

## Q2 2020 Earnings Call

### Company Participants

- Abbe Goldstein, Senior Vice President of Investor Relations
- Alan D. Schnitzer, Chairman and Chief Executive Officer
- Dan Frey, Executive Vice President and Chief Financial Officer
- Gregory C. Toczydowski, Executive Vice President and President, Business Insurance
- Michael F. Klein, Executive Vice President and President, Personal Insurance
- Thomas M. Kunkel, Executive Vice President and President, Bond & Specialty Insurance

### Other Participants

- Brian Meredith
- David Motemaden
- Elyse Greenspan
- Jamminder Bhullar
- Meyer Shields
- Michael W. Phillips
- Paul Newsome
- Ryan Tunis

### Presentation

#### Operator

Good morning, ladies and gentlemen. Welcome to the Second Quarter Results Teleconference for Travelers. We ask that you hold all questions until the completion of formal remarks, at which time, you will be getting instructions for the question-and-answer session.

As a reminder, this conference is being recorded on July 23, 2020. At this time, I would like to turn the conference over to Ms. Abbe Goldstein, Senior Vice President of Investor Relations.

Ms. Goldstein, please go ahead.

#### **Abbe Goldstein** {BIO 20602454 <GO>}

Thank you. Good morning, and welcome to Travelers discussion of our second quarter 2020 results. We released our press release, financial statement and webcast

presentation earlier this morning. All of these materials can be found on our website at [travelers.com](https://travelers.com) under the Investors section.

Speaking today will be Alan Schnitzer, Chairman and CEO; Dan Frey, Chief Financial Officer; and our three segment Presidents, Greg Toczydlowski of Business Insurance; 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 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 D. Schnitzer** {BIO 3529437 <GO>}

Thank you, Abbe. Good morning, everyone, and thank you for joining us today. As we shared in our pre-release last week and again this morning, we reported the small net loss for the quarter due to a high level of catastrophe losses, and as we expected, the loss in our non-fixed income investment portfolio. Dan we'll have more to say about both shortly.

Our underlying underwriting income of \$572 million pre-tax was up \$254 million over the prior year quarter, benefiting from solid net earned premium and a 3.5 point improvement in the underlying combined ratio to a strong 91.4%. The pandemic and related economic conditions had only a modest net impact on our underwriting results. As I shared in my prepared remarks last quarter, there will be COVID-19 related loss activity, but there will be some offsetting decline in losses to the people across the country sheltering in place.

For us in the quarter, \$114 million of direct losses and \$63 million of audit premium adjustments or about offset by initial estimates of favorable loss activity, most of which is in short tail line. Given the continued uncertainty, we've taken a cautious approach to recognizing the net impact of COVID-19 related loss activity.

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Some industry observers have speculated about the aggregate level of insured and investment losses arising out of the pandemic. We don't doubt the losses will be significant, but they won't be borne evenly across insurers. Our manageable COVID-related insurance losses so far this year are a reflection of our disciplined approach to risk selection, as well as terms and conditions. And as we shared with you in some detail last quarter, we managed our investment portfolio with the similar regard for balancing risk and reward.

Last quarter, I commented on the potential future impacts the pandemic might have on each of our key lines of business. I'll review that again with a quarter's worth of experience.

In personal auto, we've seen a meaningful drop-off in auto frequency, although that is moderating as economic activity picks up. The same time, we've taken into consideration the potential for some offsetting impact in terms of auto severity due to factors such as collisions occurring at higher speeds and driver distraction.

In workers compensation, COVID-related claims mostly relate to healthcare workers and first responders, which do not represent a significant part of our book of business. Also, the frequency of those claims stabilized during the quarter, which might be attributed to an improved supply of PPE and the healthcare community having the benefit of more experience with managing COVID patients.

More broadly beyond the healthcare sector, data from some of the state workers' comp systems suggest that the COVID related claim rate is low relative to the infection rate. That's likely partly attributable to the fact that the population most seriously affected by COVID-19 skews older and it's not the workforce. Nonetheless, in developing our loss estimates, we've taken into consideration the potential for the delayed reporting of claims and additional claim activity associated with recent spike in infection rates, as well as uncertainty related to the longer-term implications of the disease.

As we anticipated, some states have effectively expanded the scope of workers' comp coverage by creating presumptions of compensability. In most cases, states have taken a thoughtful approach protecting workers appropriately, but not unreasonably burdening the workers compensation system, where states have acted to extend compensability, we've adjusted our loss estimates accordingly.

In terms of non-COVID workers' comp losses, we've seen the lower volume of workers comp claims as workers have stayed home. This will update as people get back to the workplace. In addition to taking that into account, we have contemplated that severity could be adversely affected by injured workers delaying treatment due to the stay-at-home work environment.

Having said all that, our experience is that there's a low level of workers' comp claim activity associated with economic recessions. During periods of elevated unemployment, workers tend to be more motivated to stay at their jobs and the workforce tends to be

more seasoned. In management liability, as we expected, we're seeing the elevated level of claim activity typically associated with stock market volatility and workforce reductions.

The underlying combined ratio of this quarter at Bond & Specialty reflects that, as well as other loss activity. And we expect that the underlying combined ratio will continue to be elevated at this level or somewhat higher over the near-term. This is not the mighty experience we had in the aftermath of the financial crisis a decade ago. Nonetheless, we expect the return from this segment will continue to be healthy.

Turning to the surety business, we've been pleased to see that work is continuing on the vast majority of construction projects. However, the depth and duration of stress in the economy continues to be risk factors of the surety business. The line will also be impacted by other factors such as the financial strength in the bonded firms.

As I shared last quarter, our high-quality surety book was effectively stress-tested in the 2008 financial crisis and performed well, and our underwriting approach has remained disciplined since that time. In that regard, so far, we haven't seen anything that has caused us to change our surety loss estimates.

In terms of business interruption coverages under commercial property policies, there's a fair amount of litigation challenging coverage. As a reminder, our commercial property insurance policies that include business interruption, including as a result of civil authority, require losses to be caused by direct physical damage to property from a covered cause of loss. In efficient, our standard policy forms specifically exclude loss or damage caused by or resulting from a virus. A few court decisions we've seen so far, one in New York and one in Michigan, have both upheld physical damage requirements in the context of COVID-19.

On the legislative front, efforts to retroactively expand coverage for business interruptions seem to be diminishing. Finally with respect to liability coverages, as people shelter-in-place, we are seeing fewer commercial auto accidents and slip-and-fall type claims. Anecdotally, we are also seeing some movement by the plaintiffs' bar to settle claims faster, but it's too soon to know how significant that benefit might be. We're also encouraged by states that have adopted COVID-related liability protections, and similar efforts that are underway in other states and at the federal level. We shouldn't let frivolous lawsuits undermine the nation's recovery. Nonetheless, we expect the plaintiffs' bar to continue to be active.

Turning to the quarter on the top-line, we're very pleased with our production results. Including the auto premium refunds we provided to our customers, net written premium grew by 2% as the impact of COVID-19 uninsured exposures was more than offset by strong annual rate change in all three segments. In Business Insurance, we achieved renewal rate change of 7.4%, the highest level since 2013 and close to the record level we achieved that year. Excluding workers' comp, renewal rate change was double-digits. Importantly, retention levels remain strong.

In Bond & Specialty Insurance, net written premiums increased by 3%, as our domestic management liability business achieved a record renewal rate change while maintaining strong retention. In Personal Insurance, excluding the auto premium refunds, net written premiums increased by 6%, driven by strong retention in new business in both Agency Auto and Agency Homeowners. In our Agency Homeowners business, renewal premium change remained strong at 7.7%, and we hit a record for new business.

Let me take a minute to comment on the commercial rate environment. Before the pandemic struck, there were a number of industry-wide factors putting upward pressure on prices, mainly increased volatility of weather-related losses, interest rates at historical lows, and a growing recognition of higher loss trend in the liability lines.

All of those conditions persist. And now, at another quarter with a very high level of weather-related losses, interest rates that are likely to be lower for longer. And while, it hasn't been a significant factor for us for reinsurance market that is hardening. And on top of that, the pandemic and related economic fallout add a sense of incremental uncertainty making this feel like one of those times not unlike in the wake of 9/11 and Hurricane Katrina, when the market recalibrates risk. With that as the background, we'll continue to see great gains and manage other levels of profitability to improve the outlook for returns.

I'll close by saying that I couldn't be more grateful to my Travelers colleagues for their grit and commitment to taking care of our customers, our business partners, our communities and each other. Also the work they've done in recent years to advance our innovation agenda has equipped us with state-of-the-art digital tools and other capabilities that make all the difference in this environment. We were well prepared. And from here, we're well positioned. Free from financial and operational distractions will continue uninterrupted managing our business and investing for long-term success. In short, we're confident in our ability to continue to succeed in these uncertain times and to benefit from the strength of our franchise as the economy recovers.

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

**Dan Frey** {BIO 20727678 <GO>}

Thank you, Alan. Our core loss for the second quarter was \$50 million, compared to core income of \$537 million in the prior year quarter. The change resulted primarily from a higher level of catastrophe losses, and as expected, lower net investment income. For the quarter, the net impact related to COVID-19 is included in our underlying results, not as part of our cat figure and was modest, more on that in a minute.

Our second quarter results include \$854 million of pre-tax cat losses compared to only \$367 million in last year's second quarter. This quarter's cats include severe storms in several regions of the United States, as well as \$91 million of losses related to civil unrest. Regarding our property aggregate catastrophe XOL treaty for 2020, as of June 30, we have accumulated about \$1.4 billion of qualifying losses toward the aggregate retention of

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\$1.55 billion. The treaty provides aggregate coverage of \$280 million out of \$500 million of losses of both at \$1.55 billion retention.

The underlying combined ratio of 91.4%, which excludes the impacts of cats and PYD improved by 3.5 points compared to 94.9% in last year's second quarter. The underlying loss ratio improved by more than 4 points and benefited from a lower level of non-cat weather losses, favorable frequency and personal auto from the shelter-in-place environment net of related premium refunds, and the impact of earned pricing in excess of loss trend. The expense ratio of 31% is 0.8% higher than the prior-year quarter and above our recent run rate. This change was as expected due to the reduction in premiums associated with the pandemics impact on the economy along with the premium refunds to our personal auto customers.

The net impact of COVID-19 and its related effects on the economy were modest in terms of our overall second quarter underlying discipline. Our top line was resilient excluding the premium refunds in Personal Insurance, net written premiums increased by 2%, driven by strong renewal rate change in all three segments that more than offset lower insured exposures. In terms of operating expenses, results were adversely impacted by modest increases in the allowance for bad debt and the accrual for supplemental commissions. Those expense increases, however, were roughly offset by lower expenses in other categories, for example, travel costs were down as our employees continue to work primarily from home.

The economic impacts related to COVID-19, also affected our underlying losses. For example, losses directly related to COVID-19 totaled \$114 million, primarily workers' comp in Business Insurance and management liability losses in our Bond & Specialty business. On the other hand, we experienced significant reductions in auto claims as there were fewer cars on the road during the second quarter, and to a lesser degree, recognized a benefit reflecting fewer traditional workers' comp claims as more people work from home.

As you heard from Alan, given the uncertainty in the current environment, we took a cautious approach in estimating the net impact of COVID related losses. We have recorded the estimated cost for all losses incurred through June 30th, including incurred losses for which claims have not yet been reported. All losses have been recorded at our estimate of ultimate and the majority of the COVID-19 related insurance losses we have booked in the first and second quarters are still sitting in our IBNR reserves.

We have not recognized losses or benefits of COVID-19 related insured events that we anticipate will occur subsequent to the end of the quarter. Taking a step back on a year-to-date basis, the impact on our results excluding net investment income from COVID-19 and its related effects is a net charge of about \$50 million pre-tax.

Turning to prior-year reserve development, in Personal Insurance both auto and property losses came in better than expected for multiple accident years. In Bond & Specialty Insurance, we saw larger losses than expected in management liability resulting in prior-

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year strengthening of \$33 million, largely offsetting the favorable development in Personal Insurance.

In Business insurance, there was no net prior-year reserve development as better-than-expected loss experience in workers' comp and commercial property was largely offset by unfavorable results in our other casualty lines. Each of the movements this quarter was relatively small compared to the reserve base.

As you saw in our July 14th press release, we expect to record subrogation benefits and our third quarter PYD of approximately \$400 million pre-tax related to PG&E's successful emergence from bankruptcy on July 1. As a reminder, third quarter PYD will also include the results of our annual asbestos review.

After-tax net investment income decreased by 54% from the prior-year quarter to \$251 million, somewhat better result than we had previewed in our call last quarter. The decrease was driven by our non-fixed income returns, where results for our private equity, hedge fund and real estate partnerships are generally reported to us on a one quarter lag.

Accordingly, the impact of the disruption in global financial markets that occurred in the latter half of the first quarter impacted our second quarter results. As the broader markets have recovered in the second quarter that should at least to some extent benefit our non-fixed income results in the third quarter.

It's worth mentioning here that recoveries may not be reflected in the private equity and hedge fund results, as quickly as the downturns were. Given continued economic uncertainty, the fund managers who report their results to us may take a more measured approach and not be as quick to write back up the valuations they just marked down, particularly in light of what maybe continued challenging prospects for the earnings and cash flows of the fund's underlying investments.

Fixed income returns decreased by \$24 million after tax as the benefit from higher levels of invested assets was more than offset by the decline in interest rates and the mix change as we chose to maintain a somewhat higher level of liquidity and held more short-term investments than in prior quarters. For the remainder of 2020, we expect that fixed income NII will decrease by approximately \$35 million to \$40 million after tax per quarter, compared to the corresponding periods of 2019.

Turning to capital management. Operating cash flows for the quarter of \$1.7 billion were again very strong, all our capital ratios were at or better than target levels, and we ended the quarter with holding company liquidity of slightly more than \$2 billion well above our target level. Recall that in April, we pre-funded as we normally do, \$500 million of debt coming due in November with a new 30-year \$500 million debt issuance at 2.55%. So our holding company liquidity is temporarily elevated by that amount. Investment yields decreased as credit spreads tightened during the second quarter, and accordingly, our net unrealized investment gain increased from \$1.8 billion after tax as of March 31st to \$3.6 billion after tax at June 30th.

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Adjusted book value per share, which excludes net unrealized investment gains and losses was \$92.01 at quarter end, down less than 1% from year-end and up 2% year-over-year. We returned \$218 million of capital to our shareholders this quarter via dividends. We did not repurchase any shares during the quarter. As we indicated in our first quarter earnings call, our capital management strategy remains unchanged. With the ongoing economic uncertainty and with hurricane season upon us, it still feels to us like holding onto a little more capital is preferable to holding onto a little less. Until there's more clarity on the state of the economy, we may buy back some shares in the coming quarters or we may continue to choose to buy none.

Coming back to reinsurance for a moment. Let me direct your attention to Slide 19 of the webcast presentation for a summary of our July 1st renewals. The structure of our main cat reinsurance program is generally consistent with the prior year. We renewed our Northeast cat treaty effective July 1st with substantially similar terms and pricing that was up only slightly on an exposure adjusted basis. Our cat bond Long Point Re III is now in the third year of its four-year term.

In the annual reset for the 2020 hurricane season, the attachment point was adjusted from \$1.79 billion to \$1.87 billion, while the total cost of the program was flat year-over-year. A more complete description of our cat reinsurance coverage, including our general cat aggregate XOL treaty that covers an accumulation of certain property losses arising from multiple occurrences, is included in our 10-Q, which we filed earlier today and in our 2019 Form 10-K.

Lastly, let me take a minute to address thoughts on our top line going forward. Looking at premium volume, we expect to experience the impacts of economic disruption. How much of an impact we feel and for how long will depend on the extent and duration of the negative economic impacts related to the pandemic, because earned premium typically lives written premium, we expect to feel the effects on an earned basis behind the end of the year.

As Alan said last quarter, we do not intend to take disruptive expense actions in response to what may prove to be a short-term impact on premium volumes. Accordingly, in coming quarters, the expense ratio will likely remain somewhat elevated compared to the corresponding period of 2019 due to the expected impact on earned premiums.

Now, I'll turn the call over to Greg for discussion of Business Insurance.

**Gregory C. Toczydlowski** {BIO 16615940 <GO>}

Thanks, Dan. Let me start by expressing my deep appreciation to all my Travelers colleagues as well as our agent and broker partners for continuing to provide exceptional service to our customers during these unprecedented times. That's for the quarters result, business insurers had a loss of the quarter of \$58 million, due to lower net investment income and higher catastrophe losses as both Alan and Dan discussed.



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The combined ratio of 107.1% included more than 10 points of catastrophes impacted by both weather-related losses and civil unrest. The underlying combined ratio of 97% improved by 0.4 points, reflecting 0.2 point improvement in each of the underlying loss ratio and expense ratio. The net impact of COVID-19 and related economic conditions was modest.

Turning to the top line. Net written premiums were 3% lower than the prior-year quarter due to the impact of the economic disruption on insured exposures. Thanks to excellent execution by our field organization, these impacts were largely offset by strong renewal rate increases and high retentions.

Turning to domestic production, we achieved strong renewal rate change of 7.4%, while retention remained high at 83%. The renewal rate change of 7.4% was up almost 4 points from the second quarter of last year and more than 1 point from the first quarter of this year, notwithstanding the persistent downward pressure in workers' compensation pricing.

We continue to achieve higher rate levels broadly across our book as rate increases in all lines other than workers' compensation were meaningfully higher during the quarter as compared to the second quarter of last year. We achieved positive rate on about 80% of our middle market accounts this quarter, which was up from about two-thirds in the second quarter of last year. Importantly, we've achieved this progress in a highly segmented manner and with retention remaining strong. At these rate levels, our rate change continues to exceed loss trend even after about 0.5 point increase to our lost trend assumption.

New business of \$473 million was down 10% from the prior-year quarter. New business flow was down which we attribute largely to disruption caused by the pandemic. New business was also impacted by our continued focus on disciplined risk selection, underwriting and pricing.

These production results reflect superior execution by our field organization in a very challenging environment. As for the individual businesses, in select, renewal rate change was up to 2.1% making the sixth consecutive quarter where renewal rate was higher than the corresponding prior-year quarter, while retention was strong at 82%. The headwind for workers' compensation pricing is most pronounced in the select business.

New business was down significantly driven by the economic disruption caused by the pandemic. While the current environment is challenging, we are confident that we're well positioned and investing in the right strategic capabilities to profitably grow this business over time.

In middle market, renewal rate change was up to 7.9% while retention remained strong at 86%. The 7.9% was up almost 4.5 points from the second quarter of 2019 and 1.5 points from the first quarter of 2020. New business of \$255 million was down from the prior-year quarter driven by both economic disruption and our continued focus on disciplined risk selection, underwriting and pricing. To sum up, we believe our meaningful competitive

advantages, including our strong distribution relationships and our talent and expertise position us well to navigate through these uncertain times and continue to serve our customers and agent and broker partners.

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

**Thomas M. Kunkel** {BIO 16615934 <GO>}

Thanks, Greg. Bond & Specialty delivered solid returns and growth in the quarter despite the impacts of COVID-19 and related economic conditions. Segment income was \$72 million, a decrease of \$102 million from the prior-year quarter. As Dan mentioned, the combined ratio of 93.8% reflects unfavorable prior-year reserve development in the quarter as compared to favorable PYD in the prior-year quarter and the higher underlying combined ratios.

The underlying combined ratio of 88.1% increased 7.1 points from the prior-year quarter, primarily driven by the impacts of higher loss estimates for management liability coverages, about half of which was due to COVID-19 and related economic conditions. Remaining half of the increase is due to a few smaller drivers, such as elevated claim activity under employment practices liability coverages and ransomware losses under assignment policies.

Turning to the top line, net return premiums grew 3% for the quarter reflecting strong growth in our management liability and international businesses partially offset by lower surety production. In our domestic management liability business, we are pleased that renewal premium change increased to 7.8%, this marks the seventh consecutive quarter where RPC is higher than the corresponding prior-year quarter.

As Alan noted, renewal rate change was a record for the quarter, while retention remained at historically high 89%. Similar to businesses insurance, RPC in the quarter was also impacted by lower insured exposures. These production results demonstrate the effect of execution of our strategy to pursue rate where needed, while maintaining strong retention of our high-quality portfolio. We will continue to pursue rate increases where warranted.

Domestic management liability new business for the quarter decreased \$13 million reflecting the disruption associated with COVID-19 in our thoughtful underwriting in this elevated risk environments. Domestic surety net premium -- net written premium was down \$24 million in the quarter, reflecting the impact of COVID-19, which slowed public project procurement and related bond demand. International BSI posted strong growth in the quarter with record rate in our UK management liability business.

So Bond & Specialty results remain resilient despite the challenges brought on by COVID-19. These results reflect the excellent work of our agents, brokers and employees, who have adapted to operating in new ways to continue to provide leading products and services to our customers. We feel confident about our ability to navigate through this challenging environment and continue to deliver strong returns over time.

And now, I'll turn it over to Michael to discuss Personal Insurance.

**Michael F. Klein** {BIO 19674145 <GO>}

Thanks, Tom, and good morning, everyone. Personal Insurance segment income for the second quarter of 2020 was \$10 million, down from \$88 million in the prior-year quarter, driven by a higher level of catastrophe losses and lower net investment income. These impacts were partially offset by an improvement in the underlying underwriting gain. Our combined ratio for the quarter was 101.3%, an increase of 1.1 points, as a 12.5 point increase in catastrophe losses was largely offset by a 10.6 point improvement in the underlying combined ratio.

The underlying combined ratio benefited from lower non-catastrophe weather-related losses and lower automobile losses net of premium refunds. The increase of 2.6 points on the underwriting expense ratio was primarily driven by the reduction in net earned premiums, resulting from the auto premium refunds.

Turning to the top line. Excluding the impact of premium refunds of \$216 million, net written premiums grew 6%. Agency homeowners and other net written premiums were up an impressive 13% and agency automobile network premiums were up 3% excluding premium refunds. Agency automobile delivered strong results with a combined ratio of 85.7% for the quarter. The launch ratio improved over 12 points, while the underwriting expense ratio increased by about 4 points. The increase in the underwriting expense ratio was primarily driven by the impact of the premium refunds I described earlier.

The underlying combined ratio of 84.2% improved 9.6 points relative to the prior-year quarter, continuing to reflect improvements in frequency, primarily due to fewer miles driven as a result of the pandemic. Data from our IntelliDrive auto telematics program indicates miles driven were down significantly from pre-COVID-19 levels during the second quarter, reaching a weekly low point in early April, and partially rebounding as the economy has started to reopen. In response to our improved auto loss experience, we implemented a stay-at-home auto premium credit program for personal automobile customers. In the U.S., the program provided a 15% premium refund on April, May and June premiums.

In Agency Homeowners and Other, the second quarter combined ratio was 113.9%, 9.4 points higher than the prior-year quarter, due primarily to higher catastrophe, partially offset by a lower underlying combined ratio.

Historically, the second quarter is our highest catastrophe quarter. This quarter we experienced significant storm activity resulting in 34 points of catastrophe losses, an increase of 21 points compared to the prior-year quarter, where catastrophes were relatively low.

The underlying combined ratio for the quarter was 81.4%, down over 11 points from the prior-year quarter, driven primarily by lowered non-catastrophe weather-related losses. The majority of the improvement is due to elevated non-cat weather in the prior-year

quarter. Non-catastrophe weather-related losses this quarter were also better than our assumptions.

Turning to quarterly production. Our domestic agency results were solid, despite the challenging environment resulting from COVID-19 and its related economic impacts. Our retentions remain strong, closed and new business were up versus the prior-year quarter, and we remain pleased with our policies-in-force growth.

Agency automobile retention was 85% and new business increased 7% from the prior-year quarter. Renewal premium change was 1.5% as we continue to moderate pricing given the improved performance in our book over the past few years. Agency homeowners and other delivered another very strong quarter with retention of 87%, renewable premium change of 7.7% and a 17% increase in new business as we continue to seek to improve returns while growing the business. Higher new business levels again benefited from the successful rollout of our Quantum Home 2.0 product, now available in over 40 markets.

During the quarter, we continued to deliver in new capabilities and products through our customers and distribution partners. We introduced Quantum Home 2.0 in four new States including California. In addition, we launched IntelliDrive 2.0, which adds distracted driving monitoring to our auto telematics product and delivers significant improvement to the user experience. And after reaching our goal of planting 1 million trees for customer enrollment in paperless billing, we extended our partnership with American forests to plant another 500,000 trees by Earth Day 2021.

To recap, personal insurance is off to a strong start in the first half of the year, particularly in light of a challenging environment. I'm proud of our team's efforts to continue to work together to meet the needs of those were privileged to serve, while investing in the business for the future.

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

**Abbe Goldstein** {BIO 20602454 <GO>}

Thanks, Michael. Before I begin Q&A, there's one topic that we expect might be on peoples mind, so we thought we would kick off Q&A by addressing it. So before we open up the line, I'd like to turn the call back over to Dan.

**Dan Frey** {BIO 20727678 <GO>}

Thanks, Abbe. There's been some discussion by industry observers about the timing of the recognition of COVID related losses. So let me reiterate that our reserves reflect our best estimate of ultimate losses incurred as of the balance sheet date. In applying accounting principles, we would not record a reserve for a loss that has not yet occurred as of the balance sheet date.

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Using auto claims as an example, at the beginning of the year, we have an assumption as the volume of claims we will see over the course of the year and what the average cost of those claims will be. But when we report our second quarter results, including our balance sheet loss reserves as of June 30, those reserves do not include estimated amounts for auto accidents that will occur at Thanksgiving or on New Year's Eve. Those would be fourth quarter events, and accordingly, they will be recognized in our fourth quarter results.

This same principle applies when we consider losses related to COVID-19, while only some losses have been reported to us so far, the losses we booked in both the first and second quarter reflect our estimate of the ultimate amounts that we'll pay for all losses and related costs that have been incurred as of June 30, including those for which we have not yet received a claim. In fact, as I said earlier, the majority of the COVID-related insurance losses we have booked through June 30 are still sitting in our IBNR reserves.

That said, the pandemic is clearly not over, and tens of thousands of new infections are being confirmed in the United States each day. It is foreseeable that a healthcare worker, for example, who to this point has not contracted COVID-19, will become ill from COVID-19 as a result of their job duties in December. But again, that loss activity will be included in our fourth quarter results. We similarly would not advance the recognition of any continued favorability from lower frequency and non-COVID workers comp plans.

Finally, I'll remind you that on a year-to-date basis, setting aside net investment income, the impact on our results from COVID-19 and its related effects is a net charge of about \$50 million pre-tax.

And with that, operator, we're ready to take questions.

## Questions And Answers

### Operator

(Question And Answer)

Thank you (Operator Instructions) Your first question comes from the line of Michael Phillips with Morgan Stanley. Please go ahead.

### Q - Michael W. Phillips {BIO 21023048 <GO>}

Thank you. Good morning, everybody, and thanks for the clarification, Dan, on that last comment, so that's helpful. I guess, I want to try to get arms around Business Insurance and margins and pricing, trying to kind of pull out the effect of COVID, you said COVID was pretty modest in the quarter, pricing was clearly very strong. Yes, your core margins improved 40 bps or 20 bps on the well side. So, I guess trying to understand, is -- does that mean -- and Alan, you gave us great commentary on pricing. Does that mean that the current level pricing still isn't enough to expand margins today? Or kind of how do we

think about that versus level of conservatism that might be baked into the -- to the current numbers.

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

Yes, Michael, good morning. It's Alan. I'll start by giving you a response to what's on your mind. At the current levels, written rate is in excess of loss trend. So, looking narrowly at those factors, we are on a written basis expanding margins. Is that where you're getting at?

**Q - Michael W. Phillips** {BIO 21023048 <GO>}

It is. Yes, it is. I guess in business interruption, you had 20 basis points of improvement. So, not as much as maybe one would expect given the level of pricing. And so that's what I'm trying to get my arms around.

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

Yes. So, as always, there are a number of factors that are driving the underlying combined ratio in the quarter, and that's true for any business. So you've got weather. So year-over-year, that was better. And in this quarter, sort of within the normal level of variability, we would expect for that.

You've got the earned impact of rate that, as I said, on both written and earned basis, rate is ahead of loss trend. We've had improved performances in some business. You've got some impact of COVID, it was modest, but not zero. You've got the year-over-year sort of ongoing carry-on impact of social inflation that I'll call old news, what -- the -- what we've recognized in prior periods and it continues to roll through. So, those are -- given the relative stability, we're not going to quantify the pieces. But essentially, those are the pieces.

**Q - Michael W. Phillips** {BIO 21023048 <GO>}

Okay. No, thank you. That's helpful. Thanks, Alan. I guess, I didn't see you mention -- and I guess, this is good news, didn't see you mention of anything on the commercial auto side for PYD. And so maybe could you speak to kind of that piece? And does that mean that there has been possibly some leveling off of the paid activity that's been part of the concern there?

**A - Dan Frey** {BIO 20727678 <GO>}

Michael, it's Dan. Yes, as we had last quarter, so we had some movements in PYD, some puts and takes, some continued good news in comp, some continued pressure in the other liability lines. There were small adjustments in commercial auto and the general liability lines in CMP. But as I said in my remarks, relatively modest compared to those reserve bases.

**Q - Michael W. Phillips** {BIO 21023048 <GO>}

Okay. Thank you, Dan.

## Operator

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

**Q - Ryan Tunis** {BIO 16502263 <GO>}

Hey, thanks. Good morning. I just wanted to get a better feel for just-- forget about the net benefit from the COVID. Just from the direct losses alone or the direct impact, what was the hit that, that had in business interruption on the combined ratio?

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

Business interruption specifically or Business Insurance?

**Q - Ryan Tunis** {BIO 16502263 <GO>}

I'm sorry. I'm sorry, Business Insurance without considering the offsetting benefits, what was just the direct loss impact or direct hit impact on that number?

**A - Dan Frey** {BIO 20727678 <GO>}

Yeah. Ryan, it's Dan. I don't think we're going to give the pluses and the minuses. But within the -- we told you that there was \$114 million of directly related charges. And while that included some charges for the management liability coverages in Bond & Specialty, the majority of what we took came through Business Insurance.

**Q - Ryan Tunis** {BIO 16502263 <GO>}

Okay. And then, in terms of thinking about the benefits that we're seeing, I think, in the preannouncement, you said it was mostly short-tail lines. But -- so should we take that to me -- I mean, first of all, outside of the short-tail lines, are you seeing actual to expected look a little bit better in some areas in terms of frequency? And is that not something -- and if so, is that something that you're not recognizing yet? You're being conservative and waiting to see if that continues to be the case?

**A - Dan Frey** {BIO 20727678 <GO>}

Yes, Ryan, it's Dan, again. So we are for sure, seeing some favorable indications relative to what you would otherwise expect in this current environment. And when we look at that, there was too much favorability to simply say zero is the right reaction. But as Alan said in his comments and as I tried to reiterate in mine, I think, we've been very cautious in terms of the degree to which we'd recognize any good news in anything other than the short-tail lines. But there's some, because it's very apparent in the data.

**Q - Ryan Tunis** {BIO 16502263 <GO>}

And then just one more real quick. I was, I guess, a little bit surprised exposure growth held in -- I think, especially in select lines, retention has only declined modestly. How should we interpret that? Is retention -- is it capturing cancellations? Or is that modest dip, mostly

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a function of you guys taking more rate? I'm just trying to figure out how to interpret those numbers that seem relatively modest given what's happening in the macro landscape?

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

Yes, Ryan, let me take -- this is Greg. Let me take both of those in the order that you took on. Number one, in terms of exposure change, if you're looking at relative to middle market, that's really a product mix dynamic. In the select business, we have -- the thrust of the premium is two products, CMP and workers' comp. In the CMP product, the rating on that is driven more off of property than the GL.

And so, we're continuing to see pricing and inflationary pressure on the property. And so there's some inflationary impact that, that impacts on the CMP product. And so you don't see as much of a drag on exposure on select that you do on middle market, where the GL product is more on a standalone-rated basis. And then the retention overall, for select, we certainly put our estimate of what we see in terms of business insolvencies, bankruptcies, and that's all inside the 82% number.

**Q - Ryan Tunis** {BIO 16502263 <GO>}

Thank you.

**Operator**

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

**Q - Meyer Shields** {BIO 4281064 <GO>}

Great. Thanks. Greg, if I heard you correctly in your prepared comments, you talked about a 50 basis point increase in loss trend. And I was hoping you could flush that out a little?

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

Sure, Meyer. Yes, we look at loss trends every quarter and across the full portfolio, and that's obviously a headline number. What we did this quarter is, we looked at the impact of the new economy that we see in front of us. We also look at some of the social inflation or liability dynamics that Dan just talked about. When we roll that all up in aggregate, we believe we've got a 50 basis points increase in our loss trend in front of us.

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

The thing I'd add to that, Meyer, is that, that is reflected in the underlying combined ratio we reported for the quarter as is a piece of that, that would be catch-up from the first quarter.

**Q - Meyer Shields** {BIO 4281064 <GO>}

Okay, perfect. That last point is exactly what I was looking for.

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

Yes.

**Q - Meyer Shields** {BIO 4281064 <GO>}

Second question, I guess, with workers' compensation being the most vulnerable to exposure unit pressure, does that impact rate (inaudible)?

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

Say the question again?

**Q - Meyer Shields** {BIO 4281064 <GO>}

I'm trying to understand -- I know that in general workers' compensation pricing has been coming down, because the industry experience has been good, but we seem to be seeing a fairly significant exposure unit headwind. And I'm trying to get my arms around what that implies for indicated pricing?

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

Yes. Meyer, there's a heavy regulatory component to pricing, as you know, and it tends to be a little bit backward looking. And it sort of factors in the overall profitability of the line, which is, as you know, has been very favorable over the years and that will continue to be the case.

So, clearly, exposure will be one impact on profitability today, which will impact pricing tomorrow. But it's really hard to isolate any one in -- any one factor and its impact on profitability, because everything goes in, you've got -- you start with your expiring rate and then you've got whatever the rate change is and you've got exposure change, you've got loss trends, things like that. So it's definitely a factor. It's hard to isolate what the extent of the impact is.

**Q - Meyer Shields** {BIO 4281064 <GO>}

Okay, understood. Thank you very much.

**Operator**

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

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

Good morning, Elyse.

**Q - Elyse Greenspan** {BIO 17263315 <GO>}

Hi, good morning. Could you hear me?

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

No. That -- we hear you now.

**Q - Elyse Greenspan** {BIO 17263315 <GO>}

Sorry. Thank you. In terms of Business Insurance, I was hoping for the COVID-19 losses. And I recognize in response from an earlier question, maybe you aren't giving just the loss impact in Business Insurance, specifically by line. But could you give us a sense of where you saw the majority of your COVID losses, that's ignoring the favorable impact in the second quarter just specifically within Business Insurance?

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

Yes, Elyse, so that's what I had tried to do. So we took \$114 million across the enterprise in direct COVID losses. None of that was in Personal Insurance. There was some component of management liability within Bonds & Specialty Insurance, which Tom described and going through their combined ratio. But the majority of those dollars came through Business Insurance.

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

So, Elyse, are you asking for a breakdown by product line?

**Q - Elyse Greenspan** {BIO 17263315 <GO>}

Yes. I was hoping by product line, even if not in terms of dollars, you could just give us a sense of which Business Insurance product lines saw the majority of your COVID losses?

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

Yes. The largest line, for sure is workers' comp, some property losses, both domestically and internationally. And then dribs and drabs, I would say, in other lines, but those are the two drivers with the comp by far being the largest.

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

And, Elyse, I'd point you to my prepared comments or what I did share that this was a modest net impact when we look at the offsetting of the favorable frequency on some of those lines also.

**Q - Elyse Greenspan** {BIO 17263315 <GO>}

Okay, thanks. And then my second question is maybe a follow-up on the prior question on workers' comp. We've heard a few folks in the industry, it seems like starting to point towards the bottom of costs in terms of just the pricing dynamics there. But if I go back to your comments throughout the call, it doesn't sound like you guys are thinking that the rate declines that we've seen in that business are close to coming to an end.

So if you could just help us think about worker's comp in terms of the pricing dynamics there, and whether we might hit an inflection, and I'm not just talking 2020, perhaps even

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into 2021 as well?

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

Yes, Elyse, it's a great question. When you look at the information coming out of some of the rating bureaus and when we look at our own, we would say that we are sort of at or near a bottom in workers' comp pricing.

**Q - Elyse Greenspan** {BIO 17263315 <GO>}

Okay, that's helpful. One last number question. Could you give us a -- you said that they were small numbers. But is there -- could you give us a sense of the dollars in terms of the adverse development within general liability and commercial multi-peril in the quarter?

**A - Dan Frey** {BIO 20727678 <GO>}

We're not going to do that, Elyse. They're all pretty modest.

**Q - Elyse Greenspan** {BIO 17263315 <GO>}

Okay. Thank you. I appreciate the color.

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

Thank you.

**Operator**

Your next question comes from the line of David Motemaden with Evercore. Please go ahead.

**Q - David Motemaden** {BIO 18818634 <GO>}

Hi, thanks. Good morning. And, Dan, I guess, I appreciate the comments that you made just before the Q&A. But I guess, I'm just wondering if you could give us some sense of how you're thinking about COVID-related adverse impacts throughout the rest of the year. Just looking through your portfolio of exposures and thinking how it might be affected by COVID, even if the losses haven't occurred yet in the first-half. And you have the exposure and you think there's a possibility that there could be a loss on it. Just wondering to get some thoughts there. I figured I'd take a shot at that?

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

David, good morning. It's Alan. Let me start with that. And if I miss anything, I'd like Dan to take it up. We're not going to forecast future losses. Our obligation under GAAP is to report the incurred and unreported losses as of the balance sheet date, and that's what we've done. It's hard to forecast the future. There's some uncertainty. We don't know the trajectory of the disease. We don't know when we're going to have a vaccine. We don't know what the outlook for the economy is.

And frankly, it's -- probably the uncertainties for the economy that have the biggest impact on -- of the pandemic on us. But I do think it's relevant to -- and that's why we pointed it out a few times that our net losses in the first-half of the year were -- net charges were about \$50 million putting aside the investment side. And we've put up that net number with a high degree of caution.

So I can't give you a number. We -- I tried in my sort of line by line review to tell you some of the factors that we think about. But I think it's not irrelevant to that assessment to think about our experience in the first-half of the year.

**Q - David Motemaden {BIO 18818634 <GO>}**

Okay, great. That's helpful. I appreciate that, Alan. And then just one more. So excluding workers' comp, the renewal rate change, so it was pretty strong, you said double digits. Wondering if we could get a finer point put on that, and then just sort of how that compares versus the last few quarters?

And also, sort of thinking about and I think, Dan, you had mentioned you're looking at loss trend of 5% now in the updated thinking. And that's, I guess, what I should be comparing to the 7.4% renewal rate change that you got in the quarter?

**A - Dan Frey {BIO 20727678 <GO>}**

Yes, I think that's -- it's Dan. I think, that's the right way to think about rate versus trend, and that's about -- that's the ballpark. I think we've said previously, that trend was around 4.5% in BI and we're taking it up about 0.5 point in the current quarter. But you got to look at that in, in relation to the pricing momentum as well. And I think, Greg could correct me if I'm wrong. But the pricing momentum you see in this quarter is a reflection of the strength of the market and the continued need for rate.

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

Yes. The only thing I'd add there to your point, outside of comp, all of our products were positive. And so we feel great about that execution and mostly, the changes line up with where the need is also.

**Q - David Motemaden {BIO 18818634 <GO>}**

Okay, great. And if I could just sneak one more in on the adverse development in general liability. Hoping to get a little bit more color in terms of what you saw in the quarter that, I guess, brought you to make that change, because I thought that, most of the courts were closed during the quarter. I would think the page would be nothing really accelerated during the quarter? Or was it more just a view of -- yes, or was it more just an ongoing review that resulted in the change there?

**A - Dan Frey {BIO 20727678 <GO>}**

Yes. David, it's more of the latter. And remember, as we're doing reserve reviews, especially in long-tail lines like those, you're looking more backwards at your data. So the actual loss environment of May and June, we're aware of it, but it's not really -- you don't

have enough time to gather all that data and fully factor into the reserve view that you're making at that time. So a little more that is still backward-looking in terms of way things have developed, say, through the first quarter.

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

But again, as Dan noted in his remarks, those were relatively small movements.

**Q - David Motemaden** {BIO 18818634 <GO>}

Yes. Great. Understood. Thank you.

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

Thank you.

## Operator

Your next question comes from the line of Paul Newsome with Piper Sandler. Please go ahead.

**Q - Paul Newsome** {BIO 1541286 <GO>}

You've hit the big ones for me, but one just quick one. From an investment perspective, do you have expectations that we would see increased defaults as well come through and I guess that we will see them realized? And is that sort of booked into the investment expectations that you gave us this quarter as well? I'm thinking the actual defaults that we might see from the recession?

**A - Dan Frey** {BIO 20727678 <GO>}

Yes. Paul, it's Dan. We gave a fair amount of detail and did a fair amount of commentary on the construct of the investment portfolio and our comfort level with the way we thoughtfully invested. And we've given you an update of that investment detail again in the appendix of the webcast presentation this quarter.

So I wouldn't say more than we said, I think, last quarter in terms feeling really good about the way we've managed risk on the asset side of the balance sheet, clearly, we're aware of and looking and looking at and have a regular process to assess credit impairment and default rates and all of that stuff is baked into our numbers. But it's really not a big impact on us, given the thoughtful investment approach in the first place.

**Q - Paul Newsome** {BIO 1541286 <GO>}

Has ratings migration had much of an impact yet, if at all, on the capital calculations for you guys?

**A - Dan Frey** {BIO 20727678 <GO>}

No, it does not.

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**Q - Paul Newsome** {BIO 1541286 <GO>}

Great. Thank you.

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

Thanks, Paul.

**Operator**

Your next question comes from the line of Brian Meredith with UBS. Please go ahead.

**Q - Brian Meredith** {BIO 3108204 <GO>}

Yes, thanks. Just two quick ones here. First one, what was the impact of premium adjustments on the BI written premium this quarter like comp and CMP?

**A - Dan Frey** {BIO 20727678 <GO>}

I'm not sure I understand the question, Brian.

**Q - Brian Meredith** {BIO 3108204 <GO>}

Meaning like for workers like reevaluating like what -- like employment stuff is on workers' comp. You usually do it in the fourth quarter, but were there's any kind of early ones where you adjusted premium kind of to reflect what it's going look like the year?

**A - Dan Frey** {BIO 20727678 <GO>}

So I wouldn't say we normally do it in the fourth quarter, I think, what you're referring to maybe is we do it at the -- when the policy period has ended and we'd like to go up.

**Q - Brian Meredith** {BIO 3108204 <GO>}

Yes.

**A - Dan Frey** {BIO 20727678 <GO>}

There has been some -- and we've been open to it, there have been some more requests by customers to do some of that midterm. But all that's baked into our production statistics and the written premium numbers we reported for the quarter, Brian, and you got to break out that one piece.

**Q - Brian Meredith** {BIO 3108204 <GO>}

Okay, thanks. And then the second, just a quick question, just to understand the 50 basis points of increase in trend in the BI. Is that inclusive of what you're seeing with respect to COVID-19 and maybe the benefits or adverse stuff you're seeing on COVID-19? Or is that more related to what's going on with just general kind of tort inflation and some of the increase you saw in your GL reserves and your CMP reserves?

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**A - Dan Frey** {BIO 20727678 <GO>}

I think we're -- we consider everything, Brian, and included in there. And there are some puts and takes, the net of the puts and takes was 0.5 point increase to the trend.

**Q - Brian Meredith** {BIO 3108204 <GO>}

Right. And just on that -- following on that, Alan, you made some comments about maybe some favorable stuff happening in the court system as far as some early quick settlements. But in general, what's your kind of take on what's going on with tort right now? could we potentially see an increase in tort inflation as a result of what's going on with COVID-19?

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

Yes. I mean, I think, we certainly could, and that's one of the reasons why we're such big proponents of liability reform. I think it's important in terms of making sure we're protecting the nation's recovery from the pandemic. I think, you hear a lot of rhetoric out there on that topic. But every -- everything we see and everything we're anticipating is in that loss trend number.

**Q - Brian Meredith** {BIO 3108204 <GO>}

Great. Thank you.

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

Thank you.

**Operator**

And we have time for one more question coming from the line of Jamminder Bhullar with JPMorgan. Please go ahead.

**Q - Jamminder Bhullar**

Good morning. So first, I had a question on just the commercial auto business. If you could talk about what you're seeing in terms of frequency, is that picking up as traffic's been increasing recently? And then relatedly, just your views on the rate adequacy in that line, given that you've been raising prices for a while? Or do you think rates need to go up further?

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

This is -- Jamminder, this is Greg. Yes, we certainly have seen some favorable frequency activity, as the shelter at home has taken place, certainly not to the levels of Personal Insurance. And just as a reminder, in commercial auto, it's a little unique and personal, where we do have lay-up credits or premium credits when there's limited use. And so, there's a slight offset as we see that frequency. We have mechanisms to give that back. Now as the economy is starting to reopen, we're seeing that frequency moderate.

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## Q - Jamminder Bhullar

Got it. And on the personal auto side, are you assuming or expecting additional refunds in the third quarter results?

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

So we don't have further refunds planned in personal auto. I think, like many, we're looking forward at what rate adequacy is over time and looking at more traditional mechanisms like rate filings to make sure that rates are in line with loss trend and loss cost. And in personal auto, the refunds really were a mechanism to respond to acute -- an acute issue in the early days of the pandemic is sort of the way we're thinking about it.

## Q - Jamminder Bhullar

Okay. And then just lastly, you mentioned majority of the COVID losses were related to workers' comp. You didn't really mention anything about business interruption, and I'm assuming those losses were pretty modest. But is that more, because you haven't seen a lot of claim submission? Or is it just your view -- you have seen submissions, but your view is that those claims are uninsured, given the policy language?

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

Yes. We've certainly seen some submissions, and there's some claim activity around it and even some litigation around it. As we've noted, we've got provisions in our policies that we think make that coverage inapplicable. And so we don't expect many of those claims actually to pay out.

## A - Dan Frey {BIO 20727678 <GO>}

It's Dan. One related comment to that. Even where we don't expect ultimately to pay the indemnity on a loss, we have acknowledged in our reserves the fact that we'll spend some money defending against claims that come in for business interruption.

## Q - Jamminder Bhullar

Okay. And on COVID, is that the line where you see the most uncertainty in terms of claims, given what happens on in terms of litigation activity? Or are there other lines where there's not a lot of clarity based on what's happened so far?

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

I don't think there's a lot of uncertainty around business interruption. I mean, certainly, there's some, because there's some litigation and there's always uncertainty when you have litigation. But we -- we've got the requirement for direct physical damage. We've got two courts that have upheld that so far. And we've got a specific virus exclusion in our standard policy form. So we don't actually see a lot of uncertainty there, and we don't expect that to be a material loss contributor for us.

## Q - Jamminder Bhullar

Okay. Thank you.



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

Thank you.

## Operator

I will now turn the call back over to Abbe for closing remarks.

**A - Abbe Goldstein** {BIO 20602454 <GO>}

Thank you all for joining us this morning. Appreciate it. As always, if there's any follow-up, please get in touch with Investor Relations and we're happy to answer your questions. Be well, and have a good day. Thanks.

## Operator

This concludes today's conference call. You may now disconnect.

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