The Travelers Companies, Inc.

Third Quarter 2021 Results Teleconference

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator
Good morning, ladies and gentlemen. Welcome to the Third Quarter Results Teleconference for Travelers. We ask that you hold all questions until the completion of formal remarks, at which time you will be given instructions for the Question & Answer session.

As a reminder, this conference is being recorded on October 19, 2021. At this time, I would like to turn the conference over to Ms. Abbe Goldstein, Senior Vice President of Investor Relations. Ms. Goldstein, you may begin.

Abbe Goldstein
Thank you. Good morning, and welcome to Travelers' discussion of our third quarter 2021 results. We released our press release, financial supplement and webcast presentation earlier this morning. All of these materials can be found on our website at Travelers.com under the Investors section.

Speaking today will be Alan Schnitzer, Chairman and CEO; Dan Frey, Chief Financial Officer; and our three segment presidents: Greg Toczydlowski of Business Insurance; Jeff Klenk of Bond & Specialty Insurance; and Michael Klein of Personal Insurance.

They will discuss the financial results of our business and the current market environment. They will refer to the webcast presentation as they go through prepared remarks and then we will take your questions.

Before I turn the call over to Alan, I would 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 10K 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 Investor section on our website.

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

Alan Schnitzer
Thank you, Abbe. Good morning, everyone, and thank you for joining us today.

We're pleased to report strong top and bottom line results for the quarter and the first nine months of the year, including very strong underlying underwriting profitability and healthy top line growth.

Core income year-to-date of $2.2 billion is about $800 million higher year-over-year, generating core return on equity of 11.6%.

Core income for the quarter was $655 million, or $2.60 per diluted share, generating core return on equity of 10.1%, despite a high level of catastrophe losses. Our cat losses, while well below our market share, were well above the prior year quarter and the 10-year average for the quarter.

Underlying underwriting income of $632 million pre-tax was 6% higher than in the prior year quarter driven by record net earned premiums of $7.8 billion dollars and a very strong underlying combined ratio of 91.4%.

We're particularly pleased with the continued strong underlying fundamentals in our commercial businesses. The underlying combined ratio improved by almost 4 points in Business Insurance and more than 5 points in Bond & Specialty. As you'll hear in a few minutes from Michael, underlying results in Personal Insurance were impacted by Auto frequency returning to pre-pandemic levels and elevated severity in both Auto and Property due to higher costs for labor and materials. Our consolidated results demonstrate the value of having a diversified group of businesses.

Turning to investments, our high-quality investment portfolio generated net investment income of $645 million after-tax, reflecting reliable performance in our fixed income portfolio and very strong returns in our non-fixed income portfolio.

These results, together with our strong balance sheet and cash flow, enabled us to grow adjusted book value per share by 10% over the past year, after making important investments for the future and returning significant excess capital to our shareholders.

During the quarter, we returned $821 million of excess capital to shareholders, including $601 million of share repurchases.

Turning to the top line, net written premiums grew 7% to a record $8.3 billion. Each of our three segments again contributed meaningfully to the top line growth.

In Business Insurance, net written premiums grew by 5% with renewal premium change of 9.9%, up more than 200 basis points year-over-year and near our all-time high. Renewal premium change was driven by continued strong renewal rate change and higher exposure growth. Importantly, at the same time, retention was also higher. Our ability to continue to drive price change at historical highs while increasing retention, reflects excellent marketplace execution and the stability of the pricing environment.

In Bond & Specialty Insurance, net written premiums increased by 19% driven by record renewal premium change of 13.6% in our Management Liability business and continued strong retention. We are also pleased to report strong production in our Surety business.

In our commercial businesses, written pricing continues to outpace estimated loss trend, which will continue to benefit margins as it earns in. Given social and other inflation, the frequency and severity of weather-related loss activity, and the low interest rate environment, we expect the pricing environment to remain strong.

In Personal Insurance, net written premiums increased by 7%. Policies in force in both Auto and Homeowners were at record levels driven by continued strong retention and growth in new business.

Before I wrap up on results, I'd like to spend a minute discussing how our leading data and analytics and risk expertise contributed to our relatively favorable loss experience with Hurricane Ida.

As I shared in our first quarter earnings call, our share of the industry's property cat losses over the past five years have been meaningfully lower than our corresponding market share. And while there is always the potential for us to have outsized exposure to an event, it was no accident that we again outperformed in Hurricane Ida.

Our leading underwriting expertise, supported by cutting edge data and analytics, are key to an effective assessment of risk and reward.

For us, third party models are a starting point for our more advanced, proprietary cat modeling. At the portfolio level, the insights from our models warned us away from the coast where Ida made landfall, given the impediments to achieving an appropriate risk adjusted return. In the other states along Ida's path, we effectively managed risk selection, pricing and other terms and conditions by putting sophisticated data and analytics at the fingertips of our front-line underwriters. These include robust flood risk scoring, location intelligence down to the parcel level, hail dashboards and output from our risk control engineers.

Within Personal Insurance, we continue to see the benefits from our highly segmented Quantum Home 2.0 product, which is now rolled out in more than 40 states. In the Northeast, extreme rainfall from Ida resulted in significant claim activity for the industry, including from water and drainage back-up, which is a coverage we provide in our QH2.0 product. The model underneath the product leverages data and analytics to underwrite and price that coverage on a very granular basis.

In addition to underwriting, data and analytics are increasingly informing our claims handling strategies. For example, our AI Assisted Claim Damage Detection Model was a key part of our Ida claim response. This model uses AI and high-resolution aerial imagery to detect the extent of damage to individual properties as soon as a day after an event.

Within two days of impact, we were collecting and analyzing aerial imagery of customer properties along Ida's path as it moved across 20 states. This enabled us to remotely identify which of our customers' properties had sustained exterior damage and effectively organize our claim response. In some cases, we can use this technology to adjust and pay total losses before the customer has even been able to return to their home.

We also utilized other virtual capabilities in our Ida response, such as image share and live video capture, on a majority of claims with interior damage. These leading-edge capabilities enhance the claim experience for our customers by cutting significant time out of the claim process, expediting an accurate loss assessment and, in many cases, eliminating the need for physical inspection. Again with Ida, we successfully closed 90% of all Homeowners claims within 30 days. All of this also results in a more efficient outcome for our shareholders.

As strategic as the data and analytics are, maybe even more important is the culture that brings it all together. Our collaborative approach to developing a holistic, 360-degree view of risk, incorporating underwriting, claim, actuarial, risk control, legal and regulatory inputs is an important differentiating factor in effectively managing risk and reward. That culture is decades in the making and very hard to replicate.

Before I turn the call over to Dan, I'd like to welcome Jeff Klenk, President of our Bond & Specialty Insurance Segment, to the call. As I shared last quarter, Jeff is a 22-year veteran of Travelers, most recently as a member of Tom Kunkel's leadership team and head of our Management Liability business. Jeff succeeded Tom following his retirement last month. We're fortunate to have Jeff in the role, and you'll hear from him in a few minutes.

To sum it up, we're pleased with our results for the quarter and year-to-date. Our significant and hard to replicate competitive advantages position us very well to continue to deliver meaningful shareholder value over time.

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

Dan Frey
Thank you, Alan. Core income for the third quarter was $655 million, compared to $798 million in the prior year quarter. For the quarter, core return on equity was 10.1% and on a year-to-date basis, core ROE was 11.6%.

The decline in core income was driven by prior year reserve development and catastrophe losses. Recall that last year's PYD benefited by approximately $400 million of subrogation recoveries from PG&E. Those unfavorable year-over-year comparisons were partially offset by increased investment income and a higher level of underlying underwriting income.

Underlying underwriting income increased 6% to $632 million pre-tax, reflecting a higher level of earned premium in all three segments and a strong underlying combined ratio of 91.4%. Improvements in the underlying combined ratio in both Business Insurance and Bond & Specialty were offset by an increase in the underlying combined ratio in Personal Insurance. Business Insurance and Bond & Specialty results both reflected the benefit of our pricing efforts as earned price continues to exceed loss trend.

We expected a higher underlying combined ratio in Personal Insurance, given that last year's quarter benefited from unusually low Auto losses related to the pandemic. As Alan mentioned, the underlying combined ratio in PI was further impacted by higher severity in both the Auto and Homeowners products. Greg, Jeff and Michael will provide more detail on each segment's results in a few minutes.

On a consolidated basis, the underlying loss ratio for the quarter improved slightly to 62%, compared with last year's 62.2%. The expense ratio of 29.4% was in line with the prior year quarter and in line with our expectations. We've improved the expense ratio by more than 2 points from where we were five years ago, having added roughly $7 billion to our annual net written premiums over that period while maintaining a focus on productivity and efficiency, all while adding significantly to the level of strategic investment we're making to ensure our future success.

Before turning to catastrophe losses, I wanted to point out that within our underlying combined ratio, non-cat weather was higher than we would have assumed for the quarter, although lower than the unusually high levels we experienced in last year's third quarter.

Our third quarter, cat losses were $501 million pre-tax compared to $397 million a year ago. Remember that in last year's third quarter, we had a full recovery under the Property Aggregate Catastrophe XOL Treaty. In this year's third quarter, we recognized a partial recovery of $95 million from the treaty, $83 million benefiting the cat line with $43 million in Business Insurance and $39 million dollars in Personal Insurance; and $12 million benefiting our underlying results with $3 million in Business Insurance and $9 million in Personal Insurance. That leaves us with $255 million of potential recovery in the fourth quarter, depending on the level of qualifying losses we actually experience.

In terms of the level of cat losses relative to our assumptions, third quarter cats were elevated compared to what we would have assumed for a typical third quarter. Although our losses from Hurricane Ida are well below our relative market share, the sheer size of Ida, on top of the other cat losses in the quarter, resulted in overall cat losses that were higher than our assumption.

Turning to prior year reserve development, in Personal Insurance, $30 million of pre-tax net favorable PYD resulted from better-than-expected experience from recent years in the property line. In Bond & Specialty Insurance, $22 million of pre-tax net favorable PYD was driven by favorable loss experienced in the Surety product line for reason accident years. In Business Insurance, net unfavorable PYD was $108 million pre-tax. Our annual asbestos review resulted in charge of $225 million, as the level of claim activity did not decline as much as we had assumed our previous estimate. Excluding the asbestos charge, Business Insurance had net favorable prior year reserve development of $117 million, driven primarily by better-than-expected loss experience in Workers' Comp across multiple accident years.

Net investment income improved to $645 million after-tax this quarter. Our non-fixed income portfolio delivered another strong result contributing $224 million after-tax. As you can see from the detail provided on page six of the webcast presentation, our recent results in the non-fixed income portfolio have been unusually strong and I would caution you that this level of returns is not likely to continue.

Consistent with our expectations, fixed income returns were down slightly from the prior year quarter as the benefit from higher levels of invested assets was more than offset by a decline in yields. For the fourth quarter of 2021, we expect NII from the fixed income portfolio, including earnings from short-term securities, of between $425 and $435 million dollars after-tax. For 2022, we expect that figure to be between $420 and $430 million per quarter.

Turning to capital management, operating cash flow for the quarter of $2.5 billion was an all-time record, all our capital ratios were at or better than target levels and we ended the quarter with holding company liquidity of approximately $2 billion.

The market value of the bonds in our fixed income portfolio declined as U.S. Treasury yields increased and credit spreads widened during the quarter, and accordingly, our after-tax net unrealized investment gain decreased from $3.2 billion as of June 30 to $2.7 billion at September 30.

Adjusted book value per share, which excludes net unrealized investment gains and losses, was $104.77 at quarter-end, up 5% since year-end and up 10% since September 30 of last year. We returned $821 million of capital to our shareholders during the third quarter, with $220 million of dividends and $601 million in share repurchases.

Overall, a very good quarter for us, with healthy top line growth, strong and improved underlying margins in our commercial businesses, excellent cash flows and a terrifically strong balance sheet.

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

Greg Toczydlowski
Thanks, Dan.

Business Insurance had another great quarter with strong financial results and terrific execution in the marketplace. Segment income was $558 million for the quarter, up more than 50% from the prior year quarter. The improved year-over-year result was driven by higher underlying underwriting income, prior year reserve development and higher net investment income, partially offset by higher catastrophe losses.

We're once again particularly pleased with the underlying combined ratio of 90.2%, which improved by 3.8 points from the third quarter of 2020, primarily attributable to three things. First, about 2 points of the improvement resulted from earned pricing that continued to exceed loss cost trends. The other nearly 2 points resulted from a combination of a favorable impact associated with the pandemic and a lower level of property losses.

Turning to the top line, net written premiums were up 5%, benefiting from strong renewal rate and exposure levels as well as high retentions. As for domestic production, renewal premium change was once again historically high at 9.9%, while retention increased to an exceptional 85%.

The 9.9% renewal premium change was up more than 2 points from the third quarter of last year with strong renewal rate change of 6.3% and continued improvement in our customers' exposure growth. In addition to our granular price execution, we're also focused on careful management of deductibles, attachment points, limits, sub-limits and exclusions, which can also contribute to an increase in the price per unit of risk. New business was down from the prior year quarter, as we continue to be thoughtful about balancing risk and reward for new business in the marketplace.

As for the individual businesses:

In Select, renewal premium change was a strong 9.7%, while retention improved from recent periods to 82%. Underneath RPC, renewal rate change was 4.1%, up well over a point from the third quarter of 2020. We're also encouraged with the improving exposure, which was up about 3 points as the economy continues to re-open. New business was up a bit from the prior year, driven by the continued success of our new BOP 2.0 product, which is now live in 39 states.

In Middle Market, renewal premium change of 9.5% and retention of 88% were both historically high. Renewal rate change of 6.2% remained strong. As always, we remain disciplined around risk selection and underwriting.

To sum up, Business Insurance had another terrific quarter. We're pleased with our execution in further improving the underlying margins in the book and we continue to invest in the business for long-term profitable growth.

With that, I'll turn the call over to our new partner in the room, Jeff Klenk.

Jeff Klenk
Thanks, Greg, and thank you, Alan, for that welcome. I'm very pleased to be here.

We've built an industry-leading Surety and Management Liability franchise, and we look forward to continuing to perform, innovate and transform to profitably grow these businesses into the future.

Turning to the results, Bond & Specialty delivered excellent returns and growth in the quarter. Segment income was $174 billion, up about 50% compared to the prior year quarter, driven by the impact of higher net earned premium, a significantly improved underlying underwriting margin and favorable prior year reserve development.

The underlying combined ratio of 83.4% improved by 5.5 points from the prior year quarter, reflecting lower pandemic-related loss activity, earned pricing that exceeded loss cost trends and a lower expense ratio.

Turning to the top line, net written premiums grew an exceptional 19% in the quarter with strong contributions from all our businesses.

In Domestic Management Liability, renewal premium change was a record 13.6% driven by record renewal rate change. Retention remained strong at 86%, consistent with recent quarters but down a few points year-over-year, as we continue to non-renew Cyber policies for accounts that don't meet our updated minimum requirements for cyber hygiene. Notably, research indicates that implementing affordable cyber risk mitigation controls, such as multi-factor authentication, could prevent the vast majority of ransomware attacks.

Domestic Surety also posted strong growth relative to the pandemic impacted prior year quarter. In addition, our international businesses again posted excellent growth, including strong Management Liability retention and rate.

So, both top and bottom line results for Bond & Specialty were terrific this quarter, demonstrating our thoughtful approach and strong execution across our businesses.

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

Michael Klein
Thanks, Jeff, and welcome. Good morning, everyone.

In Personal Insurance, bottom line results were impacted by weather, a return to pre-pandemic claim frequency in Auto and higher loss severity impacting both Auto and Home results.

Segment income declined by $394 million from the prior year quarter. $262 million of that decline is attributable to lower favorable prior year reserve development as the prior year quarter benefited from the PG&E settlement Dan referenced.

The remaining unfavorable variance was primarily driven by lower underlying underwriting results. Our underlying combined ratio increased by 6.5 points to 95.2%.

We were pleased to see our top line momentum continue in the quarter with net written premiums up 7%.

Automobile underwriting results reflected higher loss levels for the quarter. The combined ratio was 100% and included 3.4 points of catastrophe losses, mostly from Hurricane Ida. The underlying combined ratio was 97%, up approximately 15 points from a prior year quarter which reflected unusually low loss activity due to the pandemic.

The underlying combined ratio increased mainly due to claim frequency effectively returning to pre-pandemic levels, in line with the trend we referenced in our prior quarter call. To a lesser degree, higher loss severity impacted the combined ratio as well, as vehicle replacement and repair costs remained at elevated levels.

We believe these profitability challenges are environmental, and in response, we are executing on our plans to file rate increases in about 40 states over the next three quarters. As we indicated last quarter, it will take time for future rate actions to earn into results, but we do expect to have higher rates in market in several states by year-end.

In Homeowners and Other, the third quarter combined ratio increased by 16 points from the prior year quarter to 109.3%, driven by a 24 point reduction in net favorable prior year reserve development primarily related to the PG&E recovery from last year. The combined ratio included 17.6 points of catastrophe losses, mostly from Hurricane Ida. Homeowners catastrophe losses were 4.7 points below a very active prior year quarter.

The underlying combined ratio was 93.3%, an improvement of 3.5 points over the prior year quarter, which experienced a very high level of loss activity. That said, the underlying combined ratio was above our expectations, reflecting elevated non-catastrophe weather and non-weather loss activity, both of which included higher severity related to a combination of labor and material price increases. Again, we believe these trends are environmental and we continue to seek price increases in response.

Before I shift to discussing production, I'll remind you that looking ahead to the fourth quarter, there tends to be a good amount of seasonality in our combined ratio results by line of business, with fourth quarter Auto losses typically higher and fourth quarter Homeowners losses typically lower than their annual average levels.

Turning to production, we were very pleased to deliver another strong quarter in both Auto and Home.

Automobile policies in force grew 5% to a record level, driven by strong retention at 85% and continued growth in new business, which increased by 8%. Renewal premium change was essentially flat, reflecting the continued impact of the rate [decreases] we filed in response to the pandemic.

Domestic Homeowners and Other delivered another excellent quarter with policies in force up 7%, also to a record level, driven by retention of 85% and new business growth of 5%. Renewal premium change increased to 8.8%.

In the quarter, we continued to deliver solutions that meet customers where they are, give them what they need and serve them how they want. A couple of highlights from the quarter include:

- Our new digital self-inspection process for property customers, which improves their onboarding experience and provides valuable information to our underwriters; and,
- IntelliDrive, our proprietary Auto telematics offering, which now has distracted driving as a rating variable in 40 U.S. markets and Ontario, Canada, providing valuable feedback to drivers and continuing to advance our sophisticated pricing segmentation in Automobile.

We will continue to invest in new capabilities like these for our customers and distribution partners.

Despite a challenging third quarter on the bottom line, we remain pleased with our overall performance and we are well positioned to profitably grow our business over time.

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

Abbe Goldstein
Thanks, Michael. We're happy to turn to your questions.

QUESTION AND ANSWER

Operator
To ask a question, you will need to press "*" "1" on your telephone. To withdraw your question, press the "#" key. Please stand by will we compile the Q&A roster.

Your first question comes from the line of Michael Phillips with Morgan Stanley.

Michael Phillips
Thank you. Good morning, everybody. The first question, Alan, might be about your opening comments on BI. You listed a number of reasons why pricing environments should remain strong. Maybe help us define or think about what you mean by strong and how we can think about maybe margins for BI into next year or the back half of the next year. We have pricing now close to where loss trends are, so just help us think about those reasons why prices remain strong. Should we expect this pricing to start to converge with where loss trends are, which obviously could have some impact on margins into 2022? Just comments on what you meant by strong there.

Alan Schnitzer
Good morning. Thanks for the question. You're very narrowly, I think, focusing on rate versus loss trend and by the way, there's still a margin there. Even if you look at pure rate over some long historical period, the rate we continue to get is actually a pretty good number, but if you look at the overall pricing number at 9.9% that's practically an all-time high and there's a lot of margin in that exposure. So, we continue to see a nice spread between written price and loss trend. I do think that's the right way to think about it.

Nonetheless, we know what our product returns are, we know what the headwinds are, we know what our objectives are in terms of our returns and we know what we need to do, so I think that you know, from here, pricing will continue to be strong. Now, we've also been getting pretty good pricing for some time now and it's been compounding for a while and so you've got different lines in different places, some need more help than others.

So, from here, the rate of increase is going to be impacted by that. So, some lines, the rate of increase will be higher, some will go sideways, some there will still be an increase, but the rate of increase may go down. Overall, we continue to expect pricing to remain strong. I'm not sure we're going to put much more dimension around it other than that, but hopefully that gives you some color that's helpful.

Michael Phillips
It does. Thank you, Alan. I appreciate that. Second question for you or Michael, maybe, on Personal Auto. And Michael, I appreciate your comments on it was more of a frequency back to pre-pandemic levels, to a lesser degree, the environmental issues with loss severity. So do you think the loss severity side on Auto has peaked? Will it get worse from here, do you think, and how long lasting will that be?

I ask that because I wonder if it's, to a lesser degree, the 97% core, it's not that much higher than where you were pre pandemic 96%, 95%, in that range. I ask those questions because I wonder how much rate you think you need in Personal Auto if those things have already peaked? I'm not sure if they have or how long they might last and your comment was there to a lesser degree, anyway. So, any comments would be appreciated.

Michael Klein
It's Michael here. I would say a couple of things about that. So, to dimensionalize that a little bit more for you, the Auto underlying combined was up 15 points in the quarter. We'd say, three quarters of that was loss experience returning to pre-pandemic levels, and about a remaining quarter of that is the trends in increased costs to repair and replace that we talked about last quarter that essentially continued into the quarter.

In terms of how long it's going to last, I can point you to a little bit of external data that might help there. There's certainly pressure on the system, right? A lot of the costs relate to total losses and replacement cost values for total vehicles, which tracks pretty closely with used car prices. Inside the quarter, we were actually encouraged by the July and August data from places like the Moody's used car price index that looked like the peak had happened in May and June and was starting to decline in the first part of the quarter.

Now, that data ticked back up again in September, and I think it's tick back up reflects the pressure on the system. You had Ida occur in the quarter, estimates are that over 200,000 vehicles were destroyed in that event. At the same time, you have vehicle inventories in the U.S. at historic lows. And so, I think we're going to see continued pressure on the cost of repair and replace related to supply chain, related to labor and related to used car parts and prices. But again, that was about a quarter of the 15 points, and we will factor that into our underwriting pricing decisions as we move forward.

Alan Schnitzer
And I would just add to that, the good news is this is impacting short tail lines where we can see it very quickly and react to it and the reserves are, obviously, significantly less leveraged given the duration of those liabilities.

Michael Phillips
Okay, thank you guys. Appreciate it.

Operator
Your next question comes from the line of Mike Zaremski with Wolfe Research.

Mike Zaremski
Good morning. Maybe moving to focusing on the Business segment, in Greg's commentary, he parsed apart the year-over-year improvement in the underlying loss ratio and it was noted that 2 points came from a favorable impact FROM the pandemic. Maybe you could give us more details on that and I believe that's a more favorable impact versus what you've laid out in previous quarters.

Dan Frey
It's Dan Frey. So just to clarify Greg's comments, of about a 4 point improvement, you had about 2 points come from earned price versus trend and then, 2 points come from the combination of favorable impact of the pandemic and some favorability in non-cat property losses.

You're right in terms of the impact on Business Insurance from the pandemic. Last year in the third quarter, we gave you that the favorable impact was about a half a point and that was the net of direct charges that we took related to COVID, think things like Workers' Comp charges for COVID-19, somebody contracts the disease, and that was more than offset by indirect impacts, think things like lower frequency on Commercial Auto. This year, you've got a larger net impact, but it's really the impact of the absence of those direct charges, we're not seeing that anywhere near the same level we saw a year ago. But the 2 points you're talking about was not just attributable to COVID, it was attributable to the combination of COVID and non-cat property experience.

Mike Zaremski
If you parse through all the loss cost commentary between commercial lines and personal lines, I know there's a lot of moving parts, but would you say on a 100,000-foot view that Travelers has an updated view of loss trend?

Dan Frey
So, a little different between the two. In Business Insurance, you got a lot of moving parts, including mix of business, but we haven't seen a meaningful change in our view of long-term normalized trend. In Personal Insurance, given Michael's comments, we've taken a slightly increased view of what we say is our view of long-term normalized trend.

Mike Zaremski
Thank you.

Operator
Your next question is from Elyse Greenspan with Wells Fargo.

Elyse Greenspan
Hi. Thanks. My first question is on Personal Auto. You are talking about trying to take some price, I believe you said over the next few quarters. Are you concerned as you look for greater price that there could be some pushback from regulators? Obviously, loss trend has spiked as of late, but it seems like they're also looking at 2020, which was an extremely profitable year for the industry. So how do we think about regulators and just the level of price you're looking to take within your Personal Auto book?

Michael Klein
Sure, Elyse. It's Michael. Thanks for the question and before I address the question, I think I may have misspoken in the script. I think I said that Auto RPC was impacted by the rate increases we filed in response to the pandemic. Obviously, we didn't file rate increases in response to the pandemic. Those were rate decreases, which, by the way, I think is relevant to your question.

So, as we are in the conversations with regulators, which are active and ongoing as we speak, we're in conversations with them about that loss history. We're also in conversations with them about the actions we took in response, which included rate decreases in a variety of jurisdictions, which included premium refunds to customers in a variety of jurisdictions. And so, we're having conversations with them around how we align pricing with loss costs over time and engage in discussions with them about how to view the 2020 loss experience in that context.

If I take a step back and think about the process a little bit more broadly, what we would say about the process of getting rates is that it is an ongoing dialogue between us and the regulators. It's about an exchange of information to justify the pricing that you think you need on a going forward basis. And generally speaking, what we have found is we've been able to get to a point where we can align price with loss costs over time.

You'll have some challenging conversations in some jurisdictions and maybe less challenging conversations in others. To put a little bit of a point on the 40 jurisdictions, we do expect some of those increases to become effective in Q4 and actually a couple of them literally this month. So, we're on the way to getting those increases filed and approved. And then, as we've talked about, it'll take time for them to get written and then earned into the book of business, but we're making progress.

Elyse Greenspan
Thanks. My second question goes back to the prior question as well. You guys have been within BI at around that 5% overall loss trend for, I think, 6 quarters now. Obviously, it sounds like things have been slow to get back to normal with the pandemic, but as courts have started to reopen is there anything you guys are paying attention to on the inflation side as we think about loss trend as well as expectations as we go into 2022?

Dan Frey
Yeah, Elyse, as you'd imagine, we're looking at all the data that comes in every quarter, and there are some things that are moving up and there are some other things that are moving down. It varies by line. We've got still some frequency benefit in the Commercial Auto space. There's some severity in certain elements, but those are things that were more levered to in Michael's business than we are in Greg's business in terms of the relative mix of loss cost. So, we've got our finger on the pulse of all those things and our aggregate conclusion is there's not much of a change there.

Alan Schnitzer
Hey, Elyse, I'd added that there was nothing unusual about this quarter relative to any other quarter. We're always looking at frequency and severity in every line, and occasionally there's something move here and there. But again, this is a view of long-term trend and so nothing really unusual in the quarter.

Elyse Greenspan
Thank you.

Operator
Your next question comes from the line of Ryan Tunis with Autonomous Research.

Ryan Tunis
Hey, thanks. Good morning. I just had a couple for Michael. The first one is, thinking about your Auto book, is being largely preferred. In your mind, what are some of the advantages and disadvantages of having a preferred book versus a less preferred book when we think about the loss trend environment post-pandemic?

Michael Klein
Yeah, good question, Ryan. I think there's a couple of things there. We generally, I would say, are going to be impacted by commuting patterns that are more related to office jobs when you think about the general profile of a preferred book. I think the other dynamic you see in a preferred book, though, is newer vehicles with more technology and so, when you think about some of the cost pressures on repair and replacement costs, that's going to put upward pressure there.

I would say that, while we saw, I think, some differences over the past 12 to 18 months that you could sort of point to in different parts of the country, different books of business, in terms of how the pandemic impacted different segments differently, as we sit here today, the economy is broadly recovering, the country's broadly recovering. So, you don't see quite as many differences, I don't think, geographically or by segments that are driving differences in loss experience across the major segments of the industry.

The other thing that's true of our book of business is it's heavily rounded. And so, while we talk a lot about the individual lines of business, we certainly look at customers and the total portfolio as we look to manage it.

Ryan Tunis
Got it and my follow up is, hearing you say that frequencies back at pre-pandemic levels, I'd always thought about pre-pandemic as being a ceiling for frequency, where it would return to. Is that how you're thinking about it or, based on what you're seeing, do you actually think frequency can run above pre-pandemic levels?

Michael Klein
Yes. It's a great question, Ryan. I would say underneath frequency, we look at driving activity, we look at trips, we look at mix of activity. And a lot of the patterns that we've talked about in the past, we continue to see. So, on the one hand, we continue to see whether we look at our own IntelliDrive data, whether we look at Google mobility data, again, fewer commute trips.

On the other hand, we actually see elevated shopping trips and recreational trips. And so, the mix of miles has changed, but mileage broadly when you look at Department of Transportation data, again, our IntelliDrive data, MS2 sensor data is back to pre-pandemic levels, as is frequency. So again, the mix looks a little bit different, but miles driven, trips broadly are back sort of close to where they had been. And so, as we talked about a little bit earlier, we see the frequency return in line with the trends we outlined last quarter coming into this quarter.

Ryan Tunis
Thank you.

Operator
Your next question, comes from the line of Jimmy Bhullar with JP Morgan.

Jimmy Bhullar
Hi, good morning. I had a couple of questions both on the commercial side. First, can you talk about what you're seeing in terms of pricing in some of your main lines, specifically, Commercial Auto and then Workers Comp? Have you seen a bottoming there, or is it still soft?

Greg Toczydlowski
Good morning. This is Greg. We continue to see Workers Comp below the water level and so, we had a slight negative with Workers Comp. Other than that, we continue to be led with Excess Casualty in Umbrella, Automobile and Property. That gives you just a little bit of color in terms of the range of rate activity from the most positive to least.

Jimmy Bhullar
And then, how do you think about inflation affecting loss costs in commercial lines? I think Alan had mentioned it last year loss costs are fairly stable, but have you seen inflation begin to have an impact, or do you not think that's a factor on the commercial side?

Alan Schnitzer
Jimmy, we certainly see it, but you've got to start with what are we seeing relative to our expectations, because we certainly expected some level of inflation. Also, on the commercial side, say relative to Personal Insurance, you got to think about the impact on a mix adjusted basis. So, you've got the Casualty and the Property in there. You don't see this cost of goods sold type of inflation so much on the casualty side.

And while we did see a little of it on the commercial side, there was an offsetting frequency benefit, as you heard both Greg and Dan talk about. So, it's not that we don't see it. It's not that we're not aware of it, but we expected some and it just doesn't have the same overall impact on that segment.

Jimmy Bhullar
If I could just ask one more, on Personal Auto, I think you were talking about thinking about raising prices on the call last quarter as well. It doesn't seem like any of that was in your results this quarter. Have you already started implementing price hikes, or is more of the benefit going to flow through in 2022, just given the timing of getting permission and then implementing those?

Michael Klein
Sure, Jimmy. It's Michael. I think, first of all, we would not have expected any rate increases to take effect this quarter. As we talked about it last quarter, we were beginning the process of seeking rate, which means we've got to put together the filing package, we've got to file that with the state, we've got to negotiate with state, we've got to get it approved, we've got to agree upon an effective date, which is always in the future from the date you get the approval, so there's a fairly long tail on the front end of any rate filing process up or down. And so, we really wouldn't have expected any of those increases to take effect in the third quarter.

As I mentioned, we've got 40 planned over the course of the next three quarters and a couple, two or three, will likely take effect this month. Several, call it another handful, will take effect probably before year-end, again, all subject to getting approvals from the states that we are working towards those effective dates with and then, the remainder will be in the first or second quarter of next year.

The few that we have likely to take effect in the back half of this year will represent 25%, 30% of the written premium volume we have across the country. So, it's a relatively small number, but it should be impactful on a written basis. But again, I'll just caution you, it takes time for that to earn into the book, but we've started and we are making progress.

Jimmy Bhullar
Okay, thank you.

Operator
Your next question comes from the line of a Paul Newsome with Piper Sandler.

Paul Newsome
Good morning. Thanks for the call, everyone. I wanted to ask about social inflation and how we should think about the mechanism of regular CPI inflation creeping into the social inflation side of it. Is it something where we should expect some sort of lag there as courts assess the damages overtime?

Alan Schnitzer
Hey, Paul. Good morning. I don't think it's entirely unrelated or uncorrelated, but I think it's less leveraged. I think of social inflation as being driven more by things like aggressive tactics by the plaintiffs' bar, advertising and litigation finance, things like that. Now, of course, the whole debate on damages, in any case, starts with the underlying compensable damages and to the extent there's inflation in that, maybe the starting point goes up a little bit. So, it's not completely uncorrelated, but also not so leveraged.

Paul Newsome
Great and then, my second question related to Auto, there it seems to be efforts in the industry to effectively replace credit scoring with telematics and not just using together. What do you think of those efforts, and is that something that Travelers has a particular view on?

Michael Klein
Sure, Paul, it's Michael. Certainly, there are conversations that link the two. I'd start by separating the two, right? There are certainly conversations with state regulators and a handful, I would say, that are talking about and/or actively pursuing the removal of credit scoring as a variable in pricing Auto insurance. The two most notable are Washington and Colorado.

Colorado has a bill that was approved by the state legislature, that's in the rule-making process, around removing credit score in that state[1].

[1] Post-call clarification: Colorado passed a bill that requires insurers to demonstrate that their use of third-party data, algorithms and predictive models does not result in unfair discrimination, but the bill does not explicitly prohibit the use of credit scoring.

In the state of Washington, again, pretty widely followed, but Commissioner Kreidler issued an emergency rule to ban the use of credit scoring in Auto insurance. That emergency rule was actually just overturned by a judge in Washington earlier this month. And the overturn by the judge is now being challenged by the commissioner. So there's a back and forth in Washington. Those are probably the two most widely viewed views on credit scoring.

As respects credit scoring and telematics, what we would say is, first of all, credit is a powerful variable in pricing Auto insurance. It's very predictive of claim experience and if you remove it, then you have subsidization in your rate plan between higher-risk drivers and lower-risk drivers. And in fact, in the context of a telematics program, the credit score and the telematics data are powerful together.

If you're in a situation where you don't have credit and can't use credit, telematics is very valuable, probably becomes increasingly valuable and in that kind of a world, we're encouraged by the capability we've got, the tools we have, the success of our IntelliDrive program and the power that it has in segmenting loss experiencing and helping us segment pricing.

Paul Newsome
It sounds like you're agnostic to the use in general.

Alan Schnitzer
Paul, I wouldn't say we're necessarily agnostic. I think as Michael pointed out, it is highly predictive and, so we support and promote risk-based pricing. But you end up with some subsidization and so it is what it is. The fact is, we compete without it in places like California just fine and we'll continue to compete without it and in that world, having the data and scale to invest in other rating methodologies is important, and we think we have that. I think either way will be just fine.

Paul Newsome
Thanks, folks. Appreciate the help.

Alan Schnitzer
Thanks, Paul.

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

Josh Shanker
Thank you for taking my question. More Personal Auto, it looks like that used car severity peaked in May and then again in September, and vehicle traffic levels seemed to get back to normal by about May. Yet, the 3Q loss ratio in Personal Auto was materially higher than the 2Q loss ratio. Is there any intra-year development in that? What's the difference between the 2Q and 3Q loss experience you guys had?

Michael Klein
Josh, I would say the difference is precisely what you just described. You talked about driving levels in May, which is partway through Q2, you talked about severity in May, which is partway through Q2. And so, as we talk about, in the second quarter, we saw a frequency trending towards the pre-pandemic levels throughout the quarter, which means it was below at the beginning of the quarter. And similarly, some of the severity impacts we've been describing really started to impact the results in the back half of Q2 and into Q3. That's really, I think, what's going on there and there's no intra-period or intra-year adjustment to talk about.

Dan Frey
Josh, it's not a catch-up. Our second quarter loss rate looks pretty consistent with what we had coming out of the second quarter. It's really the difference of a full quarter of the higher frequency and severity Q3 versus Q2.

Josh Shanker
Great, thank you and your growth looks fairly strong. I think we can all agree that the price is underpriced right now. Can you talk about growing your book at a period of time when the price is below rate adequate levels?

Michael Klein
Sure Josh. Michael again. As we've talked about pretty consistently, our goal is to profitably grow the portfolio over time. We remain confident in our ability to do so. And again, as we've talked about, really, the profit pressure at the moment really is timing. And it's a mismatch between our ability to get rate filed and approved and earned relative to the loss experience we're seeing at this point in time.

But we expect that's going to align with loss costs over time. And we've seen movies like this before, right, where we've written business, we've grown the business, we've improved the profit on that business we wrote over time/ And so, that's the path we're headed down. As we do start to put more price in the market, could that impact growth on a go-forward basis? Certainly could, but again, we're comfortable with our ability to profitably grow the Auto book over time.

Alan Schnitzer
I was just going to say, just to put a finer point on that, we had this experience a few years ago in personal lines and we ended up with a larger book of very profitable business, and we would expect this to play out in exactly the same way. So very pleased with the volume we are putting on.

Josh Shanker
I'll leave it at that, then. Thank you.

Alan Schnitzer
Thank you.

Operator
Your next question is from the line of David Motemaden with Evercore ISI.

David Motemaden
Hi, thanks. Good morning. I had just a quick question on the HoldCo cash balance. It fell versus last quarter, but still well above your target. I think it was $800 million. Is that still just a function of the debt that you raised last quarter? You just haven't put that down into the operating companies for growth? Or is that excess capital at the HoldCo that we can think about to be used for M&A or share repurchases or other uses?

Dan Frey
I'm not too terribly worried about cash at the HoldCo at any quarters and we're really looking at overall capital position and still feeling very strong about that. I think you see that in the capital actions that we took this quarter. The decline from where we were, we also because of the strength of the position that we started with, didn't need to bring up as much from the underlying companies. We're not signaling anything there with a variability in the holding company liquidity. We're really just trying to make sure that we've got what we need to cover and if we've got a little more than that at any point in time, that's fine.

David Motemaden
Got it. Okay, thanks and then, a question just for Greg. I was a little surprised that the Workers Comp net premium written is still down year-over-year. I know you said that the rate is still slightly negative. Could you maybe talk about some of the other drivers of the decrease? I would think that there is some sort of wage inflation in there and the exposure base, I would think is up versus last year, but maybe just talk about the puts and takes there and when you think we should start to see some growth in Workers Comp net premium written.

Greg Toczydlowski
Let me give you a bit of color on what's underneath the quarter of number. Clearly, as I said earlier, we still have a slight negative in rates. So that's going to have a large weight in the overall net written premium. We had strong retention. Overall if there's an area that brought the number down was on a new business basis. When we look into the marketplace, and particularly larger accounts for this quarter where we saw the clearing price relative to our price to risk to make sure that we're getting an adequate value over the long-term, we didn't hit on some larger deals. So really, it's a function of disciplined underwriting. So, the combination of all those drove that minus three.

David Motemaden
Got it. Thank you.

Operator
Your next question is from the line of Brian Meredith with UBS.

Brian Meredith
Yeah. Thank you very much. Just quickly on Workers Comp, are we getting to a point where maybe we start to see underlying loss ratio start to re-stabilize or improve here given rate versus trend, or are we still ways away from that happening?

Alan Schnitzer
The loss trend has been pretty benign in Workers' Comp, but it hasn't been negative. It's been positive, and the rate, the overall pricing, has been closer to zero, so below that. If you look at a calendar-year basis, all else being equal you'd expect some compression. Of course, we've had a lot of prior year development so if you look back in accident years, we're more profitable than we would have predicted at the time.

And we would have predicted some quarters ago that we would have hit a bottom and made a turn. But again, we've had pretty good results in that line throughout the pandemic. And so, I think the outlook is probably going to continue to bounce around, call it zero-ish for a little bit longer before it makes a turn. But it will, it'll bounce around, but it will make a turn and go north from there.

Brian Meredith
Great, and then, just quickly, I know you talked a little bit about Cyber and all that's going on there with respect to tightening terms and conditions and rate, etc. I think you said that you're declining Cyber right now? I would've thought this would be a really good time to step on the accelerator a little bit and drive some more growth in Cyber. Could you maybe give us a little bit more perspective on what's going on there?

Alan Schnitzer
Jeff, you want to take that?

Jeff Klenk
Thanks for the question, Brian. Cyber flow remained strong and consistent with broader demand in the marketplace, including first-time buyers. Like I mentioned earlier, in this elevated risk environment, our quote hit ratios are understandably down given those dynamics. We've tightened underwriting requirements like multi-factor authentication, like I mentioned. We're also aggressively pursuing needed rate on both new and renewal. So that's the dynamic that's still out there in the market in our results.

Brian Meredith
Got you. So, you're just pushing harder than the rest of the market. Is that what it is or are people just not buying as much?

Jeff Klenk
I think it's just a combination of, we're pushing consistent with our strategies and others are executing on their strategies, but it's pretty well known how the Cyber dynamic has been in the marketplace.

Alan Schnitzer
Brian, I would also add two things. One, we've been very, very disciplined about enforcing minimum Cyber hygiene, and I don't know that other markets are necessarily as disciplined about. So, when that business leaves us, it's presumably going somewhere and given the profitability challenges in that line, we're just fine with that.

Brian Meredith
Great. Thank you.

Operator
Your next question comes from the line of Meyer Shields with KBW.

Meyer Shields
Thanks, Michael, can you update us on severity trends in Personal Auto liability? We've talked a lot about the physical damage side, I just wanted to get a sense of what's going on liability side.

Michael Klein
Sure, Meyer. I would say we talk a lot about property damage and liability because that's the place where it's really elevated, relative to our expectations. I think on the personal line side, there certainly is a loss trend in bodily injury liability, but it's much closer to what we would have expected.

Meyer Shields
Okay, perfect. I just was hoping I could parse out those 2 points that Greg had talked about between the weather-related losses and the COVID impact.

Dan Frey
At the risk of getting too granular, we'd rather not parse that out. You could think of them as being fairly equal in terms of their contribution.

Meyer Shields
Okay. Thank you.

Operator
And we have time for just one more question and we'll take that question from Tracy Benguigui with Barclays.

Tracy Benguigui
Just really quickly on the commentary of the net favorable impact to COVID on Business Insurance. I'm looking at your 10Q and it looks like Travelers benefited from reduced claims settlement activities largely due to the disruption in the judicial system related to COVID-19. How much of that thought process played into your underlying BI combined ratio improvement this quarter? And could you contextualize how that may change going forward?

Dan Frey
Hey Tracy, it's Dan. So really what you're seeing in the current quarter is the impact on Commercial Auto and that's a frequency event. I think what we'd expect there over time is we get to a full post-pandemic recovery. If things go back to the way that they were pre-pandemic, I don't think we'd expect that frequency benefit to persist.

I think the language, we could take it offline, but I think the language you're reading out of the Q is more specific to the cash flows related to the operations in the quarter and that would be lower claim payments. If you look at paid-to-incurred on a year-to-date basis, it's almost identical to where paid-to-incurred was on a year-to-date basis for the first nine months of last year, when we were talking about the fact that courts were closed and it was taking a long time to get settlements out the door.

Tracy Benguigui
That's helpful. Also, Greg mentioned that you've focused on your deductibles, attachment points, sub-limits and exclusions, and that's also really important, rather than just looking at a blunt rate direction discussion. Could you just let me know your view of loss trend or rate adequacy that's driving those underwriting decisions and which business lines, those actions are the most evident?

Alan Schnitzer
Tracy, I'm not exactly sure what you're trying to get at with that. I think the point we were trying to make is, we are always very disciplined underwriters, starting with risk selection and then evaluating the terms of every single deal that we underwrite, paying attention to all the levers that contribute to price per unit of risk. And so, I think that's the point we were trying to make.

That's important. It's not overpowering to the results in any quarter, but those things compound over time. And to the extent that we are making those types of changes on an individual risk, it will improve the price per unit of risks that's not apparent in the production statistics. Also, that tends to unwind more slowly than say, rate unwinds over time, but I don't think we meant to make more of it than that.

Tracy Benguigui
Okay, so, it sounds like just normal course of the business. I appreciate you taking my questions.

Alan Schnitzer
Thanks, Tracy.

CONCLUSION

Operator
And at this time, I will turn the call back over to Ms. Goldstein for any closing remarks.

Abbe Goldstein
Thanks, everyone, for joining us today. We appreciate your time and as always, if there's any follow-up, feel free to reach out directly to Investor Relations. Have a good day.

Operator
This concludes this conference call. Thank you for participating. You may now disconnect.

Forward-Looking Statements and Non-GAAP Financial Measures

This transcript contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as "may," "will," "should," "likely," "anticipates," "expects," "intends," "plans," "projects," "believes," "views," "estimates" and similar expressions are used to identify these forward-looking statements. These statements include, among other things, the Company's statements about:

•the Company's outlook, the impact of trends on its business and its future results of operations and financial condition;
•the impact of COVID-19 and related economic conditions;
•the impact of legislative or regulatory actions or court decisions taken in response to COVID-19 or otherwise;
•share repurchase plans;
•the sufficiency of the Company's asbestos and other reserves;
•the impact of emerging claims issues as well as other insurance and non-insurance litigation;
•catastrophe losses;
•the impact of investment, economic and underwriting market conditions, including inflation;
•strategic and operational initiatives to improve profitability and competitiveness;
•the Company's competitive advantages and innovation agenda;
•new product offerings; and
•the impact of developments in the tort environment.

We caution investors that such statements are subject to risks and uncertainties, many of which are difficult to predict and generally beyond the company's control, that could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements.

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Some of the factors that could cause actual results to differ include, but are not limited to, the following:

Insurance-Related Risks

•high levels of catastrophe losses;
•actual claims may exceed the Company's claims and claim adjustment expense reserves, or the estimated level of claims and claim adjustment expense reserves may increase, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments;
•the Company's potential exposure to asbestos and environmental claims and related litigation;
•the Company is exposed to, and may face adverse developments involving, mass tort claims; and
•the effects of emerging claim and coverage issues on the Company's business are uncertain, and court decisions or legislative changes that take place after the Company issues its policies can result in an unexpected increase in the number of claims.

Financial, Economic and Credit Risks

•a period of financial market disruption or an economic downturn;
•the Company's investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses;
•the Company is exposed to credit risk related to reinsurance and structured settlements, and reinsurance coverage may not be available to the Company;
•the Company is exposed to credit risk in certain of its insurance operations and with respect to certain guarantee or indemnification arrangements that it has with third parties;
•a downgrade in the Company's claims-paying and financial strength ratings; and
•the Company's insurance subsidiaries may be unable to pay dividends to the Company's holding company in sufficient amounts.

Business and Operational Risks

•the impact of COVID-19 and related risks, including with respect to revenues, claims and claim adjustment expenses, general and administrative expenses, investments, inflation, adverse legislative and/or regulatory action, operational disruptions and heightened cyber security risks and foreign currency exchange rate changes;
•the intense competition that the Company faces, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates;
•disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape;
•the Company's efforts to develop new products, expand in targeted markets, improve business processes and workflows or make acquisitions may not be successful and may create enhanced risks;
•the Company's pricing and capital models may provide materially different indications than actual results;
•loss of or significant restrictions on the use of particular types of underwriting criteria, such as credit scoring, or other data or methodologies, in the pricing and underwriting of the Company's products; and
•the Company is subject to additional risks associated with its business outside the United States.

Technology and Intellectual Property Risks

•as a result of cyber attacks or otherwise, the Company may experience difficulties with technology, data and network security or outsourcing relationships;
•the Company's dependence on effective information technology systems and on continuing to develop and implement improvements in technology; and
•the Company may be unable to protect and enforce its own intellectual property or may be subject to claims for infringing the intellectual property of others.

Regulatory and Compliance Risks

•changes in regulation, including higher tax rates; and
•the Company's compliance controls may not be effective.

In addition, the Company's share repurchase plans depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels commensurate with the Company's desired ratings from independent rating agencies, changes in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions, changes in tax law and other factors, including the ongoing level of uncertainty related to COVID-19.

Our forward-looking statements speak only as of the date of this presentation or as of the date they are made, and we undertake no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on October 19, 2021 and in our most recent annual report on Form 10-K filed with the SEC on February 11, 2021, in each case as updated by our periodic filings with the SEC.

In this transcript, we may refer to some non-GAAP financial measures. For a reconciliation of these measures to the most comparable GAAP measures and a glossary of financial measures, we refer you to the press release and financial supplement that we have made available in connection with this transcript as well as our most recent periodic filings with the SEC. See the "For Investors" section at Travelers.com.