quarter record of \$6.8 billion, another strong quarter with growth in all segments. To a large degree, this growth once again reflects high levels of retention and positive renewal premium change. That speaks to the high-quality of the premium growth.

Greg, Tom and Michael will provide more detail on production at the segment level, but I'll take a minute to comment on the commercial pricing environment. Renewal rate change in domestic Business Insurance reached 1.6 points with renewal premium change of 4.5 points. In both cases, the highest levels in three years. I'll also note that once again, we achieved renewal rate gains in the quarter more broadly across our Middle Market accounts compared to recent periods.

We're pleased with these results, particularly in light of the pricing pressure in the workers' comp line. There's nothing about the workers' comp pricing environment so far that surprises us, given the industry's favorable loss experience. Excluding workers' comp, pure renewal rate change for domestic Business Insurance was up 3.3 points for the quarter compared to 0.9 of a point a year ago and 2.4 points in the fourth quarter. Importantly, we achieved pricing improvement and record retention. As you've heard us say in terms of BI looking ahead, there's a gap between where returns are trending and where we'd like them to be trending. So we'll continue to seek great gains thoughtfully and deliberately.

I'll take just a minute to provide an update on strategic initiatives. As we explained at our Investor Day last fall, we're investing and making sure that our competitive advantages continue to set us apart in a changing world. We're focused on extending our lead in risk expertise, improving the experience for our customers, agents, and brokers, and enhancing productivity and efficiency. One of the specific initiatives we discussed was a pilot program to complement our local underwriting expertise with centralized underwriting of less complex accounts in lower-touch business centers.

To-date, we have all four planned business centers online and staffed to support our Commercial Accounts business with all eligible renewals flowing through them. We expect that all eligible new business will also be handled through the business centers over the next couple of quarters. Although it's still early days, we're pleased with the productivity gains we're seeing which free up our local underwriters to spend more time with our agent and broker partners pursuing larger, more complex account opportunities.

Quote activity is up, with the increases coming across all account sizes. Again, it's early, but this is the type of outcome the business centers were designed to create. We're also making progress on key initiatives in both our Bond & Specialty business and in Personal lines. In Personal lines for example, we're pleased with the progress so far in the rollout of our new Quantum Home 2.0 product. You'll hear more about that from Michael.

Lastly, before I turn it over to Jay, I'm pleased to report that as a reflection of confidence in our business, our board of directors has declared a 7% increase in our quarterly dividend to \$0.77 per share. This marks the 14th consecutive year of dividend increases dating back to the St. Paul-Travelers merger, bringing the compound annual growth rate in the dividend to about 10% over that period.

And with that, I'll turn it over to Jay.

Jay S. Benet {BIO 2456473 <GO>}

Thanks, Alan. As Alan said, we're pleased that core income was up 10% this quarter, \$678 million versus \$614 million in the prior-year quarter, which resulted in core ROE of 11.9%. Catastrophe losses were \$354 million pre-tax, which was unusually high for the first quarter although comparable to last year's unusually high first quarter. Two significant storms in March accounted for almost 70% of the cat losses: cat number 15, an unusual winter windstorm in the Northeast U.S.; and cat number 17, a tornado hailstorm that did considerable damage in the Southeast United States.

On a more positive note, net favorable prior-year reserve development, which I'll discuss in more detail shortly, was \$150 million pre-tax or \$69 million higher than in the prior-year quarter with each of our segments contributing. Our underlying combined ratio remained strong at 92.4%, up only slightly from 91.7% in the prior-year quarter due to normal quarterly variability in both loss activity, mostly from non-cat weather, and expenses.

Pre-tax net investment income of \$603 million was slightly below the prior-year quarter, but there's an important story underneath. In the past, you've heard me say over and over again that fixed income NII declined due to historically low interest rates. This quarter, pre-tax fixed income NII of \$500 million increased by \$12 million compared to the prior-year quarter, the first time we've seen an increase in many years. This was driven by the more favorable interest rate environment, particularly for short-term rates, as well as an increase on our average invested assets due to growing net written premiums in recent periods. If you add in the benefit of the lower U.S. corporate income tax rate, fixed income NII on an after-tax basis increased quarter-over-quarter by \$36 million.

Looking forward to the rest of 2018, we'd expect after-tax fixed income NII to increase by approximately \$40 million to \$45 million each quarter as compared to the corresponding quarters of 2017. The non-fixed income portfolio continued to perform well, delivering \$113 million of pre-tax NII. Within core income, income tax expense was lower than the prior-year quarter by \$30 million, driven by a \$74 million benefit in the current quarter that resulted from the lower U.S. corporate income tax rate for all the tax-exempt income,

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partially offset by the inclusion in the prior-year quarter of a \$39 million benefit that resulted from successfully closing out our federal income tax exams for 2013 and 2014.

As I mentioned, consolidated net favorable prior-year reserve development was \$150 million pre-tax this quarter compared to \$81 million in the prior-year quarter. Business Insurance's net favorable reserve development was \$66 million pre-tax compared to \$61 million in the prior-year quarter, primarily driven by better-than-expected loss experience in domestic workers' comp and commercial property, partially offset by higher-than-expected loss experience in domestic commercial auto.

Bond & Specialty's PYD was \$35 million pre-tax compared to \$14 million in the prior-year quarter, primarily driven by domestic management liability, while PI had net favorable reserve development of \$49 million pre-tax compared to \$6 million in the prior-year quarter, primarily driven by domestic homeowners and auto. On a combined statutory Schedule P basis, all of our U.S. subsidiaries, all accident years across all product lines in the aggregate and all product lines across all accident years in the aggregate, developed favorably or had de minimis unfavorable development this quarter, except commercial auto, which developed unfavorably by approximately \$50 million pre-tax.

Operating cash flows of \$554 million remained strong, although lower than first quarter 2017, primarily due to the relatively high level of cat claim payments. We ended the quarter with holding company liquidity of almost \$1.8 billion, and all of our capital ratios were at or better than target levels. The recent run-up in interest rates that's benefiting fixed income NII caused net unrealized investment gains to decrease considerably from \$1.1 billion after-tax at year end 2017 to \$133 million after-tax at the end of the first quarter, and this decrease in net unrealized investment gains was the driver behind a 3% decrease in book value per share from year end 2017 from \$87.46 to \$85.03. I'll remind you that changes in net unrealized investment gains or losses do not impact the manner in which we manage our investment portfolio or our business. We generally hold fixed income investments to maturity. The quality remains very high and changes in unrealized gains and losses have little or no impact on regulatory capital.

Adjusted book value per share which excludes net unrealized investment gains or losses was \$84.54 or 1% higher than the beginning of the year and 4% higher than at the end of last year's first quarter. We continue to generate much more capital than we need to support our businesses despite the high level of cat losses, allowing us to return almost \$600 million of excess capital to our shareholders this quarter, consistent with our ongoing capital management strategy. We paid dividends of \$197 million and repurchased \$401 million of our common shares this quarter, including \$350 million under our publicly announced share repurchase program and \$51 million to partially offset shares issued under employee incentive plans, mostly to cover employee withholding taxes due upon the vesting and pay out of performance and restricted stock awards. And as Alan said, the board raised our quarterly dividend from \$0.72 per share to \$0.77 per share.

With that, let me now turn the microphone over to Greg.

Gregory C. Toczydlowski {BIO 16615940 <GO>}

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Thanks, Jay. Business Insurance had a strong quarter with segment income of \$452 million, up \$10 million from the prior-year quarter, benefiting from a lower tax rate as well as higher earned premium volume. The combined ratio of 97.5% included just under four points of cat, an unusually high level for the first quarter as it was last year. The underlying combined ratio of 95.5% was 1.1 point higher than the prior-year quarter, driven by loss cost trends that modestly exceeded earned pricing as well as normal quarterly fluctuations in both loss activity and expenses. The impact from loss cost trends exceeding earned pricing that I just referenced has moderated from recent quarters and was in line with our expectation.

Net written premiums for the quarter were \$4 billion, up 4% over the prior-year quarter with domestic net written premiums up 3%, driven by strong production results. International net written premiums were up 3%, excluding the impact of changes in foreign currency rates.

Turning to domestic production, retention improved to a record 86% from an already high level and new business was strong at \$525 million. As Alan mentioned, renewal rate change was 1.6 points and renewal premium change was 4.5 points. We're pleased with these results, particularly considering the pricing pressure in workers' comp associated with strong industry profitability.

Outside of comp, we were encouraged that we achieved renewal rate gains broadly across the product portfolio as rate in auto, property, umbrella, CMP, and GL increased for the third consecutive quarter on both the sequential and year-over-year basis. Auto continues to be the line with the highest level of rate, while property has improved meaningfully from a year ago, particularly in loss impacted areas. Our results for the quarter reflect our continued deliberate and successful execution in the marketplace.

Turning to the businesses, in Select, as with all our businesses, we're making strategic investments in technology and workflow initiatives to drive growth and we're encouraged with the progress we're making. Retention remained strong at 83% and new business was up 8% from the prior-year quarter. Renewal rate change remains positive. Given the returns in this business, we're pleased with these production results.

Turning to Middle Market, retention remained historically high at 88%. Renewal premium change was 3.9 points with renewal rate change of 1.5, up from 1.3 in the fourth quarter and up a 1 point from a year ago. New business premiums of \$318 million were strong and consistent with the prior-year quarter. So all-in for the segment, it was a good start to 2018 and we're pleased with our market execution. And given the early adoption from our distribution partners, we're encouraged about the impact that our technology and workflow initiatives will have on our results.

With that, I'll turn it over to Tom to talk about Bond & Specialty Insurance.

Thomas M. Kunkel {BIO 16615934 <GO>}

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Thanks, Greg. Bond & Specialty's operating results were very strong with segment income of \$173 million, up \$28 million from the prior-year quarter due to a higher level of favorable PYD and higher earned premium volume. The underlying combined ratio was also very strong at 80.7%, more than a 1 point lower than the prior-year quarter, reflecting improvements in both the underlying loss and expense ratios. As to the top-line, net written premiums for the quarter were up 6%, driven by solid growth in both our domestic surety and domestic management liability businesses. The increase in the surety net written premium was driven by a mix of relatively larger bonds in the quarter.

Turning to production in our domestic management liability businesses, we continue to execute our strategy to retain a substantial percentage of our high-quality portfolio, while pursuing attractive new business. We are pleased that the retention came in at a record high of 89% for the quarter and that new business was strong, up 11% from the first quarter last year. Renewal premium change of 3.6 points was up from the fourth quarter due to an increase in exposure. So, Bond & Specialty results were excellent, and we continue to feel great about our growth and returns as well as the opportunities that our strong market positions and competitive advantages present for the future.

And now, I'll turn it over to Michael who will talk to you about Personal Insurance.

Michael F. Klein {BIO 19674145 <GO>}

Thanks, Tom, and good morning, everyone. Personal Insurance began the year by continuing to deliver on our objectives of improving auto profitability, while maintaining momentum in our Homeowners business. Net written premiums of \$2.3 billion grew 8%, once again driven by higher pricing, primarily in auto and healthy growth in Homeowners policies in force.

Personal Insurance segment income of \$129 million was up from \$89 million in the prior-year quarter with an improvement in the combined ratio to 97.5%, primarily due to higher favorable reserve development. Catastrophe losses contributed nine points to the combined, an unusually high level for our first quarter, but similar to last year.

On an underlying basis, improved profitability in auto was essentially offset by a higher level of non-cat weather losses in property. Importantly, we remain pleased with the expense ratio of 26.8%. It's worth noting that the expense ratio for this segment has improved by about three full points from 2013, the year we announced the start of our cost reduction initiatives.

In Agency Auto, the combined ratio for the quarter was 94.8%, down considerably from the prior-year quarter due to a 2.3 point improvement in the underlying combined ratio, driven by the rate actions taken in the past several quarters, along with a 2.3 point benefit from favorable prior-year development. As a reminder, the first quarter combined ratio is typically a couple of points lower than average due to seasonality.

In Agency Homeowners, the first quarter combined ratio of 98.5% included almost 21 points of cat losses and a benefit of 2.4 points from favorable prior-year development.

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The underlying combined ratio of 80.2% was 2.6 points higher than the prior-year quarter, driven primarily by higher non-cat weather losses.

Turning to the top-line, Agency Auto premiums grew by 9%, and we achieved 10 points of renewal premium change, down slightly from the peak of 11 points last quarter, in line with our plans. Retention declined modestly, as expected, given the pricing actions and PIF levels in Auto have been holding steady.

In Agency Homeowners & Other, premiums increased by 5%, demonstrating continued momentum with another quarter of healthy PIF growth. Our efforts to maintain the steady increase in property policies in force have been successful, even as we have intentionally slowed the PIF growth in Auto.

As Alan mentioned, during the fourth quarter of 2017, we introduced our newest property product, Quantum Home 2.0 in three states and so far, the response from agents and customers is in line with our expectations. Early returns are demonstrating the benefits of Quantum Home 2.0's flexibility, sophistication and ease-of-use. We'll roll out several more states during the second quarter and then continue with waves of five or so states at a time throughout 2018 and 2019. The gradual rollout and implementation should enable us to sustain the momentum we've already generated and support profitable, steady growth going forward.

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

Alan D. Schnitzer {BIO 3529437 <GO>}

Thanks, Michael. Before I turn it back to Gabby to open it up for Q&A, I'll share with you that we've just returned from our annual conference with our most significant distribution partners who collectively represent about half of our premium. We all left with the continued confidence in the strength of our relationships with these business leaders and their firms and feeling tremendous support for the strategic initiatives that we have underway. It's a great reminder that our position with distribution is an important competitive advantage and one that's hard to replicate.

On the customer side, we also just returned from RIMS, the annual conference for the large account risk management community. We were honored to receive National Underwriter's Risk Manager Choice Awards in five lines of business, the most of any company. Taking together the feedback we're receiving from our customers, agents, and brokers suggests that we're on the right track in our work to continue to lead the market in understanding risk in the products and services our customers need and to provide them with great experiences.

Lastly, as some of you know, after a decade of leading Investor Relations for us, Gabby Nawi has been recruited away by our own Travelers Personal Insurance team to take a role in their finance group, which is great for her and great for us. Gabby's insights have been incredibly valuable to me and the entire leadership team. I'm grateful, and we all wish her continued success. We'll be announcing her successor shortly.

And with that, I'll turn it back to Gabby.

Gabriella Nawi {BIO 2211991 <GO>}

Thank you, and thank you for those kind words. Chris, we're ready to start the Q&A portion.

Q&A

Operator

Thank you. And our first question comes from the line of Kai Pan with Morgan Stanley. Please go ahead.

Q - Kai Pan {BIO 18669701 <GO>}

Thank you. Good morning. First, congrats to Gabby, and I guess we'll miss you next quarter. So my...

A - Gabriella Nawi {BIO 2211991 <GO>}

Thanks, Kai.

Q - Kai Pan {BIO 18669701 <GO>}

Yeah. My first question is on pricing. If I do the math, first quarter increase in BI 1.6%, but if you look by segments, Select Accounts up 0.2% and Middle Market up 1.5%, which implied maybe the National Property and Others increased much more. So can you compare and contrast for us like the deceleration in term price increase in the small accounts, why big increase in the national accounts?

A - Gregory C. Toczydlowski {BIO 16615940 <GO>}

Hey, Kai, this is Greg Toczydlowski. Good morning. Just to answer the first part of that question, yeah, you're correct. The reason why the two of the businesses that are illustrated in the documents are below the total is because of the National Property business. We've been very successful in achieving rate, and particularly in the cat exposed areas in National Property, and that's what you're seeing when that rolls up into that total number.

In terms of Select, the second part of your question, we've shared with you for some time now around how we've been thinking about that business and how we've been very focused of having an adequate set of returns in that business, and we're very comfortable with the returns in that business right now. So that's a output of a lot of deliberate execution of really thoughtfully growing that business because we are returning the returns that are hitting our thresholds today in that business. So that's what's underneath that.

Q - Kai Pan {BIO 18669701 <GO>}

Great. My follow-up question is for Alan. You mentioned perform and transform in your annual letter. I just want to follow up on the transform part. And could you tell us a bit more about initiatives, both internally as well as potential acquisitions on that front?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. Sure, Kai. Thanks for the question. Thanks for reading the annual letter. I guess I'd refer you back to our Investor Day, and we discussed there the forces of change we see impacting our business and the need to make sure that our competitive advantages continue to set us apart in a world that's obviously changing. We've been incredibly successful over the last decade or two, and the competitive advantages we've had have served us very well. But we're very mindful that what's going to make us successful over the next decade to some degree will be different than what's made us successful. And so at a broad level, we've set two objectives: we want to be the undeniable choice for the customer, and we want to be an indispensable partner for our agents and brokers.

And underneath that, we've got three priorities that ladder up to that. So one of the things that's made us successful for a long time is an expertise in risk in the products and services our customers need. We've put that on a pedestal for a long time, and we'll continue to put that on a pedestal and invest in that. So think data analytics, third-party data, that type of thing.

In addition, we are highly focused on the experience for our customers and our agents and brokers, and some of the technology and workflow investments you've heard us talk about are designed to do that. And then third, productivity and efficiency. We're highly focused on just making sure that we've got the ability to do more with less, and that creates flexibility for us. It gives us the opportunity to take the output of the productivity and efficiency and either let that fall to the bottom line, invest it in new or other strategic initiatives, or put it in the price if we need to. So there's a lot of things going on across the company and in all three of our business segments, in our technology group, in claim, but all of the things that we're working on ladder up really inside of that framework. And we talked about a lot of those specifically at Investor Day, and so I'd refer you back to that maybe for more specifics.

Q - Kai Pan {BIO 18669701 <GO>}

Do you need acquisitions to transform the business?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

So do we need acquisitions? I do not think we need acquisitions, Kai, but nobody should take away from that that we're not highly focused on it, right. I've said for a long time and I'll continue to say that our shareholders should demand that we are active in terms of M&A, and that in the lines of business that we're interested in and in the geographies we're interested in that we are very active, and we are and we will continue to be.

We often say some of the best deals we do are the best deals we don't do, so we're highly disciplined about it. And we've shared with you many times what the lens is for

thinking about transactions. So we're anxious to do them if they improve our return profile, if they lower volatility, or if they provide another important strategic benefit for us, and so highly focused on looking at things that match up to that criteria. But no, we don't feel like we need to do it.

And I would say, Kai, that again, you shouldn't take away from this any change or propensity to think about or do a deal. But one of the things that we think more and more about today that maybe we didn't 5 or 10 years ago is the opportunity cost and the potential distraction from focus on all the organic innovation that we're doing. We think it's really important in a changing world. We think that there's a real benefit to doing that. We've got the resources. We've got the talent. We've got the intellect. We've got the lack of distraction. And so, again, you shouldn't take away any change or propensity to do a deal, but that's a wrinkle we think about when we assess M&A.

Q - Kai Pan {BIO 18669701 <GO>}

Great. Well thank you so much.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Thank you. Next question, please.

Operator

Our next question comes from the line of Jay Cohen with Bank of America Merrill Lynch. Please go ahead.

Q - Jay A. Cohen {BIO 1498813 <GO>}

Thank you. On the Business Insurance side, when you talk about your retention being now at I guess an all-time high or certainly a multiple year high, is that the plan? I mean you've got to balance obviously pricing, new business, and retention. Do you feel as if that retention is getting up even too high? Or maybe what would be too high?

A - Gregory C. Toczydlowski {BIO 16615940 <GO>}

Good morning, Jay. This is Greg. Yeah, we spend a lot of time looking at the combination of retention, new business, and rate all the time. But most of the time it's not at the macro level of what we're looking at, it really is a very granular and local execution. We think we have a high-quality book of business, and so we like the retention of where it's at. We're very comfortable with that, and we're trying to retain that book as much as possible. Obviously, a competitive marketplace out there right now, but when you look at the combination of retention, new business, and rate, we're comfortable with where all three of those are.

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Q - Jay A. Cohen {BIO 1498813 <GO>}

That's helpful, Greg. Thank you. Just one follow-up on Homeowners, the deterioration from last year on the underlying number, you mentioned some of that or a lot of it was due to non-cat weather. Is it possible to quantify that relative to what you normally would expect?

A - Michael F. Klein {BIO 19674145 <GO>}

Sure, Jay. This is Michael. I mean, I think what I would say is when you look at cat and non-cat weather, first of all, you have to remember that the way that we parse that between one category and the other, the dollars can move from one bucket to another based on the magnitude and the type of the events we're experiencing. So it's a little bit artificial to give you a number for the non-cat weather variance. But round numbers, you can think of that as a sort of point or two in the quarter. But, again, some of that is dependent upon the mix between cat events and non-cat events, but I would say one point or two points of adverse relative to expectations in the quarter.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

And, Jay, if you're thinking about...

Q - Jay A. Cohen {BIO 1498813 <GO>}

Got it. And well, so...

A - Alan D. Schnitzer {BIO 3529437 <GO>}

If you're thinking about it across companies, you've got to remember that we define cat - we draw the line in different places in terms of cat and non-cat.

Q - Jay A. Cohen {BIO 1498813 <GO>}

Absolutely. But the good news is you guys do it consistently, at least for yourself, so we can compare year-to-year.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah.

Q - Jay A. Cohen {BIO 1498813 <GO>}

Thanks a lot,

A - Gregory C. Toczydlowski {BIO 16615940 <GO>}

Thanks for the question.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

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Operator

Our next question comes from the line of Amit Kumar with Buckingham Research Group. Please go ahead.

Q - Amit Kumar {BIO 15025799 <GO>}

Thanks and good morning. Two quick questions. The first question goes back, I guess, to the discussion on pricing. In your letter you talk about the more significant factor being the low interest rates and loss cost inflation outpacing pricing gains. Would it be possible to get your view on interest rates and loss cost inflation with some specificity?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. Amit, I'm not sure what - good morning. I'm not sure what specificity you're looking for. And what we've consistently said certainly in BI is we think about loss trend as a 4% across the whole book. Obviously, different lines, different businesses have different loss trends in them, but over time, we think about it as a 4%.

Q - Amit Kumar {BIO 15025799 <GO>}

Okay. That's helpful. No, I guess what I was trying to ask if there is obviously a lot of debate amongst the investors with the rising interest rate and the near-term rise in the 10-year and how should they be thinking about loss cost. And has that changed your view versus, let's say, going into end of Q4? I guess that's what I was asking. Has there been any urgency in terms of how you're thinking about pricing versus loss cost. Or based on I guess your answer, there is no real change based on the long-term view? Is that a fair assertion?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

I got it. I mean, I got your question. So I would say that despite where loss trends have been, we always assume that there is a return to a more normal level in inflation. So certainly, there's no sense of panic or urgency when generally what we've been seeing is generally inside of our expectations, we see that CPI moving, but as you know from us, we're most heavily leveraged to medical wage and tort inflation.

And sometimes that's good for us, right. When you've got wage inflation, for example, that contributes to exposure in workers' comp payrolls would be one example of that. There's probably benefits on the investment income from a rising rate environment. And to the extent that there is inflation that is contributing to loss cost that wouldn't necessarily surprise us because we do expect some of that. What's important is what is inflation relative to our expectations and do we have the data analytics, knowhow, wherewithal to see it when it comes, and we think we do. So, no sense of urgency. And I would say generally speaking across all of our businesses, more or less in line with expectations.

Q - Amit Kumar {BIO 15025799 <GO>}

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Okay. That's helpful. And my final question is going back to, I guess, Kai's question. In your letter you talk about you're going to look for opportunities, etc., lower our volatility. Does that rule out, I guess, the reinsurance companies or hybrid companies making the cut? The reason why I ask is clearly there's a lot of debate and discussion amongst the other companies and are we seeing the Validus and XL question, the acquisition? So I'm just wondering would that be a nonstarter based on your comments regarding the volatility or am I reading too much into the letter?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Well, let me answer it two ways. Yes, I think you're reading too much into it, in that we don't mean to include or exclude anything categorically. So I wouldn't read that to exclude anything. Having said that, I'll tell you that we've been pretty explicit over a reasonably long period of time that just given our core capabilities and skill sets, reinsurance isn't a business that's been particularly attractive to us.

Q - Amit Kumar {BIO 15025799 <GO>}

Got it. That's very helpful. Thanks for the answer and good luck for the future. And thanks Gabby for all your help over the years.

A - Gabriella Nawi {BIO 2211991 <GO>}

Thanks, Amit.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thanks, Amit.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

Operator

Our next question comes from the line of Elyse Greenspan with Wells Fargo. Please go ahead.

Q - Elyse B. Greenspan {BIO 17263315 <GO>}

Hi. Good morning. My first question, I'm looking at the outlook in your 10-Q. You guide within Business Insurance 0.2%, renewal premium changed and you compare it to last year saying that it's going to be higher than the 2017 level. How do you see the back three quarters of the year in reference to the first quarter? And then also, if you can tie in your response to that question, did you see rate momentum pick up as we went through the months of the quarter, meaning was March rates higher than what you had seen in January?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

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Yeah, Elyse, so the way we gave the outlook this period was to tell you that for the back three quarters of the year, it will be higher than the back three quarters of the prior year. And I think we'll leave it there and probably not comment on where it's going to come in relative to the first quarter. And, yes, there was some pricing momentum quarter-to-quarter throughout the first quarter. I'm sorry...

Q - Elyse B. Greenspan {BIO 17263315 <GO>}

Okay, great. And then my second question...

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Elyse, I'm sorry.

Q - Elyse B. Greenspan {BIO 17263315 <GO>}

Okay.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

It increased month to month throughout the quarter is what I meant to say.

Q - Elyse B. Greenspan {BIO 17263315 <GO>}

Okay. Thank you. And then my second question, in terms of the Business Insurance margin, you guys said that earned rate was below trend in the quarter, in line with expectations. When you think about your outlook for the year and based off of the rate you're taking, when do you think in your minds earned rate should start to exceed trend?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

There's a lot of estimation involved with that, Elyse, because there are some components of exposure that we consider to be economically like rate. So it's hard to give you the precise date or time at which that's going to happen, but I can tell you that we're getting, at least on a written basis, pretty close if not there already.

Q - Elyse B. Greenspan {BIO 17263315 <GO>}

And in terms of exposure growth that you guys see more or less as rate, could that pick up in the quarter or two within the renewal premium change?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. I think exposure was pretty consistent - positive, but pretty consistent throughout the quarter.

Q - Elyse B. Greenspan {BIO 17263315 <GO>}

Okay. Thank you very much.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

Operator

Our next question comes from the line of Jay Gelb with Barclays. Please go ahead.

Q - Jay Gelb {BIO 21247396 <GO>}

Thank you. In Business Insurance, the underlying combined ratio deteriorated year-over-year. And I know you gave some insight on that. I was just hoping you can discuss it a little further, given I think the expectation for the full year was for it to be slightly better year-over-year?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. So we gave you a view on the underlying and it's insurance. There's always going to be things that impact normal volatility and that's really what we saw. So let's call it about 1 point. About half of that was rate versus loss trend. And by the way, as Greg said, that's moderated. It's better than where it was in prior quarters, and we think that's heading in the right direction, as I just said in answering Elyse's question. And the rest of it is just normal volatility on losses and expenses, and we see that from time to time. So think weather, think large losses, think mix, all the sorts of things that impact period to period volatility.

Q - Jay Gelb {BIO 21247396 <GO>}

Okay. So you still think for the full year 2018 could be a better underlying in Business Insurance than 2017?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Well, we gave you the outlook and we said underlying margins higher compared to the prior year and underlying combined ratio slightly lower compared to same period to prior year.

Q - Jay Gelb {BIO 21247396 <GO>}

I see. Okay. On the pricing side, that was helpful to give the rate change ex-worker's comp, but workers comp is a major portion of premium volumes. So I'm wondering should we expect, given the downward pressure on comp, any overall further improvement in the pace of rate in BI?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Well, I mean, we certainly give you the outlook in the 10-Q relative to the prior year. And as you heard me just say, we think it's going to continue to be higher year-over-year and I think we'll probably stop there.

FINAL

Q - Jay Gelb {BIO 21247396 <GO>}

Okay. And then just switching gears. Last question. On personal auto, PIF slowed to 1% growth although profitability certainly improved. I'm wondering if given the sharp slow down in PIF growth, could that go negative in personal auto?

A - Michael F. Klein {BIO 19674145 <GO>}

Thanks, Jay. It's Michael Klein. It certainly could. I think we would look at it and say plus or minus a point or around flat is where we're anticipating, it's going to bottom. And obviously, it will depend upon our rate actions relative to the market and how they are absorbed. But at least at this point, if it does go negative, we think it will be slightly, and our objective would be to put the auto book sort of back on the trajectory for growth towards late 2018.

Q - Jay Gelb {BIO 21247396 <GO>}

Okay. Potentially return to growth in late 2018. Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Great. Next question please.

Operator

Our next question comes from the line of Ryan Tunis with Autonomous Research. Please go ahead.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Hey, thanks. I guess just keeping it on personal auto. If you could just maybe tell us about how the competitive environment has changed, I guess, in the first three months of the year, if there's been any change following the tax reform bill? Thanks.

A - Michael F. Klein {BIO 19674145 <GO>}

I would say the competitive environments remain broadly consistent. We track predominantly, our indicator for that would be tracking rate filings amongst our competitors, and we see a little bit of bouncing around there. And there was a little bit of a slow down in competitor rate in the first quarter if you review competitor filings, but a lot of that has probably more to do with just the typical timing of when filings are made than it does anything to do with the impact that tax is on rate filings.

And if you broaden that slightly and just say when you think about the tax impact on filed rate, particularly in auto, our perspective is that it closes the gap, but it doesn't eliminate it. The estimated industry combined ratio for auto stays - it remains in the 105 to 107 range, depending upon which estimates you look at. So think round numbers, there is at least a 10 point rate need for the industry there. And all else being equal, maybe tax reform drops at a couple of points, but it's not going to mitigate the rate need and won't be a key driver of reduced rate activity in the marketplace we don't think.

FINAL

Q - Ryan J. Tunis {BIO 16502263 <GO>}

That's helpful. And then I guess on the BI side, drilling down into the normal volatility component of the combined ratio deterioration. Would you say that that just related to property type losses? Or was there a casualty component as well? I'm curious if you're seeing maybe an increased frequency in casualty related claims.

A - Gregory C. Toczydlowski {BIO 16615940 <GO>}

Hey, Ryan, this is Greg. Yeah, just to echo Alan's earlier comments and give you a little more texture for your comment, it was a mix of different product lines, but it predominantly was property. You can think about some of the extreme weather that we had in the first quarter and there would be a cat window of a certain period of time and you can think frozen pipes that extend beyond that window of time that is the large loss activity like that would be driving some of the volatility there.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Got it. And then just one more on just your commercial auto, \$50 million of adverse development. That's obviously been a line we've identified as somewhat problematic. Just curious what you saw this quarter that maybe was different and led to the reserve addition?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah, Ryan, obviously not a new story. We've been watching it. We react to the data that we have. It's the line we are getting the most rate in, and we're underwriting for it. And in the quarter, a little bit more severity on the smaller claims actually is what we saw.

Q - Ryan J. Tunis {BIO 16502263 <GO>}

Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Great. Thank you. Next question, and before we continue, if I can just remind you also limit yourself to one question and one follow-up please. Thank you.

Operator

Our next question comes from the line of Josh Shanker with Deutsche Bank. Please go ahead.

Q - Joshua D. Shanker {BIO 5292022 <GO>}

Yeah, thank you very much. I want to congratulate you, but also have some questions on the dividend. You pointed out that over the past 14 years, it's gone up by 10%. But the last two years, the increase has been 7%. How does the dividend policy relate to your view of EPS growth? And how do you consider cash flow for repurchases versus dividends? And I guess I'm getting it finally, why the slowdown in the rate of the dividend growth?

FINAL

A - Jay S. Benet {BIO 2456473 <GO>}

Hi, Josh, this is Jay. So in looking at our dividend, we look at that in relation to a number of things. One is what the dividend yield is, another is what the payout ratio is, how that compares to others in the industry, and the science behind it as well as a lot of judgment. If you look back at where things were several years ago, balancing all that out, and also given the size of the decreases in the average number of shares outstanding because of all the buybacks, all of that translated into the actions that you saw before. With our stock price at the level that it's at now, even buying back the same dollar amount, we're buying back fewer shares.

So keeping the payout in terms of dollars somewhere in the \$750 million to \$800 million range, again, getting back to yield and payout ratios has caused us to look at something more in line with 7% as opposed to 10%. But we look at what we think our future earnings are going to be over a relatively short period of time and make that determination.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Josh, I would just add to that. We understand that there's a component of our shareholder base that's looking for the dividend, and we want to make sure that we're paying a competitive dividend rate for that component of our shareholder group, but this is also insurance and there's a lot of uncertainty, and we want to make sure that we set it at a level where under hopefully just about any foreseeable circumstance, we continue to pay that dividend and don't have to rethink it. So that, in addition to what Jay shared, those two factors play into the decision as well.

A - Jay S. Benet {BIO 2456473 <GO>}

And then I would add one other thing to what Alan just said that as you know, we have an ongoing policy of returning capital that we don't need to support our business to the shareholders. So whether it's an increase in dividends or whether it's the share repurchases, all of it balances out to returning the excess capital. And that's not changed.

Q - Joshua D. Shanker {BIO 5292022 <GO>}

Well, I appreciate the answers, and I'll just add my send-off regards to Gabby, but I hope she won't be a stranger.

A - Gabriella Nawi {BIO 2211991 <GO>}

Thanks, Josh. Next question, please.

Operator

Our next question comes from the line of Larry Greenberg with Janney. Please go ahead.

Q - Larry Greenberg {BIO 16478161 <GO>}

Good morning, and thank you. Just going back to auto, a good underlying loss ratio in the quarter, recognizing there's some seasonality to the first quarter but still looks strong. And

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when you look at that and then maybe in addition, the favorable development on the 2017 year, is auto coming in a little bit better than you would have thought at this point?

A - Michael F. Klein {BIO 19674145 <GO>}

Larry, it's Michael. Thanks for the question. I would say auto is coming in about where we expected it. As I think Jay mentioned, we did have favorable prior year development in auto. But importantly, that was really driven mostly by catastrophes and loss adjustment expenses. So, sort of more of a one-off driver of that PYD than sort of a change in our view of underlying dynamics. So I wouldn't read too much into the auto PYD in that commentary. But I would say broadly it's coming in about as expected, and we're pleased with it.

Q - Larry Greenberg {BIO 16478161 <GO>}

Great. Thanks. And then is there any color you could give, I guess this is for Jay, on the non-fixed income piece of NII for the second quarter, given the lag in reporting that?

A - Jay S. Benet {BIO 2456473 <GO>}

I'll let Bill Heyman address that.

A - William Herbert Heyman {BIO 3429455 <GO>}

Hi. This is Bill. Are you talking about the quarter that we are currently in, or about the quarter just ended, which was the first quarter?

Q - Larry Greenberg {BIO 16478161 <GO>}

Yeah, I'm talking about the quarter we're in.

A - William Herbert Heyman {BIO 3429455 <GO>}

Oh, well, we're only about 20 days into it. And historically, we have not really commented on what we're seeing. So I think I'm going to keep to that.

Q - Larry Greenberg {BIO 16478161 <GO>}

Okay.

A - Gabriella Nawi {BIO 2211991 <GO>}

Great. Next question please?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Larry, are we missing the question?

Q - Larry Greenberg {BIO 16478161 <GO>}

Excuse me?

FINAL

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FINAL

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Are we missing the question? I mean, if you're asking about the second quarter, we wouldn't obviously wouldn't typically comment on that. But are we missing the question about the first quarter?

Q - Larry Greenberg {BIO 16478161 <GO>}

No, no, no. I'm sorry, just given that I think your non-fixed income is reported on a quarter lag or depending a couple of months lag, and we saw a decent bit of volatility in the first quarter in end markets (51:25).

A - William Herbert Heyman {BIO 3429455 <GO>}

I think we probably have too many discrete GP relationships to combine them and give you anything meaningful.

Q - Larry Greenberg {BIO 16478161 <GO>}

Fair enough. Thank you.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Thanks, Larry.

Operator

Our next question comes from the line of Meyer Shields with KBW. Please go ahead.

Q - Meyer Shields {BIO 4281064 <GO>}

Thanks. Good morning. The general and administrative expenses in both BI and PI was up faster than it has been in previous quarters and I was hoping you could explain what's going on?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yeah. Good morning, Meyer. So let me start with a total and I'm happy to go further into the segments. But simply business and FX would be about half of it for the total. And the other half, now we're getting into relatively small dollars on the total G&A base, the other half would be timing. So extrapolating out to the segments per Business Insurance, most of it gets explained through simply business and through FX. In Personal Insurance, it's variability and contingent commissions and then some timing.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay, great. And then question I think predominately personal lines, but maybe not. So Nationwide recently announced that they are going to an independent agency distribution model, how does Travelers plan to respond to that in terms of the growth opportunities?

A - Michael F. Klein {BIO 19674145 <GO>}

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FINAL

Thanks, Meyer. It's Michael I'll take it and I think you're right. It could be broader than PI, but I'll sort of address it broadly. First, they did recently announce that they're making those changes, but it's important to know that it's not a brand-new initiative for them. So certainly, and I'm sure you're all well aware that through Harleysville and Allied they trade with independent agents already as a corporation.

But even underneath the Nationwide brand, they've had a number of Nationwide captive agents that have had access to the independent agent market already. And in fact, they have an operation called Nationwide Broker Services that those captive agents can access other markets through, and Travelers is one of many companies that actually trade with that brokerage services organization. So a) it's not brand-new. It's something that we've seen and been monitoring. And in fact, it's a trading relationship that we have.

I would say on balance, we have a couple of observations. First of all, Alan mentioned our strength with independent agent distribution as a franchise. We think that's continued competitive advantage for us and is our primary focus in terms of distribution. But I would say that we primarily view this change as an opportunity to explore additional distribution points.

We will certainly monitor and evaluate Nationwide's performance with independent agents as we monitor and evaluate any competitor's results in the independent agent channel. But again, on balance, we'd say something that's been developing for a while and on the margin probably more an opportunity than a threat.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. Thanks very much and good luck all and Gabby.

A - Gabriella Nawi {BIO 2211991 <GO>}

Thank you. Next question please?

Operator

Our next question comes from the line of Sarah DeWitt with JPMorgan. Please go ahead.

Q - Sarah E. DeWitt {BIO 18946247 <GO>}

Hi, good morning. I just wanted to follow-up on your latest thoughts on U.S. tax reform and the impact of competition. And given you've seen in other industries like mortgage insurance, you saw one company pass along the entire benefit to customers. Does that change your view now at all about the impact on competition and pricing?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Hi. Good morning, Sarah. No, it really doesn't. We've said pretty consistently that we've got some ground to cover and tax reform helps, but it doesn't close the gap. And you really have to look at our pricing objectives holistically. So you got to take into account capital requirements and the adequacy of expiring prices and loss trend and the tax rate.

And we put all those things into the blender and what comes out is, as we look ahead of rate need. So we continue to think current course and speed.

And from a market perspective, again, I'll just remind you that not the whole market benefits from tax reform. You've got both U.S. and domestic insurers who are positioned differently from a tax perspective. And even among U.S. competitors those that don't have a significant underwriting profit or an underwriting loss don't benefit to the same degree as those with an underwriting profit. So it's not like the entire P&C business. The trades in the U.S. is all of a sudden flush and returns are, I think, at target levels.

Q - Sarah E. DeWitt {BIO 18946247 <GO>}

Okay, great. Thanks. And then just following up on the Business Insurance pricing, I think you've talked about previously pushing for price increases to keep pace with loss inflation which is about 4%. But do you think you can get there if you are keeping Select Accounts flat? It seems like you would need a lot of price increase in the other sub-segments of Business Insurance and I'm just wondering to what extent that's achievable?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

Yes, Sarah, so it's sort of a broad aspirational comment that we would like pricing to keep up with loss trend. We think that makes sense, but we don't execute for that headline number, right? We look at every account. We look at the circumstances of that account and assign a rate need to it and then try to achieve that. And what you heard Greg say is what we did on the small end was a function of deliberate execution, given where the returns are. And so you got that factor, you've got workers comp, you've got all sorts of things that will drive the headline number. Just as a reminder though, we're really executing on account-by-account basis.

Q - Sarah E. DeWitt {BIO 18946247 <GO>}

Okay. Thank you.

A - Gabriella Nawi {BIO 2211991 <GO>}

Next question, please.

Operator

Our next question comes from the line of Yaron Kinar with Goldman Sachs. Please go ahead.

Q - Yaron Kinar {BIO 17146197 <GO>}

Hi. Good morning, everybody. First question on Business Insurance and renewal rate change there. So just given the momentum you've seen months-over-months during the quarter and the fact that less of your workers comp or I guess less of the renewals will be workers comp weighted. In the remaining three quarters of the year would it be fair to expect may be further acceleration of rate change?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

I'm not sure we agree with the workers comp weighting observation by the way. I'm not sure that's true.

Q - Yaron Kinar {BIO 17146197 <GO>}

Okay.

A - Alan D. Schnitzer {BIO 3529437 <GO>}

I wouldn't say that's going to be a significant driver. And just in terms of outlook, Yaron, we give you a perspective in the outlook section of the 10-Q and we're probably not going to go beyond that. So I hope that's helpful.

Q - Yaron Kinar {BIO 17146197 <GO>}

Okay. With regards to weighting, I was just referring to the 30-some percent of workers comp premium that renews in the first quarter as opposed to 20-some percent the rest of the year. And I guess, the other question I had was just with regards to the large non-cat weather losses. So if those remain at the level we've seen this quarter, are you still comfortable with the guidance you offer for the year in terms of margin improvement in Business Insurance?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

The guidance that we give you, one is on an underlying basis, so it excludes cat. And two, we do say explicitly in the 10-Q that it assumes a return to lower more normal levels of weather and other loss activity. So we are assuming a return to more normal levels.

Q - Yaron Kinar {BIO 17146197 <GO>}

Okay. Thank you very much.

A - Gabriella Nawi {BIO 2211991 <GO>}

And this will be our last question please.

Operator

Our final question will come from the line of Brian Meredith with UBS. Please go ahead.

Q - Brian Meredith {BIO 3108204 <GO>}

Yes. Thanks. So drilling down on the Business Insurance pricing just a little bit more here. Can you talk about how you kind of saw it, it improved I guess month-to-month you said. But if you were thinking about kind of what the pricing environment looked like when we had your fourth quarter conference call to today, is it in line, better, worse than you kind of were expecting it to competitive pressures maybe a little bit more or less?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

It's probably finer than we want to parse it. We start getting into competitively sensitive information there. So that's probably finer than we want to parse it. I did say in my remarks that we did achieve rate gains more broadly across accounts, that's true, and that's a trend that I think was quarter-to-quarter throughout the year and probably going back five quarters or so. So I will share that color, but parsing it beyond that is probably more detail than we want to provide.

FINAL

Q - Brian Meredith {BIO 3108204 <GO>}

Great. And then just last question here. If I look at the exposure change and you've talked about how that exposure change, there's part of it that actually has an impact on margins. Is there kind of a general kind of percentage of that that we should think as part of margins? Is it half of it, is it two-thirds of it?

A - Alan D. Schnitzer {BIO 3529437 <GO>}

We've always resisted in giving that because there's so much estimation involved. So all we said is that it's not insignificant, but we've stopped short of really quantifying that.

Q - Brian Meredith {BIO 3108204 <GO>}

Thanks. Gave it a try. Thanks.

A - Gabriella Nawi {BIO 2211991 <GO>}

Thank you.

Okay. Thank you all for joining us today and it's been a pleasure working with you all over the last 10 years. And I'm sure I'll hear from you again soon. Have a great day, and thank you.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation. And ask that you please disconnect your lines.

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