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Earnings Call

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Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the third quarter results teleconference for Travelers. [Operator Instructions] As a reminder, this conference is being recorded on October 17, 2024.

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

Abbe F. Goldstein
Senior Vice President of Investor Relations

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

Speaking today will be Alan Schnitzer, Chairman and CEO; Dan Frey, Chief Financial Officer; and our 3 segment Presidents, Greg Toczydlowski of Business Insurance, Jeff Klenk of Bond & Specialty Insurance; and Michael Klein of Personal Insurance. They will discuss the financial results of our business and the current market environment. They will refer to the webcast presentation as they go through prepared remarks, and then we will take your questions.

Before I turn the call over to Alan, I'd like to draw your attention to the explanatory note included at the end of the webcast presentation. Our presentation today includes forward-looking statements. The company cautions investors that any forward-looking statement involves risks and uncertainties and is not a guarantee of future performance.

Actual results may differ materially from those expressed or implied in the forward-looking statements due to a variety of factors. These factors are described under forward-looking statements in our earnings press release and in our most recent 10-Q and 10-K filed with the SEC. We do not undertake any obligation to update forward-looking statements.

Also, in our prepared 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 our Investors section on our website.

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

Alan David Schnitzer
Chairman & CEO

Thank you, Abbe. Good morning, everyone, and thank you for joining us today. I'd like to start by acknowledging the devastation caused by recent hurricanes Helene and Milton. These were powerful storms, and our hearts go out to all those who have been impacted. Of course, we send our thoughts and prayers, but we're also sending claim resources. From our National Catastrophe Center in Hartford, we're managing the deployment of hundreds of Travelers' claim professionals, along with mobile claim offices and quick response vehicles.

We've activated thousands more cross-trained colleagues across the country to support our local response. Our catastrophe response model enables us to adjust virtually every claim with the Travelers' claim professional, and without resorting to independent adjusters. That results in a better outcome for our customers and distribution partners. Thanks to these efforts and the advanced analytics and geospatial tools that we leverage, we're on track this year to meet our objective of resolving 90% of our claims from natural catastrophes within 30 days.

That can make the difference between whether a customer of ours is able to celebrate the holiday season in their living room instead of a hotel room. I'd also like to express my deep gratitude to our claim organization. The entire team tirelessly delivers exceptional technical expertise and support to our customers, demonstrating day in and day out the value of the Travelers promise.

Turning to results. We are very pleased to have generated outstanding top and bottom line results this quarter. Excellent underlying underwriting income, higher net investment income and net favorable prior-year reserve development, all contributed to core income of more than $1.2 billion or $5.24 per diluted share, generating core return on equity of 16.6%. Underlying underwriting income of $1.5 billion pre-tax was up 73% over the prior-year quarter, driven by record net earned premiums of $10.7 billion, up 10% and an underlying combined ratio that improved 5 points to an excellent 85.6%.

Both underwriting income and underlying margins were strong in all 3 of our segments. The underlying combined ratio in our Business Insurance segment improved nearly 2 points to an excellent 87.9% and our Bond & Specialty business delivered a very strong underlying combined ratio of 85.6%. The underlying combined ratio in Personal Insurance improved 11.5 points to an exceptional 82.7%. These terrific segment results contributed to a reported consolidated combined ratio that improved nearly 8 points to 93.2%.

Turning to investments. Our high-quality investment portfolio continued to perform well with after-tax net investment income up 16% to $742 million, driven by strong and reliable returns from our growing fixed income portfolio and higher returns from our non-fixed income portfolio.

Our underwriting and investment results, together with our strong balance sheet, enabled us to grow adjusted book value per share by 4% during the quarter, and that's after returning $496 million of excess capital to shareholders and continuing to make important investments in our business as we notched another quarter of successful execution on a number of important strategic initiatives.

Turning to the top line. We grew net written premiums by 8% to $11.3 billion. The strong value proposition that we offer to our customers and distribution partners, along with outstanding execution by our colleagues in the field contributed to our top line success.

In Business Insurance, we grew net written premiums by 9% to more than $5.5 billion. Renewal premium change in the segment remained very strong, increasing to 10.5%, driven by strong contributions from the liability coverages. Renewal rate change accelerated to 7.3% in the quarter and was steady or higher in every product line. Even with the firm pricing environment, retention in the segment ticked up to 86%. The combination of strong pricing and excellent retention reflects our deliberate execution and a marketplace that is reacting in a generally disciplined way to the headwinds of social and economic inflation.

In Bond & Specialty Insurance, we grew net written premiums by 7% to a record $1.1 billion, driven by excellent retention of 90% in our high-quality management liability business and strong production in our market-leading surety business. We grew surety net written premiums by 7% from a very strong result in the prior-year quarter. We are very pleased to have generated terrific production results across our commercial segments where margins continue to be attractive. That includes our E&S offerings where we've grown net written premiums by 13% year-to-date.

In Personal Insurance, we were pleased to grow net written premiums by 7%, driven by strong renewal price change in both Auto and Home. The strong production results across our 3 segments are a reflection of our view that in order to achieve our objective of industry-leading returns over time, we need an effective strategy to grow profitably over time.

As we've shared before, we seek to achieve profitable growth by investing in franchise value, making sure that we offer the products, services and experiences that our customers want to buy and our distribution partners want to sell. Also central to our growth strategy is our very granular approach to risk selection, underwriting and pricing, which we've discussed many times.

As a result of that approach and investments we've made over decades in leading data and analytics, our growth in insured exposures correlates to returns. In other words, generally speaking, the more attractive the returns in the business, the more we've been growing insured exposures in that business.

All of which is to say Travelers' unique combination of franchise value and execution yields very effective capital deployment, high-quality profitable growth.

The numbers speak for themselves. Over the last 4 years, we've grown our premium base by more than $13 billion, nearly a 50% increase while simultaneously improving our underwriting margins. The result is that we've more than doubled our underlying underwriting income and increased our total underwriting income by more than 80%.

The combination of strong underwriting income and the reliable investment income from our substantial and growing investment portfolio makes for a powerful earnings engine. That's what's driving our strong results this quarter and year-to-date, and that's what's driving our core return on equity of 15.9% over the last 12 months. And that's what gives us great confidence in the outlook for our business into 2025 and beyond.

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

Daniel Stephen Frey
Executive VP & CFO

Thank you, Alan. I'm pleased to provide some additional color on an exceptionally strong quarter. Core income for the third quarter was $1.2 billion and core return on equity was 16.6% as we delivered another quarter of excellent underlying underwriting results, net favorable prior year reserve development and strong investment income.

We're pleased to have once again generated record levels of earned premium this quarter and an excellent combined ratio of 93.2%, an improvement of nearly 8 points. Inside of that, our underlying combined ratio improved 5 full points from last year's strong result. This combination of premium growth and underlying margin improvement led to our best ever underlying underwriting gain of $1.2 billion after tax, up $503 million or 74% from the prior-year quarter.

The expense ratio for the third quarter was 28.4% and reflects the benefits of our continued focus on productivity and efficiency, coupled with strong top line growth. That brings the year-to-date expense ratio to 28.6%, in line with our expectations.

Our third quarter results include $939 million of pretax catastrophe losses, more than half of which relates to Hurricane Helene, a devastating storm which made landfall in the last few days of the quarter. For Travelers, the financial impact of Helene was greater in Georgia and the Carolinas than in Florida.

Turning to prior-year reserve development. We had total net favorable development of $126 million pretax. In Business Insurance, the annual asbestos review resulted in a charge of $242 million. Ex asbestos, Business Insurance had net favorable PYD of $151 million, driven by favorability in Workers' Comp. In Bond & Specialty, net favorable PYD of $36 million was driven by another quarter of better-than-expected results in Fidelity and Surety.

Personal Insurance had $181 million of net favorable PYD with favorability in both Home and Auto. After-tax net investment income of $742 million was up 16% from the prior-year quarter. Fixed maturity NII was again higher than the prior-year quarter and in line with our previously shared outlook, reflecting the benefit of both higher average yields and significant growth in the portfolio. Returns in the non-fixed income portfolio were also above the prior-year quarter.

In terms of our outlook for fixed income NII, including earnings from short-term securities, we now expect approximately $700 million after tax for the fourth quarter. For 2025, we expect approximately $2.9 billion after tax, our highest level ever, beginning with approximately $700 million in the first quarter of 2025 and growing to approximately $760 million for the fourth quarter.

Turning to capital management. We generated our strongest ever level of quarterly operating cash flows at $3.9 billion, bringing the year-to-date figure above $7 billion, also our strongest ever September year-to-date results.

Interest rates decreased during the quarter. And as a result, our net unrealized investment loss decreased from $4 billion after tax at June 30 to $2.1 billion after tax at September 30. Adjusted book value per share, which excludes net unrealized investment gains and losses, was $131.30 at quarter end, up 7% from year-end and up 13% from a year ago.

We returned $496 million of excess capital to our shareholders this quarter, comprising share repurchases of $253 million and dividends of $243 million. We have approximately $5.3 billion of capacity remaining under the share repurchase authorization from our Board of Directors. While it obviously did not impact our third quarter results, let me make a quick comment on Hurricane Milton.

It's still early days in terms of assessing our ultimate losses. But at this point, we have a preliminary range of between $75 million and $175 million of pretax losses, net of reinsurance. To sum things up, our third quarter and year-to-date results illustrate the fundamental earnings power that has resulted from our multiyear focus on growth at attractive margins and our rock-solid balance sheet.

In addition to best-ever levels of net written premium and net earned premium, our diversified portfolio of businesses delivered a terrific underwriting result. Thanks to our best ever underlying combined ratio, clearly demonstrating that we are positioned for success even during periods of weather volatility like we and the industry have experienced.

In fact, despite having absorbed the highest ever level of catastrophe losses for the first 9 months of the year, our September year-to-date core earnings per share of $12.43 is a record high.

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

Gregory Cheshire Toczydlowski
Executive VP & President of Business Insurance

Thanks, Dan. Business Insurance had another strong quarter in terms of both top and bottom line results. Segment income for the third quarter was $698 million, up about 50% from the prior year quarter, driven by improved prior year development and higher underlying underwriting income. The combined ratio of 95.8% was strong and improved from the prior year quarter by more than 3 points.

Similar to the past several quarters, we're extremely pleased with the quarter's exceptionally strong underlying combined ratio of 87.9%, which improved by about 2 points from the prior year quarter, primarily reflecting the benefit of earned pricing. This was our best third quarter underlying result ever.

Turning to the top line. We grew net written premiums by 9% to an all-time third quarter high of more than $5.5 billion. Renewal premium change was once again historically high at 10.5%, with renewal rate change that increased nearly 1 point sequentially to 7.3%, driving the majority of the strong pricing. Retention remained excellent at 86% and new business of $680 million was the second highest third quarter result ever, just slightly trailing last year's record third quarter.

In terms of pricing, we're pleased to sustain strong levels of renewal premium change, which increased sequentially from the second quarter. Strong pricing was broad-based with renewal premium change at or close to double digits in every line other than Workers' Comp.

With respect to pure renewal rate change, we're pleased that the exceptional granular execution by our field organization reflects and appropriately balances the current return profile and environmental trends for each line. Umbrella and Auto continue to lead the way with rate increases well into double digits.

In terms of sequential renewal rate change, every line was at or higher than the second quarter. Even with these strong pricing levels, retention remains strong, as I mentioned earlier, a reflection of marketplace discipline in the face of industry headwinds.

As for the individual businesses, in Select, renewal premium change remained strong at 12.3%, up almost 2.5 points from the third quarter of last year. Renewal rate change of 5.5% was up sequentially from the second quarter and up more than 2.5 points from last year's third quarter. Retention ticked down as we continued to intentionally optimize our CMP risk return profile in a couple of targeted geographies. New business was healthy and near historical highs.

Overall, we remain pleased with the granular pricing and underwriting execution driving profitable growth in Select. In Middle Market, renewal premium change was exceptionally strong at 10.6%, about 1 point higher than the second quarter, driven by renewal rate change, which reached 8%. The rate increases were broad-based with more than 3/4 of our Middle Market accounts achieving positive rate change. And at the same time, the granular execution was excellent with meaningful spread from our best-performing accounts to our lower-performing accounts. We're pleased that retention also remained exceptionally even with these levels of price increases.

Lastly, new business of $364 million was our highest ever third quarter result, and we're pleased with the risk selection and the strength of pricing on the accounts that we added to the portfolio.

To sum up, Business Insurance had another terrific quarter. We're pleased with our execution in driving strong financial and production results while continuing to invest in the business for long-term profitable growth.

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

Jeffrey Peter Klenk
Executive VP and President of Bond & Specialty Insurance

Thanks, Greg. Bond & Specialty posted another strong quarter on both the top and bottom lines. We generated segment income of $222 million and an excellent combined ratio of 82.5%. We also delivered a very strong 85.6% underlying combined ratio in the quarter. The increase of 4.9 points from last year's quarter reflects a modestly elevated expense ratio, primarily related to the Corvus acquisition and the impact of earned pricing. We expect the expense ratio to remain elevated for a few more quarters as we integrate Corvus' operation and as we ramp up and earn-in premiums from its attractive book of business.

Turning to the top line. We grew net written premiums by 7% in the quarter to a record high $1.1 billion. In our high-quality domestic management liability business, we again delivered excellent retention of 90% with positive renewal premium change that reflects terrific execution by our field organization and our focus on retaining our profitable book of business.

We're pleased that we grew new business by over 80% from the prior year quarter to a record $113 million, driven by Corvus. 9 months following the closing of our Corvus acquisition, we continue to feel terrific about the talent, capabilities and business that we've added to our Cyber portfolio. We're deploying Corvus' proprietary underwriting and risk control capabilities across our Cyber book, helping our customers remediate vulnerabilities and avoid cyber losses.

Our distribution partners have endorsed our go-to-market strategy, which includes both admitted and excess and surplus lines Cyber offerings. And realizing the benefit of our high-quality Travelers paper and brand, we've considerably improved Corvus' legacy renewal retention. In short, we couldn't be more pleased with the addition of the Corvus team to the Travelers family.

Turning to our market-leading surety business. We grew net written premiums by 7% from a very strong level in the prior year quarter. This growth reflects a robust construction environment, continued strong demand for our surety products and services and outstanding execution by our team in growing our high-credit quality portfolio. So we're pleased to have once again delivered strong top and bottom line results this quarter in Bond & Specialty Insurance.

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

Michael Frederick Klein
Executive VP & President of Personal Insurance

Thanks, Jeff, and good morning, everyone. In Personal Insurance, we are very pleased with our third quarter results, which continue to reflect the positive impact of our rate and non-rate actions across the portfolio. In the quarter, we delivered significantly improved segment income of $384 million and a combined ratio of 92.5%, driven by an excellent underlying underwriting result and strong net favorable prior year reserve development.

The underlying combined ratio of 82.7% reflects an 11.5-point improvement compared to the prior year quarter, primarily driven by the benefit of earned pricing in both Auto and Home as well as favorable non-catastrophe weather. Continued strong price increases drove 7% growth in net written premiums as we continue our focus on improving profitability in property while seeking profitable growth in Auto.

In Auto, we're pleased with another quarter of improved profitability. The third quarter combined ratio was very strong at 93.4% despite 4.9 points of catastrophe losses, primarily related to Hurricane Helene. The underlying combined ratio of 91.2% improved 9.4 points compared to the prior year quarter. The improvement continues to be driven by the benefit of higher earned pricing and lower losses from physical damage coverages.

This quarter's underlying underwriting -- this quarter's underlying result also included a 2-point benefit related to the reestimation of prior quarters in the current year. Taking a step back, the year-to-date underlying combined ratio of 93.7% reflects considerable progress and is compelling evidence of our return to profitability in Auto.

Looking ahead to the fourth quarter of 2024, it is important to remember that the fourth quarter Auto underlying loss ratio has historically been about 6 to 7 points above the average for the first 3 quarters because of winter weather and holiday driving.

In Homeowners and Other, the third quarter combined ratio of 91.5% improved by nearly 25 points compared to the prior year quarter, primarily as a result of a lower underlying combined ratio as well as lower catastrophe losses and higher favorable prior year development.

Hurricane Helene and a severe convective storm in July drove catastrophe losses in the quarter. The underlying combined ratio of 74.4% improved 13.6 points compared to the prior year quarter. Approximately 3/4 of the year-over-year favorability was related to non-catastrophe weather and non-weather losses. The benefit of earned pricing also contributed to the improvement.

Turning to production. Our results reflect our ongoing efforts to balance profitability and growth across the portfolio. We're pleased with our progress as we execute a very granular state-by-state strategy. In Domestic Auto, retention of 83% remains strong. Renewal premium change of 12.8% continued to moderate as intended. Renewal premium change will continue to decline, reflective of improved Auto profitability. Auto new business premiums continue to reflect our success in achieving positive Auto growth in many states.

While Auto new business premium was down slightly in total, the decline reflects our focus on Auto profitability in a few remaining challenging states and the cross-line impact of our actions to manage property exposure in high-risk cat geographies. We're comfortable with this trade-off in the near term and remain confident in our ability to profitably grow our portfolio over time.

In Homeowners and Other, retention of 85% and renewal premium change of 14.6% remained strong and consistent with recent quarters. We expect renewal premium change to generally remain at this level in the fourth quarter. As we intended, Homeowners new business premium and policies in force continued to decline compared to the prior year quarter.

Also as we intended, the decline was most significant in high-risk catastrophe geographies, reflecting continued actions to reduce exposure and mitigate volatility through improved risk selection, restricted binding authority, tightened eligibility requirements and higher deductibles.

To sum up, for the Personal Insurance segment overall, this was a great quarter, reflecting disciplined execution by our team and further progress toward delivering a profitable growing portfolio of Personal Lines business over time.

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

Abbe F. Goldstein
Senior Vice President of Investor Relations
Thanks, Michael. We're happy to open up for your questions.

Question and Answer

Operator

Thank you. [Operator Instructions] Your first question comes from the line of Gregory Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

So I guess for the first question, I'll focus on domestic Business Insurance and the renewal premium change, which continues to be quite strong even through the third quarter. I guess where I'm going with this is, given the strong improvement in the underlying results, at what point will that renewal premium change begin to moderate?

Alan David Schnitzer
Chairman & CEO

Greg, it's Alan. Thanks for the question. We're not going to try to forecast what that's going to be. But I would say there are headwinds out there in terms of inflation. There's uncertainty out there in terms of the political and regulatory environment, the geopolitical environment, so on and so forth. So I'll share that with you as the kind of things we think the market is reacting to, but we're not going to project it.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. Fair enough. I thought like shot -- give it a shot. I guess the other question, listening to the comments about the strong results, the best third quarter ever in Business Insurance, et cetera, and the free cash flow. I guess I want to pivot back to capital management. I know you're not going to disclose M&A on the call, but it seems like a balanced approach, including capital return to shareholders and M&A or investment in organic is a high likelihood that it could happen. But considering the cash flow numbers, should we just plow that all in the share repurchase? Or what are you thinking?

Alan David Schnitzer
Chairman & CEO

Yes, Greg, I'll just tell you philosophically, for every single dollar of capital that we generate, our first priority is to invest it back in the business in whatever way we can do that to create shareholder value, whether that's organic growth, investing in talent or capabilities, products, et cetera, or whether it's inorganic. So that's our first objective, and we try to do that. But it's not our capital. It's investor capital, and we try to be very, very good stewards of shareholders' capital.

And so we've got a pretty high bar for what we do with that capital, and we don't think we can generate it back in the business and create a return, we're going to return it to shareholders.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. Congrats on the results.

Operator

Your next question comes from the line of David Motemaden from Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I sort of had a follow-up on the prior question on the BI renewal rate change. So it's good to see the acceleration quarter-over-quarter after it's decelerated the past 3 quarters. I guess I'm just wondering, Alan, if you could comment on how sustainable you feel like this rate environment is? And if you think the hurricanes over the last few weeks will change the trajectory on the Property side, which I know has kind of been a standout a drag on that RRC recently. And then just relatedly, how that impacts your appetite for growth within Property, but also in Liability Lines where it's still an uncertain environment?

Alan David Schnitzer
Chairman & CEO

Yes. So there's a lot there, David, let me start. And if I don't get to it, I'll follow up. But in terms of pricing, I would say that we expect renewal price change to continue to be positive and strong for all the reasons I shared in response to Greg's question. Now whether that means it goes up a little bit from here or down a little bit from here, I don't really know. But I think the message we would give you for all those reasons is positive and strong.

You mentioned your -- the comment about property and that price weighing. I guess I would say you got to take that property pricing together in connection with the returns in the property line. So it's not like the returns are struggling and the price is falling. The price change in property is a reflection of the returns in that line. So it's totally rational and totally appropriate. We're not going to share our property pricing strategy, and we all just have to wait and see where the market goes on that. But clearly, these storms are a reminder of the potential volatility and the things that we've all got to be thoughtful about in committing capital to risk.

Did I get that, David, anything I missed?

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

And then just on the -- it sounds like the liability lines in Auto and Umbrella rates, it sounded like they accelerated a bit sequentially in the quarter. And just wondering, I guess, you guys have made the reserve changes last quarter? It didn't sound like there was any noise this quarter from post that. But just your comfort level in terms of leaning into growth in some of those lines.

Alan David Schnitzer
Chairman & CEO

Yes. So I think we shared last quarter that even after the charge we took on Umbrella, we were comfortable with the returns in Umbrella even last quarter, and we remain comfortable with the returns. And again, we're going to execute on a very granular account-by-account basis. But given where the returns are, given -- we've shared before, and we talked a lot about this last quarter, there's a real advantage to reacting quickly to loss cost trends and getting your view of pricing and order. And that gives us real confidence with the way we're executing in the marketplace today. So we do think in terms of both growth and profitability, there is a huge advantage to reacting quickly to loss trend.

Operator

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

Michael David Zaremski
BMO Capital Markets Equity Research

It might be an easy answer, but I don't think I heard any call out of maybe onetime items helping the underlying in Business Insurance, the underlying loss ratio?

Daniel Stephen Frey
Executive VP & CFO

Mike, it's Dan. That's right. It's pretty clean, pretty straightforward quarter. And really, we wouldn't call out anything that you need to adjust for.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Got it. Okay. For my follow-up, so I guess my follow-up will be on Personal Lines. You have said in your prepared remarks that you are, I think, making some changes to deductibles, I believe. I guess from a -- some of the super regionals are talking about kind of trying to overhaul their roughing with us, basically the deductibles in a major way, increasing deductibles and maybe rough depreciation schedules or just a higher percentage deductible for rough replacement. Are you -- is Travelers taking more of a slower approach to that? Or are you making any kind of meaningful changes to your terms and conditions in Personal Lines in certain geographies?

Michael Frederick Klein
Executive VP & President of Personal Insurance

Sure, Mike. It's Michael. I would say, yes, we're very active in making meaningful changes to our terms and conditions for property, particularly in cat-exposed geographies. It's really what I was referring to when I talked about what one of the drivers of the shrink in property is. And specifically to your question about deductibles, we have moved -- in some states, we have deductibles that are dollar-denominated. In other states, we have deductibles that are percentage. But we've made significant moves, particularly in cat-exposed states in the Midwest along those lines, again, among the other things I mentioned, which are restricting eligibility, doing quite a bit of re-underwriting of the portfolio to really try to manage that exposure.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. And I guess that would maybe change the way we need to think about modeling this maybe the loss ratio versus the cat ratio. But I guess I'll follow up offline.

Operator

Your next question comes from the line of Rob Cox from Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

So obviously, on the renewal premium change, great numbers overall. I did just want to ask on Select. It looks like there was a little pressure on a little bit lower new business growth and retention, if I look back relative to a few quarters ago. I just want to ask on that.

Gregory Cheshire Toczydlowski
Executive VP & President of Business Insurance

Rob, this is Greg. Yes, as I shared with you in my comments, we're constantly optimizing our book of business in terms of getting the right equation between risk and reward. When you look at the webcast, first of all, 2023, we had some historical high retention number throughout that period.

And we are -- similar to the question Mike just asked around deductibles, that's driven based on severe convective storm and a new peril that's been very dynamic and much more of a frequent weather event. And so like Michael and his team, our team in Small Commercial has also been fine-tuning that particular peril and the coverage associated with that. And that's why we saw a little bit of the tick down in retention. I called that out in my prepared comments for you.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Got it. And then I just wanted to ask as a follow-up on just thinking about catastrophe losses. I don't think you guys provide an explicit guidance on this, but I was just curious if you guys could give us any help in thinking about how we could size your annual expected catastrophe load? Any color or thoughts you could provide would be helpful.

Alan David Schnitzer
Chairman & CEO

Yes. Rob, it's Alan. In our proxy statement, we do give it admittedly for the prior year. So I won't give you our current year view, but you can see the prior year. And one thing we've shared is we've had a couple of years now of pretty heavy cat losses is that we continue to factor those more recent years into our thought process, and we continue to weigh more recent years more heavily. And so that influences the way we think about cat loss going forward. We haven't yet given an outlook for cats.

Operator

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, I think it kind of was addressed in one of the earlier questions, but can you just confirm, I guess, that no reserving action was taken with NGL in the quarter? You didn't call it out. So it sounds like there was nothing, but I just want to confirm that.

Daniel Stephen Frey
Executive VP & CFO

Yes, Elyse, it's Dan. So I'll reiterate what I said, which was -- so ex asbestos in BI, we were favorable about $151 million. That was driven by Workers' Comp. It wasn't entirely Workers' Comp. So there were some other lines that moved, but they were small amounts and the net of that was a good guy as well.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up, my second question is on Personal Auto. When you guys -- the 93.7% year-to-date and recognizing, right? There is some seasonality in the Q4, but this puts you guys right in a good spot relative to kind of mid-90s, which is kind of what folks typically target on the Auto side. So is this like the sustainable run rate margin as we think about the business with rates slowing and just your view of overall loss trend within Personal Auto?

Michael Frederick Klein
Executive VP & President of Personal Insurance

Sure, Elyse. It's Michael. I would say, certainly, the year-to-date result points you to a view that across the book, we're rate adequate. We're very pleased with the results and the returns. I shared that reminder again because it's pretty dramatic seasonality inside the book, and I just wanted to make sure that folks were aware of it. But broadly speaking, again, pleased with and really rate adequate across the book in Auto at this point.

Operator

Your next question comes from the line of Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Michael, I'm going to just follow up on that one. If you're rate adequate across your book, should we start to expect that policy count is going to grow here in the near future?

Michael Frederick Klein
Executive VP & President of Personal Insurance

Great question, Brian. It's Michael. We are hard at it, right? I tried to give you the pieces impacting Auto growth as we sit here today. And again, in states where we don't have some of the other complications, we are seeing new business growth. And again, that's many states across the country. We're working hard at it at the states where we don't yet have adequate rates, and we're making progress.

But obviously, we're subject to those rates getting filed and approved before those flip into that category. But again, we're hard at work on that.

And then the other element is the cross line impact of our work to improve property risk reward. That will take some more time. But again, we're making strong progress there. And so again, as I've said, the last couple of quarters, our focus in Auto is to profitably grow it. Our focus in Home is to improve profitability. Given our focus on portfolio business, those 2 things kind of go hand in hand. And that's what I mean when I say we're trying to balance growth and profitability across the book, but it's definitely a strong focus of ours.

Brian Robert Meredith
UBS Investment Bank, Research Division

Appreciate it. And then one for Greg. I'm just curious, Greg, any kind of insight into what Workers' Comp pricing might look like going forward? I think we've heard that maybe a state or so you might get some positive stuff out of ratings bureaus?

Gregory Cheshire Toczydlowski
Executive VP & President of Business Insurance

Yes, Brian, this is Greg. If I look at Workers' Comp as a portfolio, I think we're going to see a continuation of what we're seeing right now, and that really is driven based on the strong experience on the line, and we certainly, as leaders in that line have demonstrated that. And so when you look at the bureaus, NCCI being the largest one, what we're looking at for a forecast in 2025 for loss cost recommendation, it's very similar to what we saw in 2024. Of course, that doesn't apply to every individual account, we'll have EMODs and et cetera, on the individual account. But I think it's going to kind of stay with the levels that it's at right now.

Operator

Your next question comes from the line of Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Yes. More questions for Michael, very popular today. I wanted to talk a little bit about first, the favorable development in the Personal Lines segment. What years were it throwing off favorable development? And does that mean to some extent you may have overreacted on pricing in some states?

Daniel Stephen Frey
Executive VP & CFO

Josh, it's Dan. So I'll start with the PYD story. Part of the PYD story, remember, the end of 2023 was really favorable in Personal Insurance. And it was also brand new. The fourth quarter was terrifically strong from a profit perspective. It wasn't fully developed. We posted a really good number in the fourth quarter last year, but we were allowing for the uncertainty that were some of those claims going to come later, were some of the ones that did come going to come with more severity, 9 months further on, we're just more confident.

But if I look at the spread of accident years in Personal Insurance, favorable prior year reserve development, there is favorability in recent years. But if I look at the last 10 years, there is favorability in each and every one of the last 10 years. And I'll leave the pricing question for Michael.

Michael Frederick Klein
Executive VP & President of Personal Insurance

Yes. And Josh, I would say in terms of did we overreact on pricing, again, I would reiterate the comment I made in response to Elyse, which is as we look across the book, we're rate adequate. And I'd also point you to the combined ratio for the year-to-date, if you add back prior year development to try to get to an accident year type number, that number is 97.4%. So I don't think that would be an indication that we've overshot.

Joshua David Shanker

BofA Securities, Research Division

That makes sense. And so we've had 2 quarters now with about $170 million, $180 million of prior year favorable development in the Personal Lines segment. A lot of times, there's a certain trend and when that trend deviates, it throws off favorable development. But are these discrete things that you've noticed that make this degree of favorable development probably less likely to be sustainable if the trends continue? Or could we continue to see hundreds of million dollars of favorable development if just the trends keep playing out? I hope I'm asking the question appropriately?

Daniel Stephen Frey
Executive VP & CFO

Yes, Josh, it's Dan. I think I get it, and I'm glad you asked it. I mean, I think if there's 2 words that I would not put in a sense together, it's prior year reserve development and trend or run rate. And I think we tell you this pretty consistently. We look at all the data as it comes in every quarter. We do thorough reviews of every line every quarter. We're just trying to get it right.

What you've seen probably in the last couple of years when loss costs were elevated in '22 and '23, we said we want to get it right. But in getting it right, we want to acknowledge the fact that if there's an elevated level of uncertainty, we're going to contemplate that in our reserves. And now as you've seen some of the inflationary pressures come back down to a more normal level, some of those years have matured and aged out. That's sort of what you're seeing.

So I -- you may or may not believe it. I literally don't have a view of whether prior year reserve development is going to be higher, lower or sideways in PI in the next several quarters, but that's the way we think about it.

Operator

And we have one more question, and that question comes from the line of Michael Phillips from Oppenheimer.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

I'm going to go back to the BI, casually, renewal price changes for a second. From another side, when you have gotten more rate today than last quarter, and then I hear your answers, Alan, about uncertainty and geopolitical risk and social and economic -- we've talked about stuff for years. I guess when you're getting more rate today than last quarter with such strong current core margins, does it mean, Alan, that your concerns on those things that you answered are more today than they were last year or the year before when you started talking about them?

Alan David Schnitzer
Chairman & CEO

Does it mean that we're more concerned about it? No, I...

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

The answer that you gave. Okay. That's the answer. That's the question. Are you more concerned today than maybe you were last year?

Alan David Schnitzer
Chairman & CEO

I wouldn't say that we're more concerned today. You can't really think about this sort of static at a point in time. We're thinking about this looking out the windshield of the future and loss trend is certainly positive, and we'd like pricing to keep up with that. But I would not say that we're more concerned today. And I do think one thing you get with Travelers is pretty early detection and reaction to changes in loss activity.

And so I don't know where it's going to go, but we feel pretty good about the actions that we've taken so far this year.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Okay. A quick one maybe for Jeff, perhaps. Any updates you can share with, I guess, loss trends in the Management Liability section?

Jeffrey Peter Klenk
Executive VP and President of Bond & Specialty Insurance

Not specific to loss trend, no. I called out in the script for you, and again, this is Jeff Klenk. We said that the earn pricing had an unfavorable impact on the underlying combined ratio. I'd point out, though, that the pricing strategy is a function of rate adequacy. The returns in the business have been excellent. Our renewal pricing reflects deliberate execution, and I feel great about the renewal retention percentage at 90%. Thanks for the question.

Operator

And that concludes our question-and-answer session. I will now turn the call back over to Abbe Goldstein for some final closing remarks.

Abbe F. Goldstein
Senior Vice President of Investor Relations

Thank you. Thank you all for joining us this morning. Appreciate the questions. And as always, if there's any follow-up, please get in touch with Investor Relations. Have a good day.

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