UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission file number: 001-10898

The Travelers Companies, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0518860**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

485 Lexington Avenue
New York, NY 10017
(Address of principal executive offices) (Zip Code)
(917) 778-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, without par value	TRV	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of the Registrant's Common Stock, without par value, outstanding at October 13, 2023 was 228,399,446.

The Travelers Companies, Inc.

Quarterly Report on Form 10-Q

For Quarterly Period Ended September 30, 2023

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PART 1 — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (Unaudited)
(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenues				
Premiums	**$ 9,718**	$ 8,615	**$ 27,788**	$ 24,946
Net investment income	**769**	593	**2,144**	1,937
Fee income	**112**	104	**324**	307
Net realized investment losses	**(65)**	(93)	**(94)**	(211)
Other revenues	**101**	84	**275**	269
Total revenues	**10,635**	9,303	**30,437**	27,248
Claims and expenses				
Claims and claim adjustment expenses	**7,149**	6,088	**20,335**	16,930
Amortization of deferred acquisition costs	**1,604**	1,406	**4,585**	4,081
General and administrative expenses	**1,312**	1,193	**3,887**	3,607
Interest expense	**98**	88	**278**	263
Total claims and expenses	**10,163**	8,775	**29,085**	24,881
Income before income taxes	**472**	528	**1,352**	2,367
Income tax expense (benefit)	**68**	74	**(13)**	344
Net income	**$ 404**	$ 454	**$ 1,365**	$ 2,023
Net income per share				
Basic	**$ 1.75**	$ 1.91	**$ 5.89**	$ 8.43
Diluted	**$ 1.74**	$ 1.89	**$ 5.83**	$ 8.34
Weighted average number of common shares outstanding				
Basic	**228.8**	235.4	**230.0**	238.3
Diluted	**231.1**	237.9	**232.5**	240.9
Cash dividends declared per common share	**$ 1.00**	$ 0.93	**$ 2.93**	$ 2.74

The accompanying notes are an integral part of the consolidated financial statements.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income	**$ 404**	$ 454	**$ 1,365**	$ 2,023
Other comprehensive income (loss):				
Changes in net unrealized gains (losses) on investment securities:				
Having no credit losses recognized in the consolidated statement of income	**(2,391)**	(3,204)	**(1,986)**	(11,078)
Having credit losses recognized in the consolidated statement of income	**—**	—	**—**	(3)
Net changes in benefit plan assets and obligations	**(3)**	12	**(10)**	34
Net changes in unrealized foreign currency translation	**(118)**	(251)	**13**	(423)
Other comprehensive loss before income taxes	**(2,512)**	(3,443)	**(1,983)**	(11,470)
Income tax benefit	**(509)**	(690)	**(416)**	(2,369)
Other comprehensive loss, net of taxes	**(2,003)**	(2,753)	**(1,567)**	(9,101)
Comprehensive loss	**$ (1,599)**	$ (2,299)	**$ (202)**	$ (7,078)

The accompanying notes are an integral part of the consolidated financial statements.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions)

	September 30, 2023	December 31, 2022
	(Unaudited)	
Assets		
Fixed maturities, available for sale, at fair value (amortized cost $80,792 and $77,380; allowance for expected credit losses of $4 and $3)	**$ 72,584**	$ 71,160
Equity securities, at fair value (cost $546 and $747)	**573**	807
Real estate investments	**960**	952
Short-term securities	**4,488**	3,470
Other investments	**4,351**	4,065
Total investments	**82,956**	80,454
Cash	**593**	799
Investment income accrued	**623**	650
Premiums receivable (net of allowance for expected credit losses of $68 and $77)	**10,345**	8,922
Reinsurance recoverables (net of allowance for estimated uncollectible reinsurance of $121 and $132)	**8,267**	8,063
Ceded unearned premiums	**1,389**	1,024
Deferred acquisition costs	**3,330**	2,836
Deferred taxes	**2,393**	1,877
Contractholder receivables (net of allowance for expected credit losses of $20 and $17)	**3,467**	3,579
Goodwill	**3,955**	3,952
Other intangible assets	**278**	287
Other assets	**3,788**	3,274
Total assets	**$ 121,384**	$ 115,717
Liabilities		
Claims and claim adjustment expense reserves	**$ 61,709**	$ 58,649
Unearned premium reserves	**21,058**	18,240
Contractholder payables	**3,487**	3,596
Payables for reinsurance premiums	**807**	419
Debt	**8,031**	7,292
Other liabilities	**6,314**	5,961
Total liabilities	**101,406**	94,157
Shareholders' equity		
Common stock (1,750.0 shares authorized; 228.4 and 232.1 shares issued and outstanding)	**24,831**	24,565
Retained earnings	**44,198**	43,516
Accumulated other comprehensive loss	**(8,012)**	(6,445)
Treasury stock, at cost (558.8 and 553.5 shares)	**(41,039)**	(40,076)
Total shareholders' equity	**19,978**	21,560
Total liabilities and shareholders' equity	**$ 121,384**	$ 115,717

The accompanying notes are an integral part of the consolidated financial statements.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Common stock				
Balance, beginning of period	**$ 24,776**	$ 24,419	**$ 24,565**	$ 24,154
Employee share-based compensation	**8**	11	**102**	176
Compensation amortization under share-based plans and other changes	**47**	42	**164**	142
Balance, end of period	**24,831**	24,472	**24,831**	24,472
Retained earnings				
Balance, beginning of period	**44,026**	42,684	**43,516**	41,555
Net income	**404**	454	**1,365**	2,023
Dividends	**(232)**	(221)	**(683)**	(660)
Other	**—**	—	**—**	(1)
Balance, end of period	**44,198**	42,917	**44,198**	42,917
Accumulated other comprehensive income (loss), net of tax				
Balance, beginning of period	**(6,009)**	(5,155)	**(6,445)**	1,193
Other comprehensive loss	**(2,003)**	(2,753)	**(1,567)**	(9,101)
Balance, end of period	**(8,012)**	(7,908)	**(8,012)**	(7,908)
Treasury stock, at cost				
Balance, beginning of period	**(40,938)**	(39,074)	**(40,076)**	(38,015)
Treasury stock acquired — share repurchase authorizations	**(100)**	(500)	**(900)**	(1,500)
Net shares acquired related to employee share-based compensation plans	**(1)**	(1)	**(63)**	(60)
Balance, end of period	**(41,039)**	(39,575)	**(41,039)**	(39,575)
Total shareholders' equity	**$ 19,978**	$ 19,906	**$ 19,978**	$ 19,906
Common shares outstanding				
Balance, beginning of period	**228.9**	237.3	**232.1**	241.2
Treasury stock acquired — share repurchase authorizations	**(0.6)**	(3.1)	**(5.0)**	(8.9)
Net shares issued under employee share-based compensation plans	**0.1**	0.1	**1.3**	2.0
Balance, end of period	**228.4**	234.3	**228.4**	234.3

The accompanying notes are an integral part of the consolidated financial statements.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
(in millions)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities		
Net income	**$ 1,365**	$ 2,023
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment losses	**94**	211
Depreciation and amortization	**552**	639
Deferred federal income tax benefit	**(107)**	(130)
Amortization of deferred acquisition costs	**4,585**	4,081
Equity in income from other investments	**(144)**	(319)
Premiums receivable	**(1,422)**	(861)
Reinsurance recoverables	**(204)**	185
Deferred acquisition costs	**(5,079)**	(4,419)
Claims and claim adjustment expense reserves	**3,053**	1,694
Unearned premium reserves	**2,817**	2,033
Other	**97**	(12)
Net cash provided by operating activities	**5,607**	5,125
Cash flows from investing activities		
Proceeds from maturities of fixed maturities	**4,909**	5,481
Proceeds from sales of investments:		
Fixed maturities	**4,619**	3,951
Equity securities	**117**	104
Real estate investments	**—**	10
Other investments	**166**	242
Purchases of investments:		
Fixed maturities	**(13,054)**	(12,100)
Equity securities	**(80)**	(112)
Real estate investments	**(46)**	(28)
Other investments	**(375)**	(414)
Net purchases of short-term securities	**(1,018)**	(107)
Securities transactions in the course of settlement	**60**	214
Acquisition, net of cash acquired	**—**	(4)
Other	**(335)**	(291)
Net cash used in investing activities	**(5,037)**	(3,054)
Cash flows from financing activities		
Treasury stock acquired — share repurchase authorizations	**(894)**	(1,500)
Treasury stock acquired — net employee share-based compensation	**(63)**	(60)
Dividends paid to shareholders	**(676)**	(656)
Issuance of debt	**738**	—
Issuance of common stock — employee share options	**117**	205
Net cash used in financing activities	**(778)**	(2,011)
Effect of exchange rate changes on cash	**2**	(48)
Net increase (decrease) in cash	**(206)**	12
Cash at beginning of year	**799**	761
Cash at end of period	**$ 593**	$ 773
Supplemental disclosure of cash flow information		
Income taxes paid	**$ 152**	$ 663
Interest paid	**$ 234**	$ 234

The accompanying notes are an integral part of the consolidated financial statements.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The interim consolidated financial statements include the accounts of The Travelers Companies, Inc. (together with its subsidiaries, the Company). These financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) and are unaudited. In the opinion of the Company's management, all adjustments necessary for a fair presentation have been reflected. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. All material intercompany transactions and balances have been eliminated. The accompanying interim consolidated financial statements and related notes should be read in conjunction with the Company's consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the Company's 2022 Annual Report).

The preparation of the interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and claims and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Standards

For information regarding accounting standards that the Company adopted during the periods presented, see note 1 of the notes to the consolidated financial statements in the Company's 2022 Annual Report.

Income Taxes

The Company recognized a one-time tax benefit of $211 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item impacted by the repeal of Internal Revenue Code Section 847, which related to the discounting of property-casualty loss reserves.

2. SEGMENT INFORMATION

Nature of Operations

The Company's results are reported in the following three business segments — Business Insurance, Bond & Specialty Insurance and Personal Insurance. These segments reflect the manner in which the Company's businesses are currently managed and represent an aggregation of products and services based on the type of customer, how the business is marketed and the manner in which risks are underwritten. For more information regarding the Company's nature of operations, see the "Nature of Operations" section of note 1 of the notes to the consolidated financial statements in the Company's 2022 Annual Report.

2. SEGMENT INFORMATION, Continued

The following tables summarize the components of the Company's revenues, income (loss) and total assets by reportable business segments:

(For the three months ended September 30, in millions)	Business Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2023				
Premiums	**$ 4,956**	**$ 935**	**$ 3,827**	**$ 9,718**
Net investment income	**551**	**86**	**132**	**769**
Fee income	**102**	**—**	**10**	**112**
Other revenues	**71**	**6**	**24**	**101**
Total segment revenues [1]	**$ 5,680**	**$ 1,027**	**$ 3,993**	**$ 10,700**
Segment income (loss) [1]	**$ 468**	**$ 265**	**$ (193)**	**$ 540**
2022				
Premiums	$ 4,353	$ 877	$ 3,385	$ 8,615
Net investment income	426	65	102	593
Fee income	96	—	8	104
Other revenues	56	6	22	84
Total segment revenues [1]	$ 4,931	$ 948	$ 3,517	$ 9,396
Segment income (loss) [1]	$ 471	$ 242	$ (111)	$ 602

(1) Segment revenues for reportable business segments exclude net realized investment gains (losses) and revenues included in "interest expense and other." Segment income (loss) for reportable business segments excludes the after-tax impact of net realized investment gains (losses) and income (loss) from "interest expense and other."

(For the nine months ended September 30, in millions)	Business Insurance	Bond & Specialty Insurance	Personal Insurance	Total Reportable Segments
2023				
Premiums	**$ 14,077**	**$ 2,721**	**$ 10,990**	**$ 27,788**
Net investment income	**1,533**	**237**	**374**	**2,144**
Fee income	**299**	**—**	**25**	**324**
Other revenues	**185**	**18**	**72**	**275**
Total segment revenues [1]	**$ 16,094**	**$ 2,976**	**$ 11,461**	**$ 30,531**
Segment income (loss) [1]	**$ 1,626**	**$ 702**	**$ (648)**	**$ 1,680**
2022				
Premiums	$ 12,642	$ 2,548	$ 9,756	$ 24,946
Net investment income	1,415	188	334	1,937
Fee income	285	—	22	307
Other revenues	194	14	61	269
Total segment revenues [1]	$ 14,536	$ 2,750	$ 10,173	$ 27,459
Segment income (loss) [1]	$ 1,806	$ 687	$ (79)	$ 2,414

(1) Segment revenues for reportable business segments exclude net realized investment gains (losses) and revenues included in "interest expense and other." Segment income (loss) for reportable business segments excludes the after-tax impact of net realized investment gains (losses) and income (loss) from "interest expense and other."

2. SEGMENT INFORMATION, Continued

Business Segment Reconciliations

(in millions)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue reconciliation				
Earned premiums				
Business Insurance:				
Domestic:				
Workers' compensation	**$ 876**	$ 872	**$ 2,584**	$ 2,566
Commercial automobile	**816**	754	**2,375**	2,202
Commercial property	**828**	668	**2,297**	1,914
General liability	**804**	728	**2,312**	2,116
Commercial multi-peril	**1,211**	1,057	**3,456**	3,034
Other	**21**	19	**55**	52
Total Domestic	**4,556**	4,098	**13,079**	11,884
International	**400**	255	**998**	758
Total Business Insurance	**4,956**	4,353	**14,077**	12,642
Bond & Specialty Insurance:				
Domestic:				
Fidelity and surety	**333**	307	**964**	876
General liability	**414**	396	**1,218**	1,154
Other	**57**	57	**168**	166
Total Domestic	**804**	760	**2,350**	2,196
International	**131**	117	**371**	352
Total Bond & Specialty Insurance	**935**	877	**2,721**	2,548
Personal Insurance:				
Domestic:				
Automobile	**1,772**	1,575	**5,084**	4,544
Homeowners and Other	**1,896**	1,648	**5,434**	4,714
Total Domestic	**3,668**	3,223	**10,518**	9,258
International	**159**	162	**472**	498
Total Personal Insurance	**3,827**	3,385	**10,990**	9,756
Total earned premiums	**9,718**	8,615	**27,788**	24,946
Net investment income	**769**	593	**2,144**	1,937
Fee income	**112**	104	**324**	307
Other revenues	**101**	84	**275**	269
Total segment revenues	**10,700**	9,396	**30,531**	27,459
Net realized investment losses	**(65)**	(93)	**(94)**	(211)
Total revenues	**$ 10,635**	$ 9,303	**$ 30,437**	$ 27,248
Income reconciliation, net of tax				
Total segment income	**$ 540**	$ 602	**$ 1,680**	$ 2,414
Interest Expense and Other (1)	**(86)**	(76)	**(241)**	(226)
Core income	**454**	526	**1,439**	2,188
Net realized investment losses	**(50)**	(72)	**(74)**	(165)
Net income	**$ 404**	$ 454	**$ 1,365**	$ 2,023

(1) The primary component of Interest Expense and Other was after-tax interest expense of $78 million and $70 million for the three months ended September 30, 2023 and 2022, respectively, and $220 million and $208 million for the nine months ended September 30, 2023 and 2022, respectively.

2. SEGMENT INFORMATION, Continued

(in millions)	September 30, 2023	December 31, 2022
Asset reconciliation		
Business Insurance	**$ 89,980**	$ 86,522
Bond & Specialty Insurance	**11,088**	10,119
Personal Insurance	**19,454**	18,275
Total assets by reportable segment	**120,522**	114,916
Other assets (1)	**862**	801
Total consolidated assets	**$ 121,384**	$ 115,717

(1) The primary components of other assets at both September 30, 2023 and December 31, 2022 were the over-funded benefit plan assets related to the Company's qualified domestic pension plan and other intangible assets.

3. INVESTMENTS

Fixed Maturities

The amortized cost and fair value of investments in fixed maturities classified as available for sale were as follows:

(at September 30, 2023, in millions)	Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	**$ 6,575**	**$ —**	**$ —**	**$ 363**	**$ 6,212**
Obligations of U.S. states, municipalities and political subdivisions:					
Local general obligation	**18,358**	**—**	**1**	**2,675**	**15,684**
Revenue	**9,750**	**—**	**2**	**1,275**	**8,477**
State general obligation	**1,174**	**—**	**—**	**137**	**1,037**
Pre-refunded	**1,048**	**—**	**1**	**9**	**1,040**
Total obligations of U.S. states, municipalities and political subdivisions	**30,330**	**—**	**4**	**4,096**	**26,238**
Debt securities issued by foreign governments	**1,037**	**—**	**1**	**56**	**982**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**6,927**	**—**	**7**	**411**	**6,523**
Corporate and all other bonds	**35,923**	**4**	**16**	**3,306**	**32,629**
Total	**$ 80,792**	**$ 4**	**$ 28**	**$ 8,232**	**$ 72,584**

3. INVESTMENTS, Continued

(at December 31, 2022, in millions)	Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 5,798	$ —	$ 3	$ 363	$ 5,438
Obligations of U.S. states, municipalities and political subdivisions:					
Local general obligation	19,615	—	33	1,825	17,823
Revenue	11,076	—	29	907	10,198
State general obligation	1,104	—	3	88	1,019
Pre-refunded	2,323	—	17	1	2,339
Total obligations of U.S. states, municipalities and political subdivisions	34,118	—	82	2,821	31,379
Debt securities issued by foreign governments	1,049	—	—	55	994
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	2,178	—	13	200	1,991
Corporate and all other bonds	34,237	3	37	2,913	31,358
Total	$ 77,380	$ 3	$ 135	$ 6,352	$ 71,160

Pre-refunded bonds of $1.04 billion and $2.34 billion at September 30, 2023 and December 31, 2022, respectively, were bonds for which U.S. states or municipalities have established irrevocable trusts that are almost exclusively comprised of U.S. Treasury securities and obligations of U.S. government and government agencies and authorities. These trusts were created to fund the payment of principal and interest due under the bonds.

Proceeds from the sales of fixed maturities classified as available for sale were $4.62 billion and $3.95 billion during the nine months ended September 30, 2023 and 2022, respectively. Gross gains of $26 million and $17 million and gross losses of $93 million and $52 million were realized on those sales during the nine months ended September 30, 2023 and 2022, respectively.

Equity Securities

The cost and fair value of investments in equity securities were as follows:

(at September 30, 2023, in millions)	Cost	Gross Gains	Gross Losses	Fair Value
Common stock	**$ 502**	**$ 65**	**$ 40**	**$ 527**
Non-redeemable preferred stock	**44**	**2**	**—**	**46**
Total	**$ 546**	**$ 67**	**$ 40**	**$ 573**

(at December 31, 2022, in millions)	Cost	Gross Gains	Gross Losses	Fair Value
Common stock	$ 706	$ 89	$ 32	$ 763
Non-redeemable preferred stock	41	3	—	44
Total	$ 747	$ 92	$ 32	$ 807

For the nine months ended September 30, 2023 and 2022, the Company recognized $11 million and $110 million of net losses on equity securities still held as of September 30, 2023 and 2022, respectively.

3. INVESTMENTS, Continued

Unrealized Investment Losses

The following tables summarize, for all fixed maturities classified as available for sale in an unrealized loss position at September 30, 2023 and December 31, 2022, the aggregate fair value and gross unrealized loss by the length of time those securities have been continuously in an unrealized loss position. The fair value amounts reported in the tables are estimates that are prepared using the process described in note 4 herein and in note 4 of the notes to the consolidated financial statements in the Company's 2022 Annual Report. The Company also relies upon estimates of several factors in its review and evaluation of individual investments, using the process described in note 1 of the notes to the consolidated financial statements in the Company's 2022 Annual Report to determine whether a credit loss impairment exists.

	Less than 12 months		12 months or longer		Total	
(at September 30, 2023, in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities						
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	**$ 2,979**	**$ 32**	**$ 3,083**	**$ 331**	**$ 6,062**	**$ 363**
Obligations of U.S. states, municipalities and political subdivisions	**12,050**	**703**	**13,625**	**3,393**	**25,675**	**4,096**
Debt securities issued by foreign governments	**201**	**6**	**769**	**50**	**970**	**56**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**5,032**	**162**	**1,373**	**249**	**6,405**	**411**
Corporate and all other bonds	**5,680**	**167**	**26,034**	**3,139**	**31,714**	**3,306**
Total	**$ 25,942**	**$ 1,070**	**$ 44,884**	**$ 7,162**	**$ 70,826**	**$ 8,232**

	Less than 12 months		12 months or longer		Total	
(at December 31, 2022, in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities						
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 2,835	$ 100	$ 1,679	$ 263	$ 4,514	$ 363
Obligations of U.S. states, municipalities and political subdivisions	19,251	1,975	3,134	846	22,385	2,821
Debt securities issued by foreign governments	604	22	367	33	971	55
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	1,414	128	316	72	1,730	200
Corporate and all other bonds	24,080	1,635	6,096	1,278	30,176	2,913
Total	$ 48,184	$ 3,860	$ 11,592	$ 2,492	$ 59,776	$ 6,352

3. INVESTMENTS, Continued

The following tables summarize, for all fixed maturities reported at fair value for which fair value was less than 80% of amortized cost at September 30, 2023 and December 31, 2022, the gross unrealized investment loss by length of time those securities have continuously been in an unrealized loss position of greater than 20% of amortized cost:

	Period For Which Fair Value is Less Than 80% of Amortized Cost				
(at September 30, 2023, in millions)	3 months or less	Greater than 3 months, 6 months or less	Greater than 6 months, 12 months or less	Greater than 12 months	Total
Fixed maturities					
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	**$ 17**	**$ —**	**$ —**	**$ —**	**$ 17**
Obligations of U.S. states, municipalities and political subdivisions	**948**	**167**	**140**	**1,024**	**2,279**
Debt securities issued by foreign governments	**—**	**1**	**—**	**—**	**1**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**46**	**54**	**—**	**—**	**100**
Corporate and all other bonds	**822**	**246**	**45**	**66**	**1,179**
Total	**$ 1,833**	**$ 468**	**$ 185**	**$ 1,090**	**$ 3,576**

	Period For Which Fair Value is Less Than 80% of Amortized Cost				
(at December 31, 2022, in millions)	3 months or less	Greater than 3 months, 6 months or less	Greater than 6 months, 12 months or less	Greater than 12 months	Total
Fixed maturities					
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ —	$ —	$ —	$ —	$ —
Obligations of U.S. states, municipalities and political subdivisions	81	776	643	—	1,500
Debt securities issued by foreign governments	1	—	—	—	1
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	4	48	—	—	52
Corporate and all other bonds	89	526	8	—	623
Total	$ 175	$ 1,350	$ 651	$ —	$ 2,176

Increases in interest rates resulted in the gross unrealized investment losses disclosed in the tables above; however, the net unrealized loss is considered temporary in nature as the decrease in value is not due to credit impairments and there is no impact on expected contractual cash flows from fixed maturities.

3. INVESTMENTS, Continued

Impairment Charges

The following tables present changes in the allowance for expected credit losses on fixed maturities classified as available for sale for the category of Corporate and All Other Bonds (no other categories of fixed maturities currently have an allowance for expected credit losses):

	Fixed Maturities Corporate and All Other Bonds At and For the Three Months Ended	
(in millions)	**September 30, 2023**	**September 30, 2022**
Balance, beginning of period	**$ 4**	$ 4
Additions for expected credit losses on securities where no credit losses were previously recognized	**—**	—
Additions for expected credit losses on securities where credit losses were previously recognized	**—**	—
Reductions due to sales/defaults of credit-impaired securities	**—**	(1)
Reductions for impairments of securities which the Company intends to sell or more likely than not will be required to sell	**—**	—
Balance, end of period	**$ 4**	$ 3

	Fixed Maturities Corporate and All Other Bonds At and For the Nine Months Ended	
(in millions)	**September 30, 2023**	**September 30, 2022**
Balance, beginning of period	**$ 3**	$ 3
Additions for expected credit losses on securities where no credit losses were previously recognized	**—**	—
Additions for expected credit losses on securities where credit losses were previously recognized	**1**	1
Reductions due to sales/defaults of credit-impaired securities	**—**	(1)
Reductions for impairments of securities which the Company intends to sell or more likely than not will be required to sell	**—**	—
Balance, end of period	**$ 4**	$ 3

Total net impairment charges, including credit impairments, reported in net realized investment losses in the consolidated statement of income, were $1 million and $14 million for the three months ended September 30, 2023 and 2022, respectively, and $2 million and $35 million for the nine months ended September 30, 2023 and 2022, respectively. Credit losses related to the fixed maturity portfolio for both the three and nine months ended September 30, 2023 and 2022 represented less than 1% of the fixed maturity portfolio on a pre-tax basis and less than 1% of shareholders' equity on an after-tax basis.

Other Investments

Included in other investments are private equity, hedge fund and real estate partnerships that are accounted for under the equity method of accounting and typically report their financial statement information to the Company one month to three months following the end of the reporting period. Accordingly, net investment income from these other investments is generally reflected in the Company's financial statements on a quarter lag basis.

4. FAIR VALUE MEASUREMENTS

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement in its entirety. The three levels of the hierarchy are as follows:

- Level 1 **-** Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 **-** Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 **-** Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use.

Valuation of Investments Reported at Fair Value in Financial Statements

The Company utilized a pricing service to estimate fair value measurements for approximately 99% of its fixed maturities at both September 30, 2023 and December 31, 2022.

While the vast majority of the Company's fixed maturities are included in Level 2, the Company holds a number of corporate bonds which are not valued by the pricing service and estimates the fair value of these bonds using either another internal pricing matrix, a present value income approach, or a broker quote (collectively, the other methodologies). The other methodologies include some unobservable inputs that are significant to the valuation. Due to the limited amount of observable market information available in the estimation of fair value, the Company includes the fair value estimates for bonds that are valued using the other methodologies in Level 3.

For certain investments in non-public common and preferred equity securities, the fair value estimate is determined either internally or by an external fund manager based on the impact of recent observable transactions on the investment, recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals. Due to the significant unobservable inputs in these valuations, the Company included the fair value estimate of $36 million and $371 million for these investments at September 30, 2023 and December 31, 2022, respectively, in the amounts disclosed in Level 3.

For more information regarding the valuation of the Company's fixed maturities, equity securities and other investments, see note 4 of the notes to the consolidated financial statements in the Company's 2022 Annual Report.

Fair Value Hierarchy

The following tables present the level within the fair value hierarchy at which the Company's financial assets and financial liabilities are measured on a recurring basis.

4. FAIR VALUE MEASUREMENTS, Continued

(at September 30, 2023, in millions)	Total	Level 1	Level 2	Level 3
Invested assets:				
Fixed maturities				
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	**$ 6,212**	**$ 6,212**	**$ —**	**$ —**
Obligations of U.S. states, municipalities and political subdivisions	**26,238**	**—**	**26,238**	**—**
Debt securities issued by foreign governments	**982**	**—**	**982**	**—**
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	**6,523**	**—**	**6,523**	**—**
Corporate and all other bonds	**32,629**	**—**	**32,377**	**252**
Total fixed maturities	**72,584**	**6,212**	**66,120**	**252**
Equity securities				
Common stock	**527**	**520**	**—**	**7**
Non-redeemable preferred stock	**46**	**14**	**3**	**29**
Total equity securities	**573**	**534**	**3**	**36**
Other investments	**16**	**16**	**—**	**—**
Total	**$ 73,173**	**$ 6,762**	**$ 66,123**	**$ 288**

(at December 31, 2022, in millions)	Total	Level 1	Level 2	Level 3
Invested assets:				
Fixed maturities				
U.S. Treasury securities and obligations of U.S. government and government agencies and authorities	$ 5,438	$ 5,438	$ —	$ —
Obligations of U.S. states, municipalities and political subdivisions	31,379	—	31,379	—
Debt securities issued by foreign governments	994	—	994	—
Mortgage-backed securities, collateralized mortgage obligations and pass-through securities	1,991	—	1,991	—
Corporate and all other bonds	31,358	—	31,055	303
Total fixed maturities	71,160	5,438	65,419	303
Equity securities				
Common stock	763	418	—	345
Non-redeemable preferred stock	44	15	3	26
Total equity securities	807	433	3	371
Other investments	16	15	—	1
Total	$ 71,983	$ 5,886	$ 65,422	$ 675
Other liabilities	$ 2	$ —	$ —	$ 2

Transfers out of Level 3 during the nine months ended September 30, 2023 included $182 million of common stock that the Company exchanged during the first quarter of 2023 for shares in an investment that is reported using the equity method of accounting and $151 million of common stock in a company that had been privately held but became publicly traded during the second quarter of 2023, valued using an unadjusted quoted market price and disclosed in Level 1. There was no other significant activity in Level 3 of the hierarchy during the nine months ended September 30, 2023.

4. FAIR VALUE MEASUREMENTS, Continued

Financial Instruments Disclosed, But Not Carried, At Fair Value

The following tables present the carrying value and fair value of the Company's financial assets and financial liabilities disclosed, but not carried, at fair value, and the level within the fair value hierarchy at which such assets and liabilities are categorized.

(at September 30, 2023, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Short-term securities	**$ 4,488**	**$ 4,488**	**$ 971**	**$ 3,466**	**$ 51**
Financial liabilities					
Debt	**$ 7,931**	**$ 6,900**	**$ —**	**$ 6,900**	**$ —**
Commercial paper	**100**	**100**	**—**	**100**	**—**

(at December 31, 2022, in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Short-term securities	$ 3,470	$ 3,470	$ 871	$ 2,546	$ 53
Financial liabilities					
Debt	$ 7,192	$ 6,509	$ —	$ 6,509	$ —
Commercial paper	100	100	—	100	—

The Company had no material assets or liabilities that were measured at fair value on a non-recurring basis during the nine months ended September 30, 2023 or the year ended December 31, 2022.

5. ALLOWANCE FOR EXPECTED CREDIT LOSSES

Premiums Receivable

The following tables present the balances of premiums receivable, net of the allowance for expected credit losses, at September 30, 2023 and 2022, and the changes in the allowance for expected credit losses for the three and nine months ended September 30, 2023 and 2022.

	At and For the Three Months Ended September 30, 2023		At and For the Three Months Ended September 30, 2022	
(in millions)	Premiums Receivable, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses	Premiums Receivable, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	**$ 10,327**	**$ 72**	$ 9,132	$ 89
Current period change for expected credit losses		**11**		14
Write-offs of uncollectible premiums receivable		**15**		17
Balance, end of period	**$ 10,345**	**$ 68**	$ 8,886	$ 86

5. ALLOWANCE FOR EXPECTED CREDIT LOSSES, Continued

	At and For the Nine Months Ended September 30, 2023		At and For the Nine Months Ended September 30, 2022	
(in millions)	Premiums Receivable, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses	Premiums Receivable, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	**$ 8,922**	**$ 77**	$ 8,085	$ 107
Current period change for expected credit losses		**28**		49
Write-offs of uncollectible premiums receivable		**37**		70
Balance, end of period	**$ 10,345**	**$ 68**	$ 8,886	$ 86

Reinsurance Recoverables

The following tables present the balances of reinsurance recoverables, net of the allowance for estimated uncollectible reinsurance, at September 30, 2023 and 2022, and the changes in the allowance for estimated uncollectible reinsurance for the three and nine months ended September 30, 2023 and 2022.

	At and For the Three Months Ended September 30, 2023		At and For the Three Months Ended September 30, 2022	
(in millions)	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, beginning of period	**$ 8,121**	**$ 121**	$ 8,509	$ 132
Current period change for estimated uncollectible reinsurance		**—**		1
Write-offs of uncollectible reinsurance recoverables		**—**		—
Balance, end of period	**$ 8,267**	**$ 121**	$ 8,202	$ 133

	At and For the Nine Months Ended September 30, 2023		At and For the Nine Months Ended September 30, 2022	
(in millions)	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance	Reinsurance Recoverables, Net of Allowance for Estimated Uncollectible Reinsurance	Allowance for Estimated Uncollectible Reinsurance
Balance, beginning of period	**$ 8,063**	**$ 132**	$ 8,452	$ 141
Current period change for estimated uncollectible reinsurance		**(11)**		(8)
Write-offs of uncollectible reinsurance recoverables		**—**		—
Balance, end of period	**$ 8,267**	**$ 121**	$ 8,202	$ 133

5. ALLOWANCE FOR EXPECTED CREDIT LOSSES, Continued

Of the total reinsurance recoverables at September 30, 2023, $5.86 billion, or 87%, were rated by A.M. Best Company, after deducting mandatory pools and associations and before allowances for estimated uncollectible reinsurance. The Company utilizes updated A.M. Best credit ratings on a quarterly basis when determining the allowance. Of the total rated by A.M. Best Company, 94% were rated A- or better. The remaining 13% of reinsurance recoverables comprised the following: 6% related to captive insurance companies, 1% related to the Company's participation in voluntary pools and 6% were balances from other companies not rated by A.M. Best Company. Certain of the Company's reinsurance recoverables are collateralized by letters of credit, funds held or trust agreements.

Contractholder Receivables

The following tables present the balances of contractholder receivables, net of the allowance for expected credit losses, at September 30, 2023 and 2022, and the changes in the allowance for expected credit losses for the three and nine months ended September 30, 2023 and 2022.

	At and For the Three Months Ended September 30, 2023		At and For the Three Months Ended September 30, 2022	
(in millions)	Contractholder Receivables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses	Contractholder Receivables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	**$ 3,449**	**$ 20**	$ 3,735	$ 18
Current period change for expected credit losses		**—**		—
Write-offs of uncollectible contractholder receivables		**—**		—
Balance, end of period	**$ 3,467**	**$ 20**	$ 3,749	$ 18

	At and For the Nine Months Ended September 30, 2023		At and For the Nine Months Ended September 30, 2022	
(in millions)	Contractholder Receivables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses	Contractholder Receivables, Net of Allowance for Expected Credit Losses	Allowance for Expected Credit Losses
Balance, beginning of period	**$ 3,579**	**$ 17**	$ 3,890	$ 21
Current period change for expected credit losses		**3**		(2)
Write-offs of uncollectible contractholder receivables		**—**		1
Balance, end of period	**$ 3,467**	**$ 20**	$ 3,749	$ 18

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents the carrying amount of the Company's goodwill by segment. Each reportable segment includes goodwill associated with the Company's international business which is subject to the impact of changes in foreign currency exchange rates.

(in millions)	September 30, 2023	December 31, 2022
Business Insurance	**$ 2,568**	$ 2,565
Bond & Specialty Insurance	**550**	550
Personal Insurance	**811**	811
Other	**26**	26
Total	**$ 3,955**	$ 3,952

Other Intangible Assets

The following tables present a summary of the Company's other intangible assets by major asset class.

(at September 30, 2023, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization			
Customer-related	**$ 96**	**$ 55**	**$ 41**
Contract-based (1)	**204**	**193**	**11**
Total subject to amortization	**300**	**248**	**52**
Not subject to amortization	**226**	**—**	**226**
Total	**$ 526**	**$ 248**	**$ 278**

(at December 31, 2022, in millions)	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization			
Customer-related	$ 96	$ 48	$ 48
Contract-based (1)	204	191	13
Total subject to amortization	300	239	61
Not subject to amortization	226	—	226
Total	$ 526	$ 239	$ 287

(1) Contract-based intangible assets subject to amortization are comprised of fair value adjustments on claims and claim adjustment expense reserves, reinsurance recoverables and other contract-related intangible assets. Fair value adjustments recorded in connection with insurance acquisitions were based on management's estimate of nominal claims and claim adjustment expense reserves and reinsurance recoverables. The method used calculated a risk adjustment to a risk-free discounted reserve that would, if reserves ran off as expected, produce results that yielded the assumed cost-of-capital on the capital supporting the loss reserves. The fair value adjustments are reported as other intangible assets on the consolidated balance sheet, and the amounts measured in accordance with the acquirer's accounting policies for insurance contracts have been reported as part of the claims and claim adjustment expense reserves and reinsurance recoverables. The intangible assets are being recognized into income over the expected payment pattern. Because the time value of money and the risk adjustment (cost of capital) components of the intangible assets run off at different rates, the amount recognized in income may be a net benefit in some periods and a net expense in other periods.

7. INSURANCE CLAIM RESERVES

Claims and claim adjustment expense reserves were as follows:

(in millions)	September 30, 2023	December 31, 2022
Property-casualty	**$ 61,703**	$ 58,643
Accident and health	**6**	6
Total	**$ 61,709**	$ 58,649

The following table presents a reconciliation of beginning and ending property casualty reserve balances for claims and claim adjustment expenses:

	Nine Months Ended September 30,	
(in millions)	2023	2022
Claims and claim adjustment expense reserves at beginning of year	**$ 58,643**	$ 56,897
Less reinsurance recoverables on unpaid losses	**7,790**	8,209
Net reserves at beginning of year	**50,853**	48,688
Estimated claims and claim adjustment expenses for claims arising in the current year	**20,205**	17,257
Estimated increase (decrease) in claims and claim adjustment expenses for claims arising in prior years	**62**	(383)
Total increases	**20,267**	16,874
Claims and claim adjustment expense payments for claims arising in:		
Current year	**7,305**	6,302
Prior years	**10,031**	8,638
Total payments	**17,336**	14,940
Unrealized foreign exchange gain	**(1)**	(391)
Net reserves at end of period	**53,783**	50,231
Plus reinsurance recoverables on unpaid losses	**7,920**	7,900
Claims and claim adjustment expense reserves at end of period	**$ 61,703**	$ 58,131

Gross claims and claim adjustment expense reserves at September 30, 2023 increased by $3.06 billion over December 31, 2022, primarily reflecting the impacts of (i) catastrophe losses in the first nine months of 2023, (ii) higher volumes of insured exposures and (iii) loss cost trends for the current accident year, partially offset by (iv) claim payments made during the first nine months of 2023 and (v) net favorable prior year reserve development.

Reinsurance recoverables on unpaid losses at September 30, 2023 increased by $130 million over December 31, 2022.

Prior Year Reserve Development

The following disclosures regarding reserve development are on a "net of reinsurance" basis.

For the nine months ended September 30, 2023 and 2022, estimated claims and claim adjustment expenses incurred included $(62) million and $383 million, respectively, of net favorable (unfavorable) development for claims arising in prior years, including $11 million and $464 million, respectively, of net favorable prior year reserve development, and $34 million and $35 million, respectively, of accretion of discount in each period that impacted the Company's results of operations.

7. INSURANCE CLAIM RESERVES, Continued

Business Insurance. Net unfavorable prior year reserve development in the third quarter of 2023 totaled $263 million, primarily driven by (i) an addition to asbestos reserves of $284 million and higher than expected loss experience in the domestic operations', (ii) general liability product line (excluding asbestos), including additions to reserves attributable to childhood sexual molestation and environmental claims in the Company's run-off operations and (iii) commercial automobile product line for recent accident years, partially offset by (iv) better than expected loss experience in the workers' compensation product line for multiple accident years. Net unfavorable prior year reserve development in the third quarter of 2022 totaled $61 million, primarily driven by an addition to asbestos reserves of $212 million, partially offset by better than expected loss experience in the domestic operations' workers' compensation product line for multiple accident years and in the commercial property product line for recent accident years.

Net unfavorable prior year reserve development in the first nine months of 2023 totaled $345 million, primarily driven by (i) higher than expected loss experience in the domestic operations' general liability product line (excluding asbestos) for multiple accident years, including additions to reserves attributable to childhood sexual molestation and environmental claims in the Company's run-off operations, (ii) an addition to asbestos reserves of $284 million and (iii) higher than expected loss experience in the domestic operations' commercial automobile product line for recent accident years, partially offset by (iv) better than expected loss experience in the domestic operations' workers' compensation product line for multiple accident years. Net favorable prior year reserve development in the first nine months of 2022 totaled $254 million, primarily driven by better than expected loss experience in the domestic operations' (i) workers' compensation product line for multiple accident years and (ii) commercial multi-peril and commercial property product lines for recent accident years, partially offset by (iii) an addition to asbestos reserves of $212 million and (iv) an addition to reserves in the domestic operations' general liability product line (excluding asbestos and environmental) including for run-off operations. The first nine months of 2022 also included an increase to environmental reserves.

Bond & Specialty Insurance. Net favorable prior year reserve development in the third quarter and first nine months of 2023 totaled $72 million and $249 million, respectively, primarily driven by better than expected loss experience in the domestic operations' fidelity and surety product lines and in the general liability product line for management liability coverages for recent accident years. Net favorable prior year reserve development in the third quarter of 2022 totaled $63 million, primarily driven by better than expected loss experience in the domestic operations' fidelity and surety product lines and in the general liability product line for management liability coverages for recent accident years. Net favorable prior year reserve development in the first nine months of 2022 totaled $171 million, primarily driven by better than expected loss experience in the domestic operations' fidelity and surety product lines for recent accident years.

Personal Insurance. Net favorable prior year reserve development in the third quarter and first nine months of 2023 totaled $37 million and $107 million, respectively, primarily driven by better than expected loss experience in the domestic operations' homeowners and other product line for recent accident years. Net favorable prior year reserve development in the third quarter and first nine months of 2022 totaled $18 million and $39 million, respectively.

8. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present the changes in the Company's accumulated other comprehensive income (loss) (AOCI) for the three and nine months ended September 30, 2023.

	Changes in Net Unrealized Gains (Losses) on Investment Securities				
(in millions)	Having No Credit Losses Recognized in the Consolidated Statement of Income	Having Credit Losses Recognized in the Consolidated Statement of Income	Net Benefit Plan Assets and Obligations Recognized in Shareholders' Equity	Net Unrealized Foreign Currency Translation	Total Accumulated Other Comprehensive Income (Loss)
Balance, June 30, 2023	**$ (4,755)**	**$ 179**	**$ (548)**	**$ (885)**	**$ (6,009)**
Other comprehensive income (loss) (OCI) before reclassifications, net of tax	**(1,918)**	**—**	**1**	**(111)**	**(2,028)**
Amounts reclassified from AOCI, net of tax	**28**	**—**	**(3)**	**—**	**25**
Net OCI, current period	**(1,890)**	**—**	**(2)**	**(111)**	**(2,003)**
Balance, September 30, 2023	**$ (6,645)**	**$ 179**	**$ (550)**	**$ (996)**	**$ (8,012)**

	Changes in Net Unrealized Gains (Losses) on Investment Securities				
(in millions)	Having No Credit Losses Recognized in the Consolidated Statement of Income	Having Credit Losses Recognized in the Consolidated Statement of Income	Net Benefit Plan Assets and Obligations Recognized in Shareholders' Equity	Net Unrealized Foreign Currency Translation	Total Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2022	**$ (5,077)**	**$ 179**	**$ (542)**	**$ (1,005)**	**$ (6,445)**
Other comprehensive income (loss) (OCI) before reclassifications, net of tax	**(1,622)**	**—**	**—**	**9**	**(1,613)**
Amounts reclassified from AOCI, net of tax	**54**	**—**	**(8)**	**—**	**46**
Net OCI, current period	**(1,568)**	**—**	**(8)**	**9**	**(1,567)**
Balance, September 30, 2023	**$ (6,645)**	**$ 179**	**$ (550)**	**$ (996)**	**$ (8,012)**

8. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), Continued

The following table presents the pre-tax components of the Company's other comprehensive loss and the related income tax expense (benefit).

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Changes in net unrealized gains (losses) on investment securities:				
Having no credit losses recognized in the consolidated statement of income	**$ (2,391)**	$ (3,204)	**$ (1,986)**	$ (11,078)
Income tax benefit	**(501)**	(678)	**(418)**	(2,348)
Net of taxes	**(1,890)**	(2,526)	**(1,568)**	(8,730)
Having credit losses recognized in the consolidated statement of income	**—**	—	**—**	(3)
Income tax benefit	**—**	(1)	**—**	(1)
Net of taxes	**—**	1	**—**	(2)
Net changes in benefit plan assets and obligations	**(3)**	12	**(10)**	34
Income tax expense (benefit)	**(1)**	3	**(2)**	7
Net of taxes	**(2)**	9	**(8)**	27
Net changes in unrealized foreign currency translation	**(118)**	(251)	**13**	(423)
Income tax expense (benefit)	**(7)**	(14)	**4**	(27)
Net of taxes	**(111)**	(237)	**9**	(396)
Total other comprehensive loss	**(2,512)**	(3,443)	**(1,983)**	(11,470)
Total income tax benefit	**(509)**	(690)	**(416)**	(2,369)
Total other comprehensive loss, net of taxes	**$ (2,003)**	$ (2,753)	**$ (1,567)**	$ (9,101)

8. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), Continued

The following table presents the pre-tax and related income tax (expense) benefit components of the amounts reclassified from the Company's AOCI to the Company's consolidated statement of income.

(in millions)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Reclassification adjustments related to unrealized gains (losses) on investment securities:				
Having no credit losses recognized in the consolidated statement of income (1)	**$ 35**	$ 42	**$ 68**	$ 61
Income tax benefit (2)	**7**	9	**14**	13
Net of taxes	**28**	33	**54**	48
Having credit losses recognized in the consolidated statement of income (1)	**—**	—	**—**	—
Income tax benefit (2)	**—**	—	**—**	—
Net of taxes	**—**	—	**—**	—
Reclassification adjustment related to benefit plan assets and obligations:				
Claims and claim adjustment expenses (benefit) (3)	**(2)**	5	**(4)**	13
General and administrative expenses (benefit) (3)	**(2)**	5	**(6)**	18
Total	**(4)**	10	**(10)**	31
Income tax (expense) benefit (2)	**(1)**	1	**(2)**	6
Net of taxes	**(3)**	9	**(8)**	25
Reclassification adjustment related to foreign currency translation (1)	**—**	—	**—**	—
Income tax benefit (2)	**—**	—	**—**	—
Net of taxes	**—**	—	**—**	—
Total reclassifications	**31**	52	**58**	92
Total income tax benefit	**6**	10	**12**	19
Total reclassifications, net of taxes	**$ 25**	$ 42	**$ 46**	$ 73

(1) (Increases) decreases net realized investment losses on the consolidated statement of income.
(2) (Increases) decreases income tax expense (benefit) on the consolidated statement of income.
(3) Increases (decreases) expenses on the consolidated statement of income.

9. DEBT

Debt Issuance. On May 25, 2023, the Company issued $750 million aggregate principal amount of 5.45% senior notes that will mature on May 25, 2053. The net proceeds of the issuance, after the deduction of the underwriting discount and expenses payable by the Company, totaled approximately $738 million. Interest on the senior notes is payable semi-annually in arrears on May 25 and November 25. Prior to November 25, 2052, the senior notes may be redeemed, in whole or in part, at the Company's option, at any time or from time to time, at a redemption price equal to the greater of (a) 100% of the principal amount of any senior notes to be redeemed or (b) the sum of the present values of the remaining scheduled payments of principal and interest to but excluding November 25, 2052 on any senior notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate (as defined in the senior notes), plus 25 basis points. On or after November 25, 2052, the senior notes may be redeemed, in whole or in part, at the Company's option, at any time or from time to time, at a redemption price equal to 100% of the principal amount of any senior notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

10. COMMON SHARE REPURCHASES

During the three and nine months ended September 30, 2023, the Company repurchased 0.6 million and 5.0 million common shares, respectively, under its share repurchase authorizations for total cost of $100 million and $900 million, respectively. The average cost per share repurchased was $164.46 and $179.59, respectively. In addition, the Company acquired 5,480 shares and 0.3 million common shares for a total cost of approximately $926,000 and $63 million during the three and nine months ended September 30, 2023, respectively, that were not part of its publicly announced share repurchase authorizations. These shares consisted of shares retained to cover payroll withholding taxes in connection with the vesting of restricted stock unit awards and performance share awards, and shares used by employees to cover the price of certain stock options that were exercised.

On April 19, 2023, the Board of Directors approved a share repurchase authorization that added $5.0 billion of repurchase capacity. At September 30, 2023, the Company had $6.10 billion of capacity remaining under its share repurchase authorizations. Included in the cost of treasury stock acquired pursuant to common share repurchases is the 1% excise tax imposed as part of the Inflation Reduction Act.

11. EARNINGS PER SHARE

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2023**	**2022**	**2023**	**2022**
Basic and Diluted				
Net income, as reported	**$ 404**	$ 454	**$ 1,365**	$ 2,023
Participating share-based awards — allocated income	**(3)**	(4)	**(10)**	(15)
Net income available to common shareholders — basic and diluted	**$ 401**	$ 450	**$ 1,355**	$ 2,008
Common Shares				
Basic				
Weighted average shares outstanding	**228.8**	235.4	**230.0**	238.3
Diluted				
Weighted average shares outstanding	**228.8**	235.4	**230.0**	238.3
Weighted average effects of dilutive securities — stock options and performance shares	**2.3**	2.5	**2.5**	2.6
Total	**231.1**	237.9	**232.5**	240.9
Net Income per Common Share				
Basic	**$ 1.75**	$ 1.91	**$ 5.89**	$ 8.43
Diluted	**$ 1.74**	$ 1.89	**$ 5.83**	$ 8.34

12. SHARE-BASED INCENTIVE COMPENSATION

The following information relates to fully vested stock option awards at September 30, 2023:

Stock Options	Number	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining	Aggregate Intrinsic Value ($ in millions)
Vested at end of period [(1)]	**7,420,703**	**$ 137.92**	**5.7 years**	**$ 209**
Exercisable at end of period	**5,344,583**	**$ 128.37**	**4.7 years**	**$ 187**

(1) Represents awards for which the requisite service has been rendered, including those that are retirement eligible.

The total compensation cost for all share-based incentive compensation awards recognized in earnings was $46 million and $41 million for the three months ended September 30, 2023 and 2022, respectively, and $162 million and $141 million for the nine months ended September 30, 2023 and 2022, respectively. The related tax benefits recognized in the consolidated statement of income were $8 million and $7 million for the three months ended September 30, 2023 and 2022, respectively, and $27 million and $24 million for the nine months ended September 30, 2023 and 2022, respectively.

The total unrecognized compensation cost related to all nonvested share-based incentive compensation awards at September 30, 2023 was $237 million, which is expected to be recognized over a weighted-average period of 1.8 years.

13. PENSION PLANS, RETIREMENT BENEFITS AND SAVINGS PLANS

The following table summarizes the components of net periodic benefit cost (benefit) for the Company's pension and postretirement benefit plans recognized in the consolidated statement of income for the three months ended September 30, 2023 and 2022.

	Pension Plans		Postretirement Benefit Plans	
(for the three months ended September 30, in millions)	**2023**	**2022**	**2023**	**2022**
Net Periodic Benefit Cost (Benefit):				
Service cost	**$ 27**	$ 36	**$ —**	$ —
Non-service cost (benefit):				
Interest cost on benefit obligation	**44**	25	**2**	—
Expected return on plan assets	**(77)**	(74)	**—**	—
Amortization of unrecognized:				
Prior service benefit	**(1)**	—	**(1)**	—
Net actuarial (gain) loss	**—**	12	**(3)**	(1)
Total non-service cost (benefit)	**(34)**	(37)	**(2)**	(1)
Net periodic benefit cost (benefit)	**$ (7)**	$ (1)	**$ (2)**	$ (1)

13. PENSION PLANS, RETIREMENT BENEFITS AND SAVINGS PLANS, Continued

The following table indicates the line items in which the respective service cost and non-service cost (benefit) are presented in the consolidated statement of income for the three months ended September 30, 2023 and 2022.

	Pension Plans		Postretirement Benefit Plans	
(for the three months ended September 30, in millions)	**2023**	**2022**	**2023**	**2022**
Service Cost:				
Claims and claim adjustment expenses	**$ 11**	$ 14	**$ —**	$ —
General and administrative expenses	**16**	22	**—**	—
Total service cost	**27**	36	**—**	—
Non-Service Cost (Benefit):				
Claims and claim adjustment expenses	**(14)**	(15)	**(1)**	—
General and administrative expenses	**(20)**	(22)	**(1)**	(1)
Total non-service cost (benefit)	**(34)**	(37)	**(2)**	(1)
Net periodic benefit cost (benefit)	**$ (7)**	$ (1)	**$ (2)**	$ (1)

The following table summarizes the components of net periodic benefit cost (benefit) for the Company's pension and postretirement benefit plans recognized in the consolidated statement of income for the nine months ended September 30, 2023 and 2022.

	Pension Plans		Postretirement Benefit Plans	
(for the nine months ended September 30, in millions)	**2023**	**2022**	**2023**	**2022**
Net Periodic Benefit Cost (Benefit):				
Service cost	**$ 81**	$ 109	**$ —**	$ —
Non-service cost (benefit):				
Interest cost on benefit obligation	**132**	76	**4**	2
Expected return on plan assets	**(233)**	(222)	**—**	—
Amortization of unrecognized:				
Prior service benefit	**(1)**	—	**(3)**	(2)
Net actuarial (gain) loss	**—**	37	**(7)**	(3)
Total non-service cost (benefit)	**(102)**	(109)	**(6)**	(3)
Net periodic benefit cost (benefit)	**$ (21)**	$ —	**$ (6)**	$ (3)

The following table indicates the line items in which the respective service cost and non-service cost (benefit) are presented in the consolidated statement of income for the nine months ended September 30, 2023 and 2022.

	Pension Plans		Postretirement Benefit Plans	
(for the nine months ended September 30, in millions)	**2023**	**2022**	**2023**	**2022**
Service Cost:				
Claims and claim adjustment expenses	**$ 33**	$ 44	**$ —**	$ —
General and administrative expenses	**48**	65	**—**	—
Total service cost	**81**	109	**—**	—
Non-Service Cost (Benefit):				
Claims and claim adjustment expenses	**(41)**	(44)	**(3)**	(1)
General and administrative expenses	**(61)**	(65)	**(3)**	(2)
Total non-service cost (benefit)	**(102)**	(109)	**(6)**	(3)
Net periodic benefit cost (benefit)	**$ (21)**	$ —	**$ (6)**	$ (3)

14. LEASES

The Company enters into lease agreements for real estate that is primarily used for office space in the ordinary course of business. These leases are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease, and a right-of-use asset and lease liability is recognized as part of other assets and other liabilities, respectively, in the consolidated balance sheet.

Most leases include an option to extend or renew the lease term. The exercise of the renewal option is at the Company's discretion. The operating lease liability includes lease payments related to options to extend or renew the lease term if the Company is reasonably certain of exercising those options. The Company, in determining the present value of lease payments, utilizes either the rate implicit in the lease, if that rate is readily determinable, or the Company's incremental secured borrowing rate commensurate with the term of the underlying lease.

Lease expense is included in general and administrative expenses in the consolidated statement of income. Additional information regarding the Company's real estate operating leases is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Lease cost				
Operating leases	**$ 19**	$ 19	**$ 57**	$ 61
Short-term leases (1)	**1**	1	**2**	2
Lease expense	**20**	20	**59**	63
Less: sublease income (2)	**—**	—	**—**	—
Net lease cost	**$ 20**	$ 20	**$ 59**	$ 63
Other information on operating leases				
Cash payments to settle a lease liability reported in cash flows	**$ 22**	$ 23	**$ 65**	$ 71
Right-of-use assets obtained in exchange for new lease liabilities	**$ 12**	$ 14	**$ 25**	$ 21
Weighted average discount rate	**2.64 %**	2.33 %	**2.64 %**	2.33 %
Weighted average remaining lease term	**4.2 years**	4.5 years	**4.2 years**	4.5 years

(1) Leases with a term of twelve months or less are not recorded on the consolidated balance sheet.
(2) Sublease income consists of rent from third parties of office space and is recognized as part of other revenues in the consolidated statement of income.

15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

The major pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or to which any of the Company's properties is subject are described below.

Asbestos and Environmental Claims and Litigation

In the ordinary course of its insurance business, the Company has received and continues to receive claims for insurance arising under policies issued by the Company asserting alleged injuries and damages from asbestos- and environmental-related exposures that are the subject of related coverage litigation. The Company is defending asbestos- and environmental-related litigation vigorously and believes that it has meritorious defenses; however, the outcomes of these disputes are uncertain. In this regard, the Company employs dedicated specialists and comprehensive resolution strategies to manage asbestos and environmental loss exposure, including settling litigation under appropriate circumstances. Currently, it is not possible to predict legal outcomes and their impact on future loss development for claims and litigation relating to asbestos and environmental claims. Any such development could be affected by future court decisions and interpretations, as well as future changes, if any, in applicable legislation. Because of these uncertainties, additional liabilities may arise for amounts in excess of the Company's current insurance reserves. In addition, the Company's estimate of ultimate claims and claim adjustment expenses may change. These additional liabilities or changes in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's results of operations in future periods.

Other Proceedings Not Arising Under Insurance Contracts or Reinsurance Agreements

The Company is involved in other lawsuits, including lawsuits alleging extra-contractual damages relating to insurance contracts or reinsurance agreements, that do not arise under insurance contracts or reinsurance agreements. The legal costs associated with such lawsuits are expensed in the period in which the costs are incurred. Based upon currently available information, the Company does not believe it is reasonably possible that any such lawsuit or related lawsuits would be material to the Company's results of operations or would have a material adverse effect on the Company's financial position or liquidity.

Other Commitments and Guarantees

Commitments

Investment Commitments — The Company has unfunded commitments to private equity limited partnerships, real estate partnerships and others. These commitments totaled $1.66 billion and $1.80 billion at September 30, 2023 and December 31, 2022, respectively.

Guarantees

The maximum amount of the Company's contingent obligation for indemnifications related to the sale of businesses that are quantifiable was $351 million at September 30, 2023.

The maximum amount of the Company's obligation related to the guarantee of certain insurance policy obligations of a former insurance subsidiary was $480 million at September 30, 2023, all of which is indemnified by a third party. For more information regarding the Company's guarantees, see note 17 of the notes to the consolidated financial statements in the Company's 2022 Annual Report.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the Company's financial condition and results of operations.

FINANCIAL HIGHLIGHTS

2023 Third Quarter Consolidated Results of Operations

- Net income of $404 million, or $1.75 per share basic and $1.74 per share diluted
- Net earned premiums of $9.72 billion
- Catastrophe losses of $850 million ($669 million after-tax)
- Net unfavorable prior year reserve development of $154 million ($122 million after-tax)
- Combined ratio of 101.0%
- Net investment income of $769 million ($640 million after-tax)
- Net realized investment losses of $65 million ($50 million after-tax)
- Operating cash flows of $3.05 billion

2023 Third Quarter Consolidated Financial Condition

- Total investments of $82.96 billion; fixed maturities and short-term securities comprised 93% of total investments
- Total assets of $121.38 billion
- Total debt of $8.03 billion, resulting in a debt-to-total capital ratio of 28.7% (23.3% excluding net unrealized investment losses, net of tax)
- Total capital returned to shareholders of $333 million, comprising $101 million of share repurchases and $232 million of dividends
- Shareholders' equity of $19.98 billion
- Net unrealized investment losses of $8.21 billion ($6.47 billion after-tax)
- Book value per common share of $87.47
- Holding company liquidity of $1.75 billion

CONSOLIDATED OVERVIEW

Consolidated Results of Operations

(in millions, except ratio and per share amounts)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues				
Premiums	**$ 9,718**	$ 8,615	**$ 27,788**	$ 24,946
Net investment income	**769**	593	**2,144**	1,937
Fee income	**112**	104	**324**	307
Net realized investment losses	**(65)**	(93)	**(94)**	(211)
Other revenues	**101**	84	**275**	269
Total revenues	**10,635**	9,303	**30,437**	27,248
Claims and expenses				
Claims and claim adjustment expenses	**7,149**	6,088	**20,335**	16,930
Amortization of deferred acquisition costs	**1,604**	1,406	**4,585**	4,081
General and administrative expenses	**1,312**	1,193	**3,887**	3,607
Interest expense	**98**	88	**278**	263
Total claims and expenses	**10,163**	8,775	**29,085**	24,881
Income before income taxes	**472**	528	**1,352**	2,367
Income tax expense (benefit)	**68**	74	**(13)**	344
Net income	**$ 404**	$ 454	**$ 1,365**	$ 2,023
Net income per share				
Basic	**$ 1.75**	$ 1.91	**$ 5.89**	$ 8.43
Diluted	**$ 1.74**	$ 1.89	**$ 5.83**	$ 8.34
Combined ratio				
Loss and loss adjustment expense ratio	**73.0 %**	70.1 %	**72.6 %**	67.3 %
Underwriting expense ratio	**28.0**	28.1	**28.4**	28.7
Combined ratio	**101.0 %**	98.2 %	**101.0 %**	96.0 %

The following discussions of the Company's net income and segment income (loss) are presented on an after-tax basis. Discussions of the components of net income and segment income (loss) are presented on a pre-tax basis, unless otherwise noted. Discussions of net income per common share are presented on a diluted basis.

Overview

Diluted net income per share of $1.74 in the third quarter of 2023 decreased by 8% from diluted net income per share of $1.89 in the same period of 2022. Net income of $404 million in the third quarter of 2023 decreased by 11% from net income of $454 million in the same period of 2022. The lower rate of decrease in diluted net income per share reflected the impact of share repurchases in recent periods. The decrease in income before income taxes in the third quarter of 2023 primarily reflected the pre-tax impacts of (i) higher catastrophe losses and (ii) net unfavorable prior year reserve development compared to net favorable prior year reserve development in the same period of 2022, partially offset by (iii) higher underwriting margins excluding catastrophe losses and prior year reserve development ("underlying underwriting margins"), (iv) higher net investment income and (v) lower net realized investment losses. Catastrophe losses in the third quarters of 2023 and 2022 were $850 million and $512 million, respectively. Net unfavorable prior year reserve development in the third quarter of 2023 was $154 million. Net favorable prior year reserve development in the third quarter of 2022 was $20 million. The higher underlying underwriting margins in the third quarter of 2023 were driven by Personal Insurance and Business Insurance, partially offset by Bond & Specialty Insurance. Income tax expense in the third quarter of 2023 was lower than in the same period of 2022, primarily reflecting the impact of the decrease in income before income taxes.

Diluted net income per share of $5.83 in the first nine months of 2023 decreased by 30% from diluted net income per share of $8.34 in the same period of 2022. Net income of $1.37 billion in the first nine months of 2023 decreased by 33% from net income of $2.02 billion in the same period of 2022. The lower rate of decrease in diluted net income per share reflected the impact of share repurchases in recent periods. The decrease in income before income taxes primarily reflected the pre-tax impacts of (i) higher catastrophe losses and (ii) lower net favorable prior year reserve development, partially offset by (iii) higher underlying underwriting margins, (iv) higher net investment income and (v) lower net realized investment losses. Catastrophe losses in the first nine months of 2023 and 2022 were $2.87 billion and $1.42 billion, respectively. Net favorable prior year reserve development in the first nine months of 2023 and 2022 was $11 million and $464 million, respectively. The higher underlying underwriting margins in the first nine months of 2023 were driven by Business Insurance and Personal Insurance, partially offset by Bond & Specialty Insurance. The Company recorded an income tax benefit in the first nine months of 2023 compared with income tax expense in the same period of 2022. The change in income taxes primarily reflected the impact of a one-time tax benefit of $211 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item and the decrease in income before income taxes, partially offset by a $47 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters.

The Company has insurance operations in Canada, the United Kingdom, the Republic of Ireland and throughout other parts of the world as a corporate member of Lloyd’s, as well as in Brazil and Colombia through joint ventures. Because these operations are conducted in local currencies other than the U.S. dollar, the Company is subject to changes in foreign currency exchange rates. For the three months and nine months ended September 30, 2023 and 2022, changes in foreign currency exchange rates impacted reported line items in the statement of income by insignificant amounts. The impact of these changes was not material to the Company’s net income or segment income (loss) for the periods reported.

Revenues

Earned Premiums

Earned premiums in the third quarter of 2023 were $9.72 billion, $1.10 billion or 13% higher than in the same period of 2022. Earned premiums in the first nine months of 2023 were $27.79 billion, $2.84 billion or 11% higher than in the same period of 2022. In Business Insurance, earned premiums in the third quarter and first nine months of 2023 increased by 14% and 11%, respectively, over the same periods of 2022. In Bond & Specialty Insurance, earned premiums in the third quarter and first nine months of 2023 both increased by 7% over the same periods of 2022. In Personal Insurance, earned premiums in the third quarter and first nine months of 2023 both increased by 13% over the same periods of 2022. Factors contributing to the changes in earned premiums in each segment are discussed in more detail in the segment discussions that follow.

Net Investment Income

The following table sets forth information regarding the Company’s investments.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	**2023**	**2022**	**2023**	**2022**
Average investments [1]	**$ 91,591**	$ 87,315	**$ 90,048**	$ 86,818
Pre-tax net investment income	**769**	593	**2,144**	1,937
After-tax net investment income	**640**	505	**1,791**	1,639
Average pre-tax yield [2]	**3.4 %**	2.7 %	**3.2 %**	3.0 %
Average after-tax yield [2]	**2.8 %**	2.3 %	**2.7 %**	2.5 %

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(1) Excludes net unrealized investment gains and losses and reflects cash, receivables for investment sales, payables on investment purchases and accrued investment income.

(2) Excludes net realized and net unrealized investment gains and losses.

Net investment income in the third quarter of 2023 was $769 million, $176 million or 30% higher than in the same period of 2022. Net investment income in the first nine months of 2023 was $2.14 billion, $207 million or 11% higher than in the same period of 2022. Net investment income from fixed maturity investments in the third quarter and first nine months of 2023 was $631 million and $1.80 billion, respectively, $97 million and $246 million higher, respectively, than in the same periods of 2022. The increases in both periods of 2023 primarily resulted from higher long-term average yields and a higher average level of fixed maturity investments. Net investment income from short-term securities in the third quarter and first nine months of 2023 was $67 million and $169 million, respectively, $44 million and $135 million higher, respectively, than in the same periods of 2022. The increases in both periods of 2023 primarily resulted from higher short-term average yields. The

Company's remaining investment portfolios had net investment income of $82 million in the third quarter of 2023, $36 million higher than in the same period of 2022, primarily reflecting higher private equity partnership returns. The Company's remaining investment portfolios had net investment income of $213 million in the first nine months of 2023, $172 million lower than in the same period of 2022, primarily reflecting lower private equity and real estate partnership returns. Included in other investments are private equity, hedge fund and real estate partnerships that are accounted for under the equity method of accounting and typically report their financial statement information to the Company one month to three months following the end of the reporting period. Accordingly, net investment income from these other investments is generally reflected in the Company's financial statements on a quarter lag basis.

Fee Income
Fee income in the third quarter of 2023 was $112 million, $8 million higher than in the same period of 2022. Fee income in the first nine months of 2023 was $324 million, $17 million higher than in the same period of 2022. The National Accounts market in Business Insurance is the primary source of the Company's fee-based business and is discussed in the Business Insurance segment discussion that follows.

Net Realized Investment Losses
The following table sets forth information regarding the Company's net realized investment losses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Impairment losses:				
Fixed maturities	**$ (1)**	$ (5)	**$ (2)**	$ (26)
Real estate investments	**—**	(9)	**—**	(9)
Net realized investment losses on equity securities still held	**(14)**	(25)	**(11)**	(110)
Other net realized investment losses, including from sales	**(50)**	(54)	**(81)**	(66)
Total	**$ (65)**	$ (93)	**$ (94)**	$ (211)

Net realized investment losses on equity securities still held of $14 million in the third quarter of 2023 were driven by the impact of changes in fair value attributable to unfavorable equity markets. Net realized investment losses on equity securities still held of $11 million in the first nine months of 2023 were driven by a net unfavorable change in fair value on the individual securities held in the Company's portfolio. Net realized investment losses on equity securities still held of $25 million and $110 million in the third quarter and first nine months of 2022, respectively, were driven by the impact of changes in fair value attributable to unfavorable equity markets.

Other Revenues
Other revenues in the third quarter of 2023 were $101 million, $17 million higher than in the same period of 2022. Other revenues in the first nine months of 2023 were $275 million, $6 million higher than in the same period of 2022. Other revenues include revenues from Simply Business, installment premium charges and other policyholder service charges.

Claims and Expenses

Claims and Claim Adjustment Expenses
Claims and claim adjustment expenses in the third quarter of 2023 were $7.15 billion, $1.06 billion or 17% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher business volumes, (ii) higher catastrophe losses, (iii) net unfavorable prior year reserve development compared to net favorable prior year reserve development in the same period of 2022 and (iv) a favorable re-estimation of domestic management liability losses incurred for the first six months of 2023 that was lower than the favorable re-estimation losses incurred in the same period of 2022 in Bond & Specialty Insurance, partially offset by (v) lower losses in the homeowners and other product line in Personal Insurance. Catastrophe losses in the third quarter of 2023 primarily resulted from numerous severe wind and hail storms in multiple states. Catastrophe losses in the third quarter of 2022 primarily resulted from Hurricanes Ian and Fiona, as well as severe storms in several regions of the United States.

Claims and claim adjustment expenses in the first nine months of 2023 were $20.34 billion, $3.41 billion or 20% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher business volumes, (ii) higher catastrophe losses, (iii) lower net favorable prior year reserve development, (iv) higher losses in the automobile product line in Personal Insurance, (v) losses from a small number of surety accounts in Bond & Specialty Insurance and (vi) loss activity related to the disruption in the banking sector in Bond & Specialty Insurance, partially offset by (vii) a lower level of property losses in Business Insurance and (viii) lower losses in the homeowners and other product line in Personal Insurance. Catastrophe losses in the first nine months of 2023 included the third quarter events described above, as well as numerous severe wind and hail storms in multiple states in the first six months of 2023. Catastrophe losses in the first nine months of 2022 included the third quarter events described above, as well as severe wind and hail storms in several regions of the United States in the first six months of 2022.

Factors contributing to net prior year reserve development during the third quarters and first nine months of 2023 and 2022 are discussed in more detail in note 7 of the notes to the unaudited consolidated financial statements.

Significant Catastrophe Losses

The following table presents the amount of losses recorded by the Company for significant catastrophes that occurred in the three months and nine months ended September 30, 2023 and 2022, the amount of net unfavorable (favorable) prior year reserve development recognized in the three months and nine months ended September 30, 2023 and 2022 for significant catastrophes that occurred in 2022 and 2021, and the estimate of ultimate losses for those catastrophes at September 30, 2023 and December 31, 2022. For purposes of the table, a significant catastrophe is an event for which the Company estimates its ultimate losses will be $100 million or more after reinsurance and before taxes. The Company’s threshold for disclosing catastrophes is primarily determined at the reportable segment level and for 2023 ranged from $20 million to $30 million of losses before reinsurance and taxes. For the Company’s definition of a catastrophe, refer to “Part II—Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations— Consolidated Overview” in the Company’s 2022 Annual Report.

	Losses Incurred/Unfavorable (Favorable) Prior Year Reserve Development					
	Three Months Ended September 30,		Nine Months Ended September 30,		Estimated Ultimate Losses	
(in millions, pre-tax and net of reinsurance) (1)	2023	2022	2023	2022	September 30, 2023	December 31, 2022
2021						
PCS Serial Number:						
15 — Winter storms	4	(5)	(12)	(10)	203	215
17 — Winter storms	(2)	(4)	(27)	(9)	456	483
29 — Severe wind storms	—	(6)	(1)	(12)	92	93
60 — Hurricane Ida	—	(36)	15	(78)	351	336
76 — Tornado outbreak	—	(1)	(5)	(13)	108	113
2022						
PCS Serial Number:						
33 — Severe wind and hail storms	17	9	9	117	146	137
35 — Severe wind and hail storms	3	40	(1)	144	183	184
43 — Severe wind and hail storms	—	(7)	(11)	124	111	122
61 — Hurricane Ian	(2)	326	(76)	326	151	227
73 — Winter storm	1	n/a	169	n/a	681	512
2023						
PCS Serial Number:						
25 — Severe wind and hail storms	—	n/a	152	n/a	152	n/a
32 — Severe wind and hail storms	—	n/a	138	n/a	138	n/a
33 — Severe wind and hail storms	18	n/a	190	n/a	190	n/a
35 — Severe wind and hail storms	6	n/a	115	n/a	115	n/a
42 — Severe wind and hail storms	(2)	n/a	144	n/a	144	n/a
48 — Severe wind and hail storms	(9)	n/a	140	n/a	140	n/a
49 — Severe wind and hail storms	(6)	n/a	149	n/a	149	n/a
51 — Severe wind and hail storms	10	n/a	280	n/a	280	n/a
63 — Severe wind and hail storms	120	n/a	120	n/a	120	n/a
75 — Severe wind and hail storms	196	n/a	196	n/a	196	n/a

n/a: not applicable.

(1) Amounts are reported pre-tax and net of recoveries under all applicable reinsurance treaties, except for the Company's 2022 and 2021 Underlying Property Aggregate Catastrophe Excess-of-Loss Treaties, the terms of which are described in "Part I—Item 1—Business" in the Company's 2022 Annual Report. Those treaties covered the accumulation of certain property losses arising from one or multiple occurrences (both catastrophe and non-catastrophe events) for the period January 1, 2022 through and including December 31, 2022 and the period January 1, 2021 through and including December 31, 2021. As a result, the benefits from those treaties are not included in the table above as the allocation of the treaty's benefit to each identified catastrophe changes each time there are additional events or changes in estimated losses from any covered event.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs in the third quarter of 2023 was $1.60 billion, $198 million or 14% higher than in the same period of 2022. Amortization of deferred acquisition costs in the first nine months of 2023 was $4.59 billion, $504 million or 12% higher than in the same period of 2022. The increases in both periods were generally consistent with the increases in earned premiums. Amortization of deferred acquisition costs is discussed in more detail in the segment discussions that follow.

General and Administrative Expenses
General and administrative expenses in the third quarter of 2023 were $1.31 billion, $119 million or 10% higher than in the same period of 2022. General and administrative expenses in the first nine months of 2023 were $3.89 billion, $280 million or 8% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected the impact of costs associated with higher business volumes. General and administrative expenses are discussed in more detail in the segment discussions that follow.

Interest Expense
Interest expense in the third quarter and first nine months of 2023 was $98 million and $278 million, respectively, compared with $88 million and $263 million, respectively, in the same periods of 2022.

Income Tax Expense (Benefit)
Income tax expense in the third quarter of 2023 was $68 million, $6 million or 8% lower than in the same period of 2022, primarily reflecting the impact of the $56 million decrease in income before income taxes in the third quarter of 2023. The income tax benefit in the first nine months of 2023 was $13 million, compared with income tax expense of $344 million in the same period of 2022. The change in income taxes primarily reflected the one-time tax benefit of $211 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item and the impact of the $1.02 billion decrease in income before income taxes in the first nine months of 2023, partially offset by the $47 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters.

The Company's effective tax rate was 14% in the third quarters of both 2023 and 2022. The Company's effective tax rate was (1)% and 15% in the first nine months of 2023 and 2022, respectively. The effective tax rate in the first nine months of 2023 was reduced by the impact of the one-time tax benefit discussed above, and the effective tax rate for the first nine months of 2022 was reduced by the impact of the resolution of prior year tax matters discussed above. The effective tax rate for all periods reflected the impact of tax-exempt investment income on the calculation of the Company's income tax provision.

Combined Ratio

The combined ratio of 101.0% in the third quarter of 2023 was 2.8 points higher than the combined ratio of 98.2% in the same period of 2022. The loss and loss adjustment expense ratio of 73.0% in the third quarter of 2023 was 2.9 points higher than the loss and loss adjustment expense ratio of 70.1% in the same period of 2022. The underwriting expense ratio of 28.0% in the third quarter of 2023 was 0.1 points lower than the underwriting expense ratio of 28.1% in the same period of 2022.

Catastrophe losses in the third quarters of 2023 and 2022 accounted for 8.8 points and 5.9 points, respectively, of the combined ratio. Net unfavorable prior year reserve development in the third quarter of 2023 accounted for 1.6 points of the combined ratio. Net favorable prior year reserve development in the third quarter 2022 provided 0.2 points of benefit to the combined ratio. The combined ratio excluding prior year reserve development and catastrophe losses ("underlying combined ratio") in the third quarter of 2023 was 1.9 points lower than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) the benefit of earned pricing and (ii) lower losses in the homeowners and other product line in Personal Insurance, partially offset by (iii) a favorable re-estimation of domestic management liability losses incurred for the first six months of 2023 that was lower than the favorable re-estimation losses incurred in the same period of 2022 in Bond & Specialty Insurance.

The combined ratio of 101.0% in the first nine months of 2023 was 5.0 points higher than the combined ratio of 96.0% in the same period of 2022. The loss and loss adjustment expense ratio of 72.6% for the first nine months of 2023 was 5.3 points higher than the loss and loss adjustment expense ratio of 67.3% in the same period of 2022. The underwriting expense ratio of 28.4% for the first nine months of 2023 was 0.3 points lower than the underwriting expense ratio of 28.7% in the same period of 2022.

Catastrophe losses in the first nine months of 2023 and 2022 accounted for 10.3 points and 5.7 points, respectively, of the combined ratio. Net favorable prior year reserve development in the first nine months of 2023 and 2022 provided 0.1 points and 1.9 points of benefit, respectively, to the combined ratio. The underlying combined ratio in the first nine months of 2023 was 1.4 points lower than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) the benefit of earned pricing, (ii) a lower level of property losses in Business Insurance and (iii) lower losses in the homeowners and other product line in Personal Insurance, partially offset by (iv) losses from a small number of surety accounts in Bond & Specialty Insurance, (v) loss activity related to the disruption in the banking sector in Bond & Specialty Insurance and (vi) higher losses in the automobile product line in Personal Insurance.

The combined ratio continues to be impacted by the tort environment, including more aggressive attorney involvement in insurance claims.

Written Premiums

Consolidated gross and net written premiums were as follows:

	Gross Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Business Insurance	**$ 5,685**	$ 4,864	**$ 17,175**	$ 14,798
Bond & Specialty Insurance	**1,082**	1,043	**3,127**	3,088
Personal Insurance	**4,496**	3,905	**12,215**	10,745
Total	**$ 11,263**	$ 9,812	**$ 32,517**	$ 28,631

	Net Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Business Insurance	**$ 5,080**	$ 4,370	**$ 15,412**	$ 13,245
Bond & Specialty Insurance	**1,003**	964	**2,853**	2,808
Personal Insurance	**4,410**	3,864	**11,942**	10,532
Total	**$ 10,493**	$ 9,198	**$ 30,207**	$ 26,585

Gross and net written premiums in the third quarter of 2023 increased by 15% and 14%, respectively, over the same period of 2022. Gross and net written premiums in the first nine months of 2023 both increased by 14% over the same period of 2022. Factors contributing to the changes in gross and net written premiums in each segment are discussed in more detail in the segment discussions that follow.

RESULTS OF OPERATIONS BY SEGMENT

Business Insurance

Results of Business Insurance were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	2023	2022	2023	2022
Revenues				
Earned premiums	**$ 4,956**	$ 4,353	**$ 14,077**	$ 12,642
Net investment income	**551**	426	**1,533**	1,415
Fee income	**102**	96	**299**	285
Other revenues	**71**	56	**185**	194
Total revenues	**5,680**	4,931	**16,094**	14,536
Total claims and expenses	**5,111**	4,371	**14,327**	12,353
Segment income before income taxes	**569**	560	**1,767**	2,183
Income tax expense	**101**	89	**141**	377
Segment income	**$ 468**	$ 471	**$ 1,626**	$ 1,806
Loss and loss adjustment expense ratio	**70.0 %**	66.9 %	**68.0 %**	63.6 %
Underwriting expense ratio	**29.1**	29.4	**29.7**	29.9
Combined ratio	**99.1 %**	96.3 %	**97.7 %**	93.5 %

Overview
Segment income in the third quarter of 2023 was $468 million, $3 million or 1% lower than segment income of $471 million in the same period of 2022. The increase in segment income before income taxes primarily reflected the pre-tax impacts of (i) higher net investment income, (ii) higher underlying underwriting margins and (iii) lower catastrophe losses, partially offset by (iv) higher net unfavorable prior year reserve development. Net unfavorable prior year reserve development in the third quarters of 2023 and 2022 was $263 million and $61 million, respectively. Catastrophe losses in the third quarters of 2023 and 2022 were $203 million and $216 million, respectively. The higher underlying underwriting margins primarily reflected the impact of higher business volumes. Income tax expense in the third quarter of 2023 was higher than in the same period of 2022, primarily reflecting the impact of the increase in segment income before income taxes.

Segment income in the first nine months of 2023 was $1.63 billion, $180 million or 10% lower than segment income of $1.81 billion in the same period of 2022. The decrease in segment income before income taxes primarily reflected the pre-tax impacts of (i) net unfavorable prior year reserve development compared to net favorable prior year reserve development in the same period of 2022 and (ii) higher catastrophe losses, partially offset by (iii) higher underlying underwriting margins and (iv) higher net investment income. Net unfavorable prior year reserve development in the first nine months of 2023 was $345 million. Net favorable prior year reserve development in the first nine months of 2022 was $254 million. Catastrophe losses in the first nine months of 2023 and 2022 were $798 million and $529 million, respectively. The higher underlying underwriting margins primarily reflected the impacts of (i) higher business volumes, (ii) a lower level of property losses and (iii) the benefit of earned pricing, partially offset by (iv) higher general and administrative expenses. Income tax expense in the first nine months of 2023 was lower than in the same period of 2022, primarily reflecting the impact of a one-time tax benefit of $171 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item and the decrease in income before income taxes.

Revenues

Earned Premiums
Earned premiums in the third quarter of 2023 were $4.96 billion, $603 million or 14% higher than in the same period of 2022. Earned premiums in the first nine months of 2023 were $14.08 billion, $1.44 billion or 11% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected the increase in net written premiums over the preceding twelve months.

Net Investment Income

Net investment income in the third quarter of 2023 was $551 million, $125 million or 29% higher than in the same period of 2022. Net investment income in the first nine months of 2023 was $1.53 billion, $118 million or 8% higher than in the same period of 2022. Refer to the "Revenues—Net Investment Income" section of the "Consolidated Results of Operations" discussion herein for a description of the factors contributing to the increases in the Company's consolidated net investment income in the third quarter and first nine months of 2023 compared with the same periods of 2022. In addition, refer to note 2 of the notes to the consolidated financial statements in the Company's 2022 Annual Report for a discussion of the Company's net investment income allocation methodology.

Fee Income

National Accounts is the primary source of fee income due to revenue from its large deductible policies and service businesses, which include risk management, claims administration, loss control and risk management information services provided to third parties, as well as policy issuance and claims management services to workers' compensation residual market pools. Fee income in the third quarter of 2023 was $102 million, $6 million or 6% higher than in the same period of 2022. Fee income in the first nine months of 2023 was $299 million, $14 million or 5% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected higher claim volume under administration associated with large deductible policies and the service business, partially offset by lower serviced premium volume from the workers' compensation residual market pool.

Other Revenues

Other revenues in the third quarter of 2023 were $71 million, $15 million higher than in the same period of 2022. Other revenues in the first nine months of 2023 were $185 million, $9 million lower than in the same period of 2022, primarily reflecting the receipt of a surplus distribution from a state workers' compensation reinsurance fund in 2022. Other revenues also include revenues from Simply Business, installment premium charges and other policyholder service charges.

Claims and Expenses

Claims and Claim Adjustment Expenses

Claims and claim adjustment expenses in the third quarter of 2023 were $3.52 billion, $560 million or 19% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher net unfavorable prior year reserve development, (ii) higher business volumes and (iii) loss cost trends, partially offset by (iv) lower catastrophe losses.

Claims and claim adjustment expenses in the first nine months of 2023 were $9.72 billion, $1.55 billion or 19% higher than in the same period of 2022, primarily reflecting the impacts of (i) net unfavorable prior year reserve development compared to net favorable prior year reserve development in the same period of 2022, (ii) higher business volumes, (iii) higher catastrophe losses and (iv) loss cost trends, partially offset by (v) a lower level of property losses.

Factors contributing to net prior year reserve development during the third quarters and first nine months of 2023 and 2022 are discussed in more detail in note 7 of the notes to the unaudited consolidated financial statements.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs in the third quarter of 2023 was $820 million, $112 million or 16% higher than the same period of 2022. Amortization of deferred acquisition costs in the first nine months of 2023 was $2.34 billion, $268 million or 13% higher than the same period of 2022. The increases in both periods of 2023 were generally consistent with the increases in earned premiums.

General and Administrative Expenses

General and administrative expenses in the third quarter of 2023 were $772 million, $68 million or 10% higher than in the same period of 2022. General and administrative expenses in the first nine months of 2023 were $2.27 billion, $155 million or 7% higher than in the same period of 2022. The increases in both periods of 2023 were primarily in support of business growth.

Income Tax Expense

Income tax expense in the third quarter of 2023 was $101 million, $12 million higher than the same period of 2022, primarily reflecting the impact of the $9 million increase in income before income taxes. Income tax expense in the first nine months of 2023 was $141 million, $236 million lower than in the same period of 2022, primarily reflecting the one-time tax benefit of $171 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item and the impact of the $416 million decrease in income before income taxes, partially offset by a $3 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters.

Combined Ratio

The combined ratio of 99.1% in the third quarter of 2023 was 2.8 points higher than the combined ratio of 96.3% in the same period of 2022. The loss and loss adjustment expense ratio of 70.0% in the third quarter of 2023 was 3.1 points higher than the loss and loss adjustment expense ratio of 66.9% in the same period of 2022. The underwriting expense ratio of 29.1% in the third quarter of 2023 was 0.3 points lower than the underwriting expense ratio of 29.4% in the same period of 2022.

Catastrophe losses in the third quarters of 2023 and 2022 accounted for 4.1 points and 4.9 points, respectively, of the combined ratio. Net unfavorable prior year reserve development in the third quarters of 2023 and 2022 accounted for 5.3 points and 1.4 points, respectively, of the combined ratio. The underlying combined ratio in the third quarter of 2023 was 0.3 points lower than the 2022 ratio on the same basis, primarily reflecting improved expense leverage as a result of higher business volumes.

The combined ratio of 97.7% in the first nine months of 2023 was 4.2 points higher than the combined ratio of 93.5% in the same period of 2022. The loss and loss adjustment expense ratio of 68.0% in the first nine months of 2023 was 4.4 points higher than the loss and loss adjustment expense ratio of 63.6% in the same period of 2022. The underwriting expense ratio of 29.7% for the first nine months of 2023 was 0.2 points lower than the underwriting expense ratio of 29.9% in the same period of 2022.

Catastrophe losses in the first nine months of 2023 and 2022 accounted for 5.7 points and 4.1 points, respectively, of the combined ratio. Net unfavorable prior year reserve development in the first nine months of 2023 accounted for 2.4 points of the combined ratio. Net favorable prior year reserve development in the first nine months of 2022 provided 2.0 points of benefit to the combined ratio. The underlying combined ratio in the first nine months of 2023 was 1.8 points lower than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) a lower level of property losses and (ii) the benefit of earned pricing.

Written Premiums

Business Insurance's gross and net written premiums by market were as follows:

	Gross Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Domestic:				
Select Accounts	**$ 830**	$ 744	**$ 2,640**	$ 2,391
Middle Market	**2,969**	2,638	**8,938**	7,939
National Accounts	**335**	357	**1,208**	1,201
National Property and Other	**1,128**	884	**2,842**	2,291
Total Domestic	**5,262**	4,623	**15,628**	13,822
International	**423**	241	**1,547**	976
Total Business Insurance	**$ 5,685**	$ 4,864	**$ 17,175**	$ 14,798

	Net Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Domestic:				
Select Accounts	**$ 824**	$ 739	**$ 2,615**	$ 2,365
Middle Market	**2,750**	2,465	**8,294**	7,410
National Accounts	**247**	247	**818**	790
National Property and Other	**874**	702	**2,326**	1,889
Total Domestic	**4,695**	4,153	**14,053**	12,454
International	**385**	217	**1,359**	791
Total Business Insurance	**$ 5,080**	$ 4,370	**$ 15,412**	$ 13,245

Gross and net written premiums in the third quarter of 2023 increased by 17% and 16%, respectively, over the same period of 2022. Gross and net written premiums in the first nine months of 2023 both increased by 16% over the same period of 2022.

Select Accounts. Net written premiums of $824 million and $2.62 billion in the third quarter and first nine months of 2023, respectively, increased by 12% and 11%, respectively, over the same periods of 2022. Retention rates remained strong in the third quarter and first nine months of 2023 and increased over the same periods of 2022. Renewal premium changes in the third quarter and first nine months of 2023 remained positive and were comparable with the same periods of 2022. New business premiums in the third quarter and first nine months of 2023 increased over the same periods of 2022.

Middle Market. Net written premiums of $2.75 billion and $8.29 billion in the third quarter and first nine months of 2023, respectively, both increased by 12% over the same periods of 2022. Retention rates remained strong in the third quarter of 2023 and increased slightly over the same period of 2022. Retention rates remained strong in the first nine months of 2023 and increased over the same period of 2022. Renewal premium changes in the third quarter and first nine months of 2023 remained positive and were higher than the same periods of 2022. New business premiums in the third quarter and first nine months of 2023 increased over the same periods of 2022.

National Accounts. Net written premiums of $247 million in the third quarter of 2023 were comparable with the same period of 2022. Net written premiums of $818 million in the first nine months of 2023 increased by 4% over the same period of 2022. Retention rates remained strong in the third quarter and first nine months of 2023 and increased over the same periods of 2022. Renewal premium changes in the third quarter of 2023 remained positive but were lower than the same period of 2022. Renewal premium changes in the first nine months of 2023 remained strong and were higher than the same period of 2022. New business premiums in the third quarter of 2023 decreased from the same period of 2022. New business premiums in the first nine months of 2023 increased over the same period of 2022.

National Property and Other. Net written premiums of $874 million and $2.33 billion in the third quarter and first nine months of 2023, respectively, increased by 25% and 23%, respectively, over the same periods of 2022. Retention rates remained strong in the third quarter and first nine months of 2023 and increased over the same periods of 2022. Renewal premium changes in the third quarter and first nine months of 2023 remained positive and were higher than in the same periods of 2022. New business premiums in the third quarter and first nine months of 2023 increased over the same periods of 2022.

International. Net written premiums of $385 million in the third quarter and $1.36 billion in the first nine months of 2023 increased by 77% and 72%, respectively, over the same periods of 2022, and included the impact of the Company's quota share reinsurance agreement with subsidiaries of Fidelis Insurance Holding Limited (Fidelis) effective January 1, 2023.

Bond & Specialty Insurance

Results of Bond & Specialty Insurance were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions)	**2023**	**2022**	**2023**	**2022**
Revenues				
Earned premiums	**$ 935**	$ 877	**$ 2,721**	$ 2,548
Net investment income	**86**	65	**237**	188
Other revenues	**6**	6	**18**	14
Total revenues	**1,027**	948	**2,976**	2,750
Total claims and expenses	**696**	644	**2,108**	1,922
Segment income before income taxes	**331**	304	**868**	828
Income tax expense	**66**	62	**166**	141
Segment income	**$ 265**	$ 242	**$ 702**	$ 687
Loss and loss adjustment expense ratio	**36.9 %**	37.3 %	**39.8 %**	39.5 %
Underwriting expense ratio	**36.7**	35.2	**37.0**	35.3
Combined ratio	**73.6 %**	72.5 %	**76.8 %**	74.8 %

Overview
Segment income in the third quarter of 2023 was $265 million, $23 million or 10% higher than segment income of $242 million in the same period of 2022. The increase in segment income before income taxes primarily reflected the pre-tax impacts of (i) higher net investment income, (ii) higher net favorable prior year reserve development and (iii) lower catastrophe losses, partially offset by (iv) lower underlying underwriting margins. Net favorable prior year reserve development in the third quarters of 2023 and 2022 was $72 million and $63 million, respectively. Catastrophe losses in the third quarters of 2023 and 2022 were $5 million and $11 million, respectively. The lower underlying underwriting margins primarily reflected the impacts of (i) higher general and administrative expenses and (ii) a favorable re-estimation of domestic management liability losses incurred for the first six months of 2023 that was lower than the favorable re-estimation losses incurred in the same period of 2022, partially offset by (iii) higher business volumes. Income tax expense in the third quarter of 2023 was higher than in the same period of 2022, primarily reflecting the impact of the increase in segment income before income taxes.

Segment income in the first nine months of 2023 was $702 million, $15 million or 2% higher than segment income of $687 million in the same period of 2022. The increase in segment income before income taxes primarily reflected the pre-tax impacts of (i) higher net favorable prior year reserve development and (ii) higher net investment income, partially offset by (iii) lower underlying underwriting margins and (iv) higher catastrophe losses. Net favorable prior year reserve development in the first nine months of 2023 and 2022 was $249 million and $171 million, respectively. Catastrophe losses in the first nine months of 2023 and 2022 were $31 million and $16 million, respectively. The lower underlying underwriting margins primarily reflected the impacts of (i) higher general and administrative expenses, (ii) losses from a small number of surety accounts and (iii) loss activity related to the disruption in the banking sector, partially offset by (iv) higher business volumes. Income tax expense in the first nine months of 2023 was higher than in the same period of 2022, primarily reflecting the impact of the increase in segment income before income taxes and a $24 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters, partially offset by a one-time tax benefit of $9 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item.

Revenues

Earned Premiums
Earned premiums in the third quarter of 2023 were $935 million, $58 million or 7% higher than in the same period of 2022. Earned premiums in the first nine months of 2023 were $2.72 billion, $173 million or 7% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected increases in net written premiums in prior quarters, including the impact of longer duration surety bonds and multi-year management liability policies.

Net Investment Income
Net investment income in the third quarter of 2023 was $86 million, $21 million or 32% higher than in the same period of 2022. Net investment income in the first nine months of 2023 was $237 million, $49 million or 26% higher than in the same period of 2022. Included in Bond & Specialty Insurance are certain legal entities whose invested assets and related net investment income are reported exclusively in this segment and not allocated among all business segments. Refer to the “Revenues—Net Investment Income” section of “Consolidated Results of Operations” herein for a discussion of the factors contributing to the increases in the Company’s consolidated net investment income in the third quarter and first nine months of 2023 compared with the same periods of 2022. In addition, refer to note 2 of the notes to the consolidated financial statements in the Company’s 2022 Annual Report for a discussion of the Company’s net investment income allocation methodology.

Claims and Expenses

Claims and Claim Adjustment Expenses
Claims and claim adjustment expenses in the third quarter of 2023 were $351 million, $17 million or 5% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher business volumes and (ii) a favorable re-estimation of domestic management liability losses incurred for the first six months of 2023 that was lower than the favorable re-estimation losses incurred in the same period of 2022, partially offset by (iii) higher net favorable prior year reserve development and (iv) lower catastrophe losses.

Claims and claim adjustment expenses in the first nine months of 2023 were $1.10 billion, $78 million or 8% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher business volumes, (ii) losses from a small number of surety accounts, (iii) loss activity related to the disruption in the banking sector and (iv) higher catastrophe losses, partially offset by (v) higher net favorable prior year reserve development.

Factors contributing to net favorable prior year reserve development during the third quarters and first nine months of 2023 and 2022 are discussed in more detail in note 7 of the notes to the unaudited consolidated financial statements.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs in the third quarter of 2023 was $173 million, $11 million or 7% higher than in the same period of 2022. Amortization of deferred acquisition costs in the first nine months of 2023 was $501 million, $35 million or 8% higher than in the same period of 2022. The increases in both periods of 2023 were generally consistent with the increases in earned premiums.

General and Administrative Expenses

General and administrative expenses in the third quarter of 2023 were $172 million, $24 million or 16% higher than in the same period of 2022. General and administrative expenses in the first nine months of 2023 were $510 million, $73 million or 17% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected higher employee and technology related expenses.

Income Tax Expense

Income tax expense in the third quarter of 2023 was $66 million, $4 million or 6% higher than in the same period of 2022, primarily reflecting the impact of the $27 million increase in segment income before income taxes. Income tax expense in the first nine months of 2023 was $166 million, $25 million or 18% higher than in the same period of 2022, primarily reflecting the impact of the $40 million increase in segment income before income taxes and the $24 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters, partially offset by the one-time tax benefit of $9 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item.

Combined Ratio

The combined ratio of 73.6% in the third quarter of 2023 was 1.1 points higher than the combined ratio of 72.5% in the same period of 2022. The loss and loss adjustment expense ratio of 36.9% in the third quarter of 2023 was 0.4 points lower than the loss and loss adjustment expense ratio of 37.3% in the same period of 2022. The underwriting expense ratio of 36.7% in the third quarter of 2023 was 1.5 points higher than the underwriting expense ratio of 35.2% in the same period of 2022.

Net favorable prior year reserve development in the third quarters of 2023 and 2022 provided 7.7 points and 7.2 points of benefit, respectively, to the combined ratio. Catastrophe losses in the third quarters of 2023 and 2022 accounted for 0.6 points and 1.3 points, respectively, of the combined ratio. The underlying combined ratio in the third quarter of 2023 was 2.3 points higher than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) a higher expense ratio and (ii) a favorable re-estimation of domestic management liability losses incurred for the first six months of 2023 that was lower than the favorable re-estimation losses incurred in the same period of 2022.

The combined ratio of 76.8% in the first nine months of 2023 was 2.0 points higher than the combined ratio of 74.8% in the same period of 2022. The loss and loss adjustment expense ratio of 39.8% in the first nine months of 2023 was 0.3 points higher than the loss and loss adjustment expense ratio of 39.5% in the same period of 2022. The underwriting expense ratio of 37.0% in the first nine months of 2023 was 1.7 points higher than the underwriting expense ratio of 35.3% in the same period of 2022.

Net favorable prior year reserve development in the first nine months of 2023 and 2022 provided 9.1 points and 6.7 points of benefit, respectively, to the combined ratio. Catastrophe losses in the first nine months of 2023 and 2022 accounted for 1.1 points and 0.6 points, respectively, of the combined ratio. The underlying combined ratio in the first nine months of 2023 was 3.9 points higher than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) a higher expense ratio, (ii) losses from a small number of surety accounts and (iii) loss activity related to the disruption in the banking sector.

Written Premiums

The Bond & Specialty Insurance segment's gross and net written premiums were as follows:

	Gross Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Domestic:				
Management Liability	**$ 618**	$ 620	**$ 1,780**	$ 1,783
Surety	**330**	295	**933**	889
Total Domestic	**948**	915	**2,713**	2,672
International	**134**	128	**414**	416
Total Bond & Specialty Insurance	**$ 1,082**	$ 1,043	**$ 3,127**	$ 3,088

	Net Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Domestic:				
Management Liability	**$ 551**	$ 554	**$ 1,603**	$ 1,592
Surety	**321**	284	**871**	828
Total Domestic	**872**	838	**2,474**	2,420
International	**131**	126	**379**	388
Total Bond & Specialty Insurance	**$ 1,003**	$ 964	**$ 2,853**	$ 2,808

Gross and net written premiums in the third quarter of 2023 both increased by 4% over the same period of 2022. Gross and net written premiums in the first nine months of 2023 increased by 1% and 2%, respectively, over the same period of 2022.

Domestic. Net written premiums of $872 million and $2.47 billion in the third quarter and first nine months of 2023, respectively, increased by 4% and 2%, respectively, over the same periods of 2022. Excluding the surety line of business, for which the following are not relevant measures, retention rates remained strong in the third quarter and first nine months of 2023 and increased over the same periods of 2022. Renewal premium changes in the third quarter and first nine months of 2023 remained positive but were lower than in the same periods of 2022. New business premiums in the third quarter and first nine months of 2023 increased over the same periods of 2022.

International. Net written premiums of $131 million in the third quarter of 2023 increased by 4% over the same period of 2022, primarily driven by increases in the United Kingdom and broader Europe, partially offset by decreases in Canada. Net written premiums of $379 million in the first nine months of 2023 decreased by 2% from the same period of 2022, primarily driven by decreases in the United Kingdom and broader Europe and the impact of changes in foreign currency exchange rates.

Personal Insurance

Results of Personal Insurance were as follows:

(dollars in millions)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues				
Earned premiums	**$ 3,827**	$ 3,385	**$ 10,990**	$ 9,756
Net investment income	**132**	102	**374**	334
Fee income	**10**	8	**25**	22
Other revenues	**24**	22	**72**	61
Total revenues	**3,993**	3,517	**11,461**	10,173
Total claims and expenses	**4,249**	3,664	**12,344**	10,318
Segment loss before income taxes	**(256)**	(147)	**(883)**	(145)
Income tax benefit	**(63)**	(36)	**(235)**	(66)
Segment loss	**$ (193)**	$ (111)	**$ (648)**	$ (79)
Loss and loss adjustment expense ratio	**85.7 %**	82.6 %	**86.6 %**	79.3 %
Underwriting expense ratio	**24.3**	24.6	**24.7**	25.4
Combined ratio	**110.0 %**	107.2 %	**111.3 %**	104.7 %

Overview

Segment loss in the third quarter of 2023 was $193 million, compared with a segment loss of $111 million in the same period of 2022. The increase in segment loss before income taxes was driven by the pre-tax impacts of (i) higher catastrophe losses, partially offset by (ii) higher underlying underwriting margins, (iii) higher net investment income and (iv) higher net favorable prior year reserve development. Catastrophe losses in the third quarters of 2023 and 2022 were $642 million and $285 million, respectively. Net favorable prior year reserve development in the third quarters of 2023 and 2022 was $37 million and $18 million, respectively. The higher underlying underwriting margins primarily reflected the impacts of (i) the benefit of earned pricing in both the automobile and homeowners and other product lines, (ii) lower losses in the homeowners and other product line and (iii) higher business volumes. The income tax benefit in the third quarter of 2023 was higher than in the same period of 2022, primarily reflecting the impact of the increase in segment loss before income taxes.

Segment loss in the first nine months of 2023 was $648 million, compared with a segment loss of $79 million in the same period of 2022. The increase in segment loss before income taxes was driven by the pre-tax impacts of (i) higher catastrophe losses, partially offset by (ii) higher underlying underwriting margins, (iii) higher net favorable prior year reserve development and (iv) higher net investment income. Catastrophe losses in the first nine months of 2023 and 2022 were $2.04 billion and $873 million, respectively. Net favorable prior year reserve development in the first nine months of 2023 and 2022 was $107 million and $39 million, respectively. The higher underlying underwriting margins primarily reflected the impacts of (i) the benefit of earned pricing in both the automobile and homeowners and other product lines, (ii) lower losses in the homeowners and other product line and (iii) higher business volumes, partially offset by (iv) higher losses in the automobile product line. The income tax benefit in the first nine months of 2023 was higher than in the same period of 2022, primarily reflecting the impact of the increase in segment loss before income taxes and a one-time tax benefit of $31 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item, partially offset by a $20 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters.

Revenues

Earned Premiums

Earned premiums in the third quarter of 2023 were $3.83 billion, $442 million or 13% higher than in the same period of 2022. Earned premiums in the first nine months of 2023 were $10.99 billion, $1.23 billion or 13% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected the increase in net written premiums over the preceding twelve months.

Net Investment Income
Net investment income in the third quarter of 2023 was $132 million, $30 million or 29% higher than in the same period of 2022. Net investment income in the first nine months of 2023 was $374 million, $40 million or 12% higher than in the same period of 2022. Refer to the "Revenues—Net Investment Income" section of the "Consolidated Results of Operations" discussion herein for a description of the factors contributing to the increases in the Company's consolidated net investment income in the third quarter and first nine months of 2023 compared with the same periods of 2022. In addition, refer to note 2 of the notes to the consolidated financial statements in the Company's 2022 Annual Report for a discussion of the Company's net investment income allocation methodology.

Other Revenues
Other revenues in the third quarters and first nine months of 2023 and 2022 primarily consisted of installment premium charges.

Claims and Expenses

Claims and Claim Adjustment Expenses
Claims and claim adjustment expenses in the third quarter of 2023 were $3.28 billion, $484 million or 17% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher catastrophe losses and (ii) higher business volumes, partially offset by (iii) lower losses in the homeowners and other product line and (iv) higher net favorable prior year reserve development.

Claims and claim adjustment expenses in the first nine months of 2023 were $9.52 billion, $1.78 billion or 23% higher than in the same period of 2022, primarily reflecting the impacts of (i) higher catastrophe losses, (ii) higher business volumes and (iii) higher losses in the automobile product line, partially offset by (iv) lower losses in the homeowners and other product line and (v) higher net favorable prior year reserve development.

Factors contributing to net favorable prior year reserve development during the third quarter and first nine months of 2023 are discussed in more detail in note 7 of the notes to the unaudited consolidated financial statements. Net favorable prior year reserve development was not significant in the third quarter and first nine months of 2022.

Amortization of Deferred Acquisition Costs
Amortization of deferred acquisition costs in the third quarter of 2023 was $611 million, $75 million or 14% higher than in the same period of 2022. Amortization of deferred acquisition costs in the first nine months of 2023 was $1.75 billion, $201 million or 13% higher than in the same period of 2022. The increases in both periods of 2023 were generally consistent with the increases in earned premiums.

General and Administrative Expenses
General and administrative expenses in the third quarter of 2023 were $359 million, $26 million or 8% higher than in the same period of 2022. General and administrative expenses in the first nine months of 2023 were $1.08 billion, $49 million or 5% higher than in the same period of 2022. The increases in both periods of 2023 primarily reflected higher employee and technology related expenses.

Income Tax Benefit
The income tax benefit in the third quarter of 2023 was $63 million, compared with $36 million in the same period of 2022, primarily reflecting the impact of the $109 million increase in segment loss before income taxes. The income tax benefit in the first nine months of 2023 was $235 million, compared with $66 million in the same period of 2022, primarily reflecting the impact of the $738 million increase in segment loss before income taxes and the one-time tax benefit of $31 million in the first quarter of 2023 due to the expiration of the statute of limitations with respect to a tax item, partially offset by the $20 million reduction in income tax expense in the first quarter of 2022 as a result of the resolution of prior year tax matters.

Combined Ratio

The combined ratio of 110.0% in the third quarter of 2023 was 2.8 points higher than the combined ratio of 107.2% in the same period of 2022. The loss and loss adjustment expense ratio of 85.7% in the third quarter of 2023 was 3.1 points higher than the loss and loss adjustment expense ratio of 82.6% in the same period of 2022. The underwriting expense ratio of 24.3% in the third quarter of 2023 was 0.3 points lower than the underwriting expense ratio of 24.6% in the same period of 2022.

Catastrophe losses in the third quarters of 2023 and 2022 accounted for 16.8 points and 8.4 points, respectively, of the combined ratio. Net favorable prior year reserve development in the third quarters of 2023 and 2022 provided 1.0 points and 0.5 points of benefit, respectively, to the combined ratio. The underlying combined ratio in the third quarter of 2023 was 5.1

points lower than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) the benefit of earned pricing in both the automobile and homeowners and other product lines and (ii) lower losses in the homeowners and other product line.

The combined ratio of 111.3% in the first nine months of 2023 was 6.6 points higher than the combined ratio of 104.7% in the same period of 2022. The loss and loss adjustment expense ratio of 86.6% in the first nine months of 2023 was 7.3 points higher than the loss and loss adjustment expense ratio of 79.3% in the same period of 2022. The underwriting expense ratio of 24.7% in the first nine months of 2023 was 0.7 points lower than the underwriting expense ratio of 25.4% in the same period of 2022.

Catastrophe losses in the first nine months of 2023 and 2022 accounted for 18.5 points and 8.9 points, respectively, of the combined ratio. Net favorable prior year reserve development in the first nine months of 2023 and 2022 provided 1.0 points and 0.4 points of benefit, respectively, to the combined ratio. The underlying combined ratio in the first nine months of 2023 was 2.4 points lower than the 2022 ratio on the same basis, primarily reflecting the impacts of (i) the benefit of earned pricing in both the automobile and homeowners and other product lines, (ii) lower losses in the homeowners and other product line and (iii) a lower expense ratio, partially offset by (iv) higher losses in the automobile product line.

Written Premiums

Personal Insurance's gross and net written premiums were as follows:

	Gross Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Domestic:				
Automobile	**$ 2,026**	$ 1,747	**$ 5,515**	$ 4,888
Homeowners and Other	**2,286**	1,980	**6,192**	5,342
Total Domestic	**4,312**	3,727	**11,707**	10,230
International	**184**	178	**508**	515
Total Personal Insurance	**$ 4,496**	$ 3,905	**$ 12,215**	$ 10,745

	Net Written Premiums			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2023	2022	2023	2022
Domestic:				
Automobile	**$ 2,022**	$ 1,743	**$ 5,499**	$ 4,868
Homeowners and Other	**2,216**	1,952	**5,954**	5,164
Total Domestic	**4,238**	3,695	**11,453**	10,032
International	**172**	169	**489**	500
Total Personal Insurance	**$ 4,410**	$ 3,864	**$ 11,942**	$ 10,532

Gross and net written premiums in the third quarter of 2023 increased by 15% and 14%, respectively, over the same period of 2022. Gross and net written premiums in the first nine months of 2023 increased by 14% and 13%, respectively, over the same period of 2022.

Domestic

Automobile net written premiums of $2.02 billion and $5.50 billion in the third quarter and first nine months of 2023, respectively, increased by 16% and 13%, respectively, over the same periods of 2022. Retention rates remained strong in the third quarter and first nine months of 2023 but decreased from the same periods of 2022. Renewal premium changes in the third quarter and first nine months of 2023 remained positive and were higher than in the same periods of 2022. New business premiums in the third quarter and first nine months of 2023 decreased from the same periods of 2022.

Homeowners and Other net written premiums of $2.22 billion and $5.95 billion in the third quarter and first nine months of 2023, respectively, increased by 14% and 15%, respectively, over the same periods of 2022. Retention rates remained strong in the third quarter and first nine months of 2023 but decreased slightly from the same periods of 2022. Renewal premium changes in the third quarter and first nine months of 2023 remained positive and were higher than in the same periods of 2022. New business premiums in the third quarter and first nine months of 2023 decreased from the same periods of 2022.

For its Domestic business, Personal Insurance had approximately 9.1 million and 9.2 million active policies at September 30, 2023 and 2022, respectively.

International
International net written premiums of $172 million in the third quarter of 2023 increased by 2% over the same period of 2022, driven by increases in automobile product line, partially offset by the impact of changes in foreign currency exchange rates. International net written premiums of $489 million in the first nine months of 2023 decreased by 2% from the same period of 2022, driven by the impact of changes in foreign currency exchange rates.

For its International business, Personal Insurance had approximately 451,000 and 455,000 active policies at September 30, 2023 and 2022, respectively.

Interest Expense and Other

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Income (loss)	**$ (86)**	$ (76)	**$ (241)**	$ (226)

The Income (loss) for Interest Expense and Other in the third quarters of 2023 and 2022 was $(86) million and $(76) million, respectively. Pre-tax interest expense for the third quarters of 2023 and 2022 was $98 million and $88 million, respectively. After-tax interest expense for the third quarters of 2023 and 2022 was $78 million and $70 million, respectively. The Income (loss) for Interest Expense and Other in the first nine months of 2023 and 2022 was $(241) million and $(226) million, respectively. Pre-tax interest expense in the first nine months of 2023 and 2022 was $278 million and $263 million, respectively. After-tax interest expense in the first nine months of 2023 and 2022 was $220 million and $208 million, respectively.

ASBESTOS CLAIMS AND LITIGATION

The Company believes that the property and casualty insurance industry has suffered from court decisions and other trends that have expanded insurance coverage for asbestos claims far beyond the original intent of insurers and policyholders. The Company has received and continues to receive a significant number of asbestos claims. Factors underlying these claim filings include continued intensive advertising by lawyers seeking asbestos claimants and the focus by plaintiffs on defendants, such as manufacturers of talcum powder, who were not traditionally primary targets of asbestos litigation. The focus on these defendants is primarily the result of the number of traditional asbestos defendants who have sought bankruptcy protection in previous years. The bankruptcy of many traditional defendants has also caused increased settlement demands against those policyholders who are not in bankruptcy but remain in the tort system. Currently, in many jurisdictions, those who allege very serious injury and who can present credible medical evidence of their injuries are receiving priority trial settings in the courts, while those who have not shown any credible disease manifestation are having their hearing dates delayed or placed on an inactive docket. Prioritizing claims involving credible evidence of injuries, along with the focus on defendants who were not traditionally primary targets of asbestos litigation, contributes to the claims and claim adjustment expense payment patterns experienced by the Company. The Company's asbestos-related claims and claim adjustment expense experience also has been impacted by the unavailability of other insurance sources potentially available to policyholders, whether through exhaustion of policy limits or through the insolvency of other participating insurers.

The Company continues to be involved in disputes, including litigation, with a number of policyholders, some of whom are in bankruptcy, over coverage for asbestos-related claims. Many coverage disputes with policyholders are only resolved through settlement agreements. Because many policyholders make exaggerated demands, it is difficult to predict the outcome of settlement negotiations. Settlements involving bankrupt policyholders may include extensive releases which are favorable to the Company, but which could result in settlements for larger amounts than originally anticipated. Although the Company has seen a reduction in the overall risk associated with these disputes, it remains difficult to predict the ultimate cost of these claims. As in the past, the Company will continue to pursue settlement opportunities.

In addition to claims against policyholders, proceedings have been launched directly against insurers, including the Company, by individuals challenging insurers' conduct with respect to the handling of past asbestos claims and by individuals seeking damages arising from alleged asbestos-related bodily injuries. It is possible that other direct actions against insurers, including the Company, could be filed in the future. It is difficult to predict the outcome of these proceedings, including whether the plaintiffs would be able to sustain these actions against insurers based on novel legal theories of liability. The Company believes it has meritorious defenses to any such claims and has received favorable rulings in certain jurisdictions.

Because each policyholder presents different liability and coverage issues, the Company generally reviews the exposure presented by each policyholder with open claims at least annually. Among the factors the Company may consider in the course of this review are: available insurance coverage, including the role of any umbrella or excess insurance the Company has issued to the policyholder; limits and deductibles; an analysis of the policyholder's potential liability; the jurisdictions involved; past and anticipated future claim activity and loss development on pending claims; past settlement values of similar claims; allocated claim adjustment expense; the potential role of other insurance; the role, if any, of non-asbestos claims or potential non-asbestos claims in any resolution process; and applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

In the third quarter of 2023, the Company completed its annual in-depth asbestos claim review, including a review of policyholders with open claims and litigation cases for potential product and "non-product" liability. The number of policyholders with open asbestos claims and net asbestos payments was relatively flat compared to 2022. Payments on behalf of these policyholders continue to be influenced by an increase in severity for certain policyholders and a high level of litigation activity in a limited number of jurisdictions where individuals alleging serious asbestos-related injury, primarily mesothelioma, continue to target defendants who were not traditionally primary targets of asbestos litigation.

The Company's quarterly asbestos reserve reviews include an analysis of exposure and claim payment patterns by policyholder, as well as recent settlements, policyholder bankruptcies, judicial rulings and legislative actions. The Company also analyzes developing payment patterns among policyholders and the assumed reinsurance component of reserves, as well as projected reinsurance billings and recoveries. In addition, the Company reviews its historical gross and net loss and expense paid experience, year-by-year, to assess any emerging trends, fluctuations, or characteristics suggested by the aggregate paid activity. Conventional actuarial methods are not utilized to establish asbestos reserves, and the Company's evaluations have not resulted in a reliable method to determine a meaningful average asbestos defense or indemnity payment.

The completion of these reviews and analyses in the third quarters of 2023 and 2022 resulted in $284 million and $212 million increases, respectively, to the Company's net asbestos reserves. In both 2023 and 2022, the reserve increases were primarily driven by increases in the Company's estimate of projected settlement and defense costs related to a broad number of policyholders. The increase in the estimate of projected settlement and defense costs primarily resulted from payment trends that continue to be higher than previously anticipated due to the continued high level of mesothelioma claim filings and the impact of the current litigation environment surrounding those claims discussed above. The 2023 charge also includes an additional increase to strengthen the Company's carried reserve position relative to the range of reasonable estimates. Over the past decade, the property and casualty insurance industry, including the Company, has experienced net unfavorable prior year reserve development with regard to asbestos reserves, but the Company believes that over that period there has been a reduction in the volatility associated with the Company's overall asbestos exposure as the overall asbestos environment has evolved from one dominated by exposure to significant litigation risks, particularly coverage disputes relating to policyholders in bankruptcy who were asserting that their claims were not subject to the aggregate limits contained in their policies, to an environment primarily driven by a frequency of litigation related to individuals with mesothelioma. The Company's overall view of the current underlying asbestos environment is essentially unchanged from recent periods, and there remains a high degree of uncertainty with respect to future exposure to asbestos claims.

Net asbestos paid loss and loss expenses in the first nine months of 2023 and 2022 were $156 million in both periods. Net asbestos reserves were $1.43 billion and $1.39 billion at September 30, 2023 and 2022, respectively.

The following table displays activity for asbestos losses and loss expenses and reserves:

(at and for the nine months ended September 30, in millions)	2023	2022
Beginning reserves:		
Gross	**$ 1,674**	$ 1,687
Ceded	**(369)**	(346)
Net	**1,305**	1,341
Incurred losses and loss expenses:		
Gross	**374**	287
Ceded	**(90)**	(75)
Net	**284**	212
Paid loss and loss expenses:		
Gross	**200**	205
Ceded	**(44)**	(49)
Net	**156**	156
Foreign exchange and other:		
Gross	**—**	(4)
Ceded	**—**	—
Net	**—**	(4)
Ending reserves:		
Gross	**1,848**	1,765
Ceded	**(415)**	(372)
Net	**$ 1,433**	$ 1,393

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See "—Uncertainty Regarding Adequacy of Asbestos and Environmental Reserves."

ENVIRONMENTAL CLAIMS AND LITIGATION

The Company has received and continues to receive claims from policyholders who allege that they are liable for injury or damage arising out of the alleged storage, emissions or disposal of toxic substances, frequently under policies issued prior to the mid-1980s. These claims are mainly brought pursuant to various state or federal statutes that require a liable party to undertake or pay for environmental remediation. For example, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) enables private parties as well as federal and state governments to take action with respect to releases and threatened releases of hazardous substances. This federal statute permits the recovery of response costs from some liable parties and may require liable parties to undertake their own remedial action. Liability under these statutes may be joint and several with other responsible parties. The Company has also been, and continues to be, involved in litigation involving insurance coverage issues pertaining to environmental claims. The Company believes that some court decisions pertaining to environmental claims have interpreted the insurance coverage to be broader than the original intent of the insurers and policyholders.

In establishing environmental reserves, the Company evaluates the exposure presented by each policyholder and the anticipated cost of resolution, if any. In the course of its analysis, the Company generally considers the probable liability, available coverage and relevant judicial interpretations. In addition, the Company considers the many variables presented, such as: the nature of the alleged activities of the policyholder at each site; the number of sites; the total number of potentially responsible parties at each site; the nature of the alleged environmental harm and the corresponding remedy at each site; the nature of government enforcement activities at each site; the ownership and general use of each site; the overall nature of the insurance relationship between the Company and the policyholder, including the role of any umbrella or excess insurance the Company has issued to the policyholder; the involvement of other insurers; the potential for other available coverage, including the number of years of coverage; the role, if any, of non-environmental claims or potential non-environmental claims in any resolution process; and the applicable law in each jurisdiction. The evaluation of the exposure presented by a policyholder can change as information concerning that policyholder and the many variables presented is developed. Conventional actuarial methods are not used to estimate these reserves.

Over the past several years, the Company has experienced generally favorable trends in the number of new policyholders tendering environmental claims for the first time and in the number of pending declaratory judgment actions relating to environmental matters. These policyholders continue to present smaller exposures, are involved in fewer hazardous waste sites and are lower tier defendants than policyholders presenting such claims in the past. Further, in many instances, clean-up costs have been reduced because regulatory agencies are willing to accept risk-based site analyses and more efficient clean-up technologies. However, the degree to which those favorable trends have continued has been less than anticipated. In addition, reserve development on existing environmental claims as well as the costs associated with coverage litigation on environmental matters has been greater than anticipated, driven by claims and legal developments in a limited number of jurisdictions. As a result of these factors, the Company increased its net environmental reserves by $26 million and $74 million in the third quarter and first nine months of 2023, respectively, and by $12 million and $95 million in the third quarter and first nine months of 2022, respectively. Net environmental paid loss and loss expenses in the first nine months of 2023 and 2022 were $63 million and $52 million, respectively. Net environmental reserves were $382 million and $364 million at September 30, 2023 and 2022, respectively.

UNCERTAINTY REGARDING ADEQUACY OF ASBESTOS AND ENVIRONMENTAL RESERVES

As a result of the processes and procedures discussed above, management believes that the reserves carried for asbestos and environmental claims are appropriately established based upon known facts, current law and management’s judgment. However, the uncertainties surrounding the final resolution of these claims continue, and it is difficult to determine the ultimate exposure for asbestos and environmental claims and related litigation. As a result, these reserves are subject to revision as new information becomes available and as claims develop. The continuing uncertainties include, without limitation:

- the risks and lack of predictability inherent in complex litigation;
- a further increase in the cost to resolve, and/or the number of, asbestos and environmental claims beyond that which is anticipated;
- the emergence of a greater number of asbestos claims than anticipated as a result of extended life expectancies resulting from medical advances and lifestyle improvements;
- the role of any umbrella or excess policies we have issued;
- the resolution or adjudication of disputes concerning coverage for asbestos and environmental claims in a manner inconsistent with our previous assessment of these disputes;
- the number and outcome of direct actions against us;
- future developments pertaining to our ability to recover reinsurance for asbestos and environmental claims;
- any impact on asbestos defendants we insure due to the bankruptcy of other asbestos defendants;
- the unavailability of other insurance sources potentially available to policyholders, whether through exhaustion of policy limits or through the insolvency of other participating insurers; and
- uncertainties arising from the insolvency or bankruptcy of policyholders.

Changes in the legal, regulatory and legislative environment may impact the future resolution of asbestos and environmental claims and result in adverse loss reserve development. The emergence of a greater number of asbestos or environmental claims beyond that which is anticipated may result in adverse loss reserve development. Changes in applicable legislation and future court and regulatory decisions and interpretations, including the outcome of legal challenges to legislative and/or judicial reforms establishing medical criteria for the pursuit of asbestos claims, could affect the settlement of asbestos and environmental claims. It is also difficult to predict the ultimate outcome of complex coverage disputes until settlement negotiations near completion and significant legal questions are resolved or, failing settlement, until the dispute is adjudicated. This is particularly the case with policyholders in bankruptcy where negotiations often involve a large number of claimants and other parties and require court approval to be effective. As part of its continuing analysis of asbestos and environmental reserves, the Company continues to study the implications of these and other developments.

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the Company’s current reserves. In addition, the Company’s estimate of claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company’s operating results in future periods.

INVESTMENT PORTFOLIO

The Company's invested assets at September 30, 2023 were $82.96 billion, of which 93% was invested in fixed maturity and short-term investments, 1% in equity securities, 1% in real estate investments and 5% in other investments. Because the primary purpose of the investment portfolio is to fund future claims payments, the Company employs a thoughtful investment philosophy that focuses on appropriate risk-adjusted returns. A significant majority of funds available for investment are deployed in a widely diversified portfolio of high quality, liquid, taxable U.S. government, tax-exempt and taxable U.S. municipal and taxable corporate and U.S. agency mortgage-backed bonds.

The carrying value of the Company's fixed maturity portfolio at September 30, 2023 was $72.58 billion. The Company closely monitors the duration of its fixed maturity investments, and investment purchases and sales are executed with the objective of having adequate funds available to satisfy the Company's insurance and debt obligations. The weighted average credit quality of the Company's fixed maturity portfolio, both including and excluding U.S. Treasury securities, was "Aa2" at both September 30, 2023 and December 31, 2022. Below investment grade securities represented 1.3% of the total fixed maturity investment portfolio at both September 30, 2023 and December 31, 2022. The weighted average effective duration of fixed maturities and short-term securities was 4.5 (4.8 excluding short-term securities) at September 30, 2023 and 4.6 (4.8 excluding short-term securities) at December 31, 2022.

Obligations of U.S. States, Municipalities and Political Subdivisions

The Company's fixed maturity investment portfolio at September 30, 2023 and December 31, 2022 included $26.24 billion and $31.38 billion, respectively, of securities which are obligations of U.S. states, municipalities and political subdivisions (collectively referred to as the municipal bond portfolio). The municipal bond portfolio is diversified across the United States, the District of Columbia and Puerto Rico and includes general obligation and revenue bonds issued by states, cities, counties, school districts and similar issuers. Included in the municipal bond portfolio at September 30, 2023 and December 31, 2022 were $1.04 billion and $2.34 billion, respectively, of pre-refunded bonds, which are bonds for which U.S. states or municipalities have established irrevocable trusts, almost exclusively comprised of U.S. Treasury securities and obligations of U.S. government and government agencies and authorities. These trusts were created to fund the payment of principal and interest due under the bonds. The irrevocable trusts are verified as to their sufficiency by an independent verification agent of the underwriter, issuer or trustee. All of the Company's holdings of securities issued by Puerto Rico and related entities have either been pre-refunded and therefore are defeased by U.S. Treasury securities or have FHA guarantees subject to federal appropriation.

The Company bases its investment decision on the underlying credit characteristics of the municipal security. The weighted average credit rating of the municipal bond portfolio was "Aaa/Aa1" at both September 30, 2023 and December 31, 2022.

Mortgage-Backed Securities, Collateralized Mortgage Obligations and Pass-Through Securities

The Company's fixed maturity investment portfolio at September 30, 2023 and December 31, 2022 included $6.52 billion and $1.99 billion, respectively, of residential mortgage-backed securities, including pass-through securities and collateralized mortgage obligations (CMOs), all of which are subject to prepayment risk (either shortening or lengthening of duration). While prepayment risk for securities and its effect on income cannot be fully controlled, particularly when interest rates move dramatically, the Company's investment strategy generally favors securities that reduce this risk within expected interest rate ranges. Included in the totals at September 30, 2023 and December 31, 2022 were $5.09 billion and $922 million, respectively, of GNMA, FNMA, FHLMC (excluding FHA project loans) and Canadian government guaranteed residential mortgage-backed pass-through securities classified as available for sale. Also included in those totals were residential CMOs classified as available for sale with a fair value of $1.43 billion and $1.07 billion at September 30, 2023 and December 31, 2022, respectively. Approximately 37% and 40% of the Company's CMO holdings at September 30, 2023 and December 31, 2022, respectively, were guaranteed by or fully collateralized by securities issued by GNMA, FNMA or FHLMC. The weighted average credit rating of the $902 million and $647 million of non-guaranteed CMO holdings was "Aaa" and "Aaa/Aa1" at September 30, 2023 and December 31, 2022, respectively. The weighted average credit rating of all of the above securities was "Aaa/Aa1" at both September 30, 2023 and December 31, 2022. For further discussion regarding the Company's investments in residential CMOs, see "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Investment Portfolio" in the Company's 2022 Annual Report.

Equity Securities, Real Estate and Short-Term Investments

See note 1 of the notes to the consolidated financial statements in the Company's 2022 Annual Report for further information about these invested asset classes.

Other Investments

The Company also invests in private equity, hedge fund and real estate partnerships, and joint ventures. These asset classes have historically provided a higher return than investments in fixed maturities but are subject to more volatility. At September 30, 2023 and December 31, 2022, the carrying value of the Company's other investments was $4.35 billion and $4.07 billion, respectively.

Investments in private equity, hedge fund and real estate partnerships are accounted for under the equity method of accounting and typically report their financial statement information to the Company one month to three months following the end of the reporting period. Accordingly, net investment income from these other investments is generally reflected in the Company's financial statements on a quarter lag basis.

CATASTROPHE REINSURANCE COVERAGE

The Company's normal renewals and changes to its catastrophe reinsurance coverage occur in January and July each year. The changes effective in January are discussed in the "Catastrophe Reinsurance" section of "Part I—Item 1—Business" in the Company's 2022 Annual Report, and changes effective in July are discussed in the "Catastrophe Reinsurance Coverage" section of "Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

The Company regularly reviews its catastrophe reinsurance coverage and may adjust such coverage in the future.

REINSURANCE RECOVERABLES

The Company reinsures a portion of the risks it underwrites in order to control its exposure to losses. For a description of the Company's reinsurance recoverables, refer to "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Reinsurance Recoverables" in the Company's 2022 Annual Report.

The following table summarizes the composition of the Company's reinsurance recoverables:

(in millions)	September 30, 2023	December 31, 2022
Gross reinsurance recoverables on paid and unpaid claims and claim adjustment expenses	**$ 4,005**	$ 3,792
Gross structured settlements	**2,726**	2,802
Mandatory pools and associations	**1,657**	1,601
Gross reinsurance recoverables	**8,388**	8,195
Allowance for estimated uncollectible reinsurance	**(121)**	(132)
Net reinsurance recoverables	**$ 8,267**	$ 8,063

Net reinsurance recoverables at September 30, 2023 increased by $204 million over December 31, 2022, primarily reflecting the impacts of net unfavorable prior year reserve development in the third quarter of 2023 and catastrophe losses in the first nine months of 2023, partially offset by cash collections in the first nine months of 2023.

OUTLOOK

The following discussion provides outlook information for certain key drivers of the Company's results of operations and capital position.

Premiums. The Company's earned premiums are a function of net written premium volume. Net written premiums comprise both renewal business and new business and are recognized as earned premium over the term of the underlying policies. When business renews, the amount of net written premiums associated with that business may increase or decrease (renewal premium change) as a result of increases or decreases in rate and/or insured exposures, which the Company considers as a measure of units of exposure (such as the number and value of vehicles or properties insured). Net written premiums from both renewal and new business, and therefore earned premiums, are impacted by competitive market conditions as well as general economic conditions, which, particularly in the case of Business Insurance, affect audit premium adjustments, policy endorsements and mid-term cancellations. Net written premiums may also be impacted by the structure of reinsurance programs and related costs, as well as changes in foreign currency exchange rates.

Overall, the Company expects that retention levels (the amount of expiring premium that renews, before the impact of renewal premium changes) will remain strong by historical standards during the remainder of 2023 and into 2024.

Property and casualty insurance market conditions are expected to remain competitive during the remainder of 2023 and into 2024 for new business. In each of the Company’s business segments, new business generally has less of an impact on underwriting profitability than renewal business, given the volume of new business relative to renewal business. However, in periods of meaningful increases in new business, despite its positive impact on underwriting gains over time, the impact of higher new business levels may negatively impact the combined ratio for a period of time. In periods of meaningful decreases in new business, despite its negative impact on underwriting gains over time, the impact of lower new business levels may positively impact the combined ratio for a period of time.

Effective January 1, 2023, the Company entered into a quota share reinsurance agreement with subsidiaries of Fidelis Insurance Holdings Limited (Fidelis) pursuant to which the Company assumes 20% of the business written by Fidelis during 2023, subject to a loss ratio cap. The Company’s portion of net written premiums from Fidelis is reported as part of the International results of Business Insurance. The Company also has a minority investment in Fidelis.

Underwriting Gain/Loss. The Company’s underwriting gain/loss can be significantly impacted by catastrophe losses and net favorable or unfavorable prior year reserve development, as well as underlying underwriting margins. Underlying underwriting margins can be impacted by a number of factors, including variability in non-catastrophe weather, large loss and other loss activity; changes in current period loss estimates resulting from prior period loss development; changes in loss cost trends; changes in business mix; changes in reinsurance coverages and/or costs; premium adjustments; and variability in expenses and assessments.

Catastrophe losses and non-catastrophe weather-related losses are inherently unpredictable from period to period. The Company’s results of operations could be adversely impacted if significant catastrophe and non-catastrophe weather-related losses were to occur.

On average for the ten-year period ended December 31, 2022, the Company experienced approximately 41% of its annual catastrophe losses during the second quarter, primarily arising out of severe wind and hail storms, including tornadoes. Hurricanes, wildfires and winter storms tend to happen at other times of the year and can also have a material impact on the Company’s results of operations. Catastrophe losses incurred in a particular quarter in any given year may differ materially from historical experience. In addition, most of the Company’s reinsurance programs renew on January 1 or July 1 of each year, and, therefore, any changes to the availability, cost or coverage terms of such programs will be effective after such dates.

Over much of the past decade, the Company’s results have included significant amounts of net favorable prior year reserve development driven by better than expected loss experience. However, given the inherent uncertainty in estimating claims and claim adjustment expense reserves, loss experience could develop such that the Company recognizes in future periods higher or lower levels of favorable prior year reserve development, no favorable prior year reserve development or unfavorable prior year reserve development. In addition, the ongoing review of prior year claims and claim adjustment expense reserves, or other changes in current period circumstances, may result in the Company revising current year loss estimates upward or downward in future periods of the current year.

It is possible that changes in economic conditions, the supply chain, the labor market and geopolitical tensions, as well as steps taken by federal, state and/or local governments and the Federal Reserve could lead to higher or lower inflation than the Company anticipated, which could in turn lead to an increase or decrease in the Company’s loss costs and the need to strengthen or reduce claims and claim adjustment expense reserves. These impacts of inflation on loss costs and claims and claim adjustment expense reserves could be more pronounced for those lines of business that require a relatively longer period of time to finalize and settle claims for a given accident year and, accordingly, are relatively more inflation sensitive. Labor shortages and higher costs of vehicles, parts and raw materials are adversely impacting severity in our personal and commercial businesses and may continue to do so in future quarters. For a further discussion, see “Part I—Item 1A—Risk Factors—If actual claims exceed our claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments in which the Company operates, our financial results could be materially and adversely affected” in the Company’s 2022 Annual Report.

The Company's results of operations may be impacted by a number of other factors, including an economic slowdown, a recession, financial market volatility, a shutdown of the U.S. government, disruption in the banking sector, supply chain disruptions, monetary and fiscal policy measures, heightened geopolitical tensions, fluctuations in interest rates and foreign currency exchange rates, the political and regulatory environment, changes to the U.S. Federal budget and potential changes in tax laws.

Investment Portfolio. The Company expects to continue to focus its investment strategy on maintaining a high-quality investment portfolio and a relatively short average effective duration. The weighted average effective duration of fixed maturities and short-term securities was 4.5 (4.8 excluding short-term securities) at September 30, 2023. From time to time, the Company enters into short positions in U.S. Treasury futures contracts to manage the duration of its fixed maturity portfolio. At September 30, 2023, the Company had no open U.S. Treasury futures contracts. The Company regularly evaluates its investment alternatives and mix. Currently, the majority of the Company's investments are comprised of a widely diversified portfolio of high-quality, liquid, taxable U.S. government, tax-exempt and taxable U.S. municipal, taxable corporate and U.S. agency mortgage-backed bonds.

The Company also invests much smaller amounts in equity securities, real estate and private equity, hedge fund and real estate partnerships, and joint ventures. These investment classes have the potential for higher returns but also the potential for greater volatility and higher degrees of risk, including less stable rates of return and less liquidity.

Approximately 27% of the fixed maturity portfolio is expected to mature over the next three years (including the early redemption of bonds, assuming interest rates (including credit spreads) do not rise significantly by applicable call dates). As a result, the overall yield on and composition of its portfolio could be meaningfully impacted by the types of investments available for reinvestment with the proceeds of maturing bonds.

Net investment income is a material contributor to the Company's results of operations. Based on our current expectations for the impact of expected higher reinvestment yields on fixed income investments and slightly higher levels of fixed income investments, the Company expects that after-tax net investment income from that portfolio will be approximately $615 million in the fourth quarter of 2023, and the Company also currently expects that after-tax net investment income from that portfolio will be approximately $630 million to $690 million for each quarter of 2024. This expectation could be impacted by the direction of interest rates and disruptions in global financial markets. Included in other investments are private equity, hedge fund and real estate partnerships that are accounted for under the equity method of accounting and typically report their financial statement information to the Company one month to three months following the end of the reporting period. Accordingly, net investment income or loss from these other investments is generally reflected in the Company's financial statements on a quarter lag basis. The Company's net investment income in future periods from its non-fixed income investment portfolio will be impacted, positively or negatively, by the performance of global financial markets.

The Company had net pre-tax realized investment losses of $94 million in the first nine months of 2023. Changes in global financial markets could result in net realized investment gains or losses in the Company's investment portfolio.

The Company had a net pre-tax unrealized investment loss of $8.20 billion ($6.46 billion after-tax) in its fixed maturity investment portfolio at September 30, 2023, compared to $6.22 billion ($4.90 billion after-tax) at December 31, 2022. The net unrealized investment loss is primarily due to the impact of movements in interest rates. The increase in the net unrealized investment loss in the first nine months of 2023 was due to increases in interest rates. While the Company does not attempt to predict future interest rate movements, a rising interest rate environment reduces the market value of fixed maturity investments and, therefore, reduces shareholders' equity, and a declining interest rate environment has the opposite effects. These net unrealized losses are due to recent increases in interest rates; however, the net unrealized loss is considered temporary in nature as it is not due to credit impairments, there is no impact on expected contractual cash flows from fixed maturities, and the Company generally holds its fixed maturity investments to maturity. In addition, given the temporary nature of net unrealized losses combined with the Company's strong operating cash flows (which include income received on investments) and the proceeds received upon maturity of the investments, the net unrealized investment loss is not expected to meaningfully impact the Company's assessment of capital adequacy or liquidity. Equity securities, which include common and non-redeemable preferred stocks, are reported at fair value with changes in fair value recognized in net income.

Additionally, disruptions in global financial markets could also impact the market value of the Company's investment portfolio. The Company's investment portfolio has benefited from certain tax exemptions (primarily those related to interest from municipal bonds) and certain other tax laws, including, but not limited to, those governing dividends-received deductions and tax credits (such as foreign tax credits). Changes in these laws could adversely impact the value of the Company's investment portfolio. See "Our businesses are heavily regulated by the states and countries in which we conduct business, including licensing, market conduct and financial supervision, and changes in regulation, including higher tax rates, may reduce our profitability and limit our growth" included in "Part I—Item 1A—Risk Factors" in the Company's 2022 Annual Report.

For further discussion of the Company's investment portfolio, see "Investment Portfolio." For a discussion of the risks to the Company's business during or following a financial market disruption and risks to the Company's investment portfolio, see the risk factors entitled "During or following a period of financial market disruption or an economic downturn, our business could be materially and adversely affected" and "Our investment portfolio is subject to credit and interest rate risk, and may suffer reduced or low returns or material realized or unrealized losses" included in "Part I—Item 1A—Risk Factors" in the Company's 2022 Annual Report. For a discussion of the risks to the Company's investments from foreign currency exchange rate fluctuations, see the risk factor entitled "We are subject to additional risks associated with our business outside the United States" included in "Part I—Item 1A—Risk Factors" in the Company's 2022 Annual Report and see "Part II—Item 7A—Quantitative and Qualitative Disclosures About Market Risk-Foreign Currency Exchange Rate Risk" in the Company's 2022 Annual Report.

Capital Position. The Company believes it has a strong capital position and, as part of its ongoing efforts to create shareholder value, expects to continue to return capital not needed to support its business operations to its shareholders, subject to the considerations described below. The Company expects that, generally over time, the combination of dividends to common shareholders and common share repurchases will likely not exceed net income. The Company also expects that to the extent that it continues to grow premium volumes, the level of capital to support the Company's financial strength ratings will also increase, and accordingly, the amount of capital returned to shareholders relative to earnings would be somewhat less than it otherwise would have been absent the growth in premium volumes. Given the significant level of catastrophe losses incurred by the Company in the first nine months of 2023, the Company expects that, as was the case in the third quarter of 2023, the level of common share repurchases in the fourth quarter of 2023 will be lower than the quarterly level of repurchases in the first and second quarters of 2023. The timing and actual number of shares to be repurchased in the future will depend on a variety of additional factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels appropriate for the Company's business operations, changes in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions, changes in tax laws (including the Inflation Reduction Act) and other factors. For information regarding the Company's common share repurchases in 2023, see "Liquidity and Capital Resources" herein. S&P Global Ratings (S&P) has announced that it intends to change its capital adequacy model. While the proposed model has not been finalized, it could increase the level of capital S&P requires for a particular financial strength rating. As part of its capital management strategy, the Company will continue to make its own assessment of the appropriate level of capital to support the Company's business operations. For a discussion of the risks to the Company's claims-paying and financial strength ratings, see the risk factor entitled "A downgrade in our claims-paying and financial strength ratings could adversely impact our business volumes, adversely impact our ability to access the capital markets and increase our borrowing costs" included in "Part I—Item 1A—Risk Factors" in the Company's 2022 Annual Report.

As a result of the Company's business outside of the United States, primarily in Canada, the United Kingdom (including Lloyd's), the Republic of Ireland and in Brazil through a joint venture, the Company's capital is also subject to the effects of changes in foreign currency exchange rates. Strengthening of the U.S. dollar in comparison to other currencies could result in a reduction in shareholders' equity, while a weakening of the U.S. dollar in comparison to other currencies could result in an increase in shareholders' equity. For additional discussion of the Company's foreign exchange market risk exposure, see "Part II—Item 7A—Quantitative and Qualitative Disclosures About Market Risk" in the Company's 2022 Annual Report.

Many of the statements in this "Outlook" section and in "Liquidity and Capital Resources" are forward-looking statements, which are subject to risks and uncertainties that are often difficult to predict and beyond the Company's control. Actual results could differ materially from those expressed or implied by such forward-looking statements. Further, such forward-looking statements speak only as of the date of this report and the Company undertakes no obligation to update them. See "Part II—Item 7—Forward-Looking Statements." For a discussion of potential risks and uncertainties that could impact the Company's results of operations or financial position, see "Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" herein and "Part I—Item 1A—Risk Factors" and "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2022 Annual Report, in each case as updated by the Company's periodic filings with the SEC.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure of a company's ability to generate sufficient cash flows to meet the cash requirements of its business operations and to satisfy general corporate purposes when needed.

Operating Company Liquidity. The liquidity requirements of the Company's insurance subsidiaries are met primarily by funds generated from premiums, fees, income received on investments and investment maturities. The Company believes that cash flows from operating activities are sufficient to meet the future liquidity requirements of its insurance subsidiaries. Additionally, investment maturities provide a significant level of available liquidity without requiring the sale of investment securities. For further discussion of operating company liquidity, see "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in the Company's 2022 Annual Report.

Holding Company Liquidity. TRV's liquidity requirements primarily include shareholder dividends, debt servicing, common share repurchases and, from time to time, contributions to its qualified domestic pension plan. At September 30, 2023, TRV held total cash and short-term invested assets in the United States aggregating $1.75 billion and having a weighted average maturity of 39 days. TRV has established a holding company liquidity target equal to its estimated annual pre-tax interest expense and common shareholder dividends (currently approximately $1.30 billion). TRV's holding company liquidity of $1.75 billion at September 30, 2023 exceeded this target, and it is the opinion of the Company's management that these assets are sufficient to meet TRV's current liquidity requirements.

TRV is not dependent on dividends or other forms of repatriation from its foreign operations to support its liquidity needs. The undistributed earnings of the Company's foreign operations are intended to be permanently reinvested in those operations, and such earnings were not material to the Company's financial position or liquidity at September 30, 2023.

TRV has a shelf registration statement filed with the Securities and Exchange Commission (SEC) that expires on June 8, 2025 which permits it to issue securities from time to time. TRV also has a $1.0 billion credit facility with a syndicate of financial institutions that expires on June 15, 2027. At September 30, 2023, the Company had $100 million of commercial paper outstanding. TRV is not reliant on its commercial paper program to meet its operating cash flow needs. The Company has no senior notes or junior subordinated debentures maturing until April 2026, at which time $200 million of senior notes will mature.

The Company utilized uncollateralized letters of credit issued by major banks with an aggregate limit of $260 million to provide a portion of the capital needed to support its obligations at Lloyd's at September 30, 2023. If uncollateralized letters of credit are not available at a reasonable price or at all in the future, the Company can collateralize these letters of credit or may have to seek alternative means of supporting its obligations at Lloyd's, which could include utilizing holding company funds on hand.

Operating Activities

Net cash provided by operating activities in the first nine months of 2023 and 2022 was $5.61 billion and $5.13 billion, respectively. The increase in cash flows in the first nine months of 2023 primarily reflected the impacts of higher levels of cash received for premiums and lower levels of payments for income taxes, partially offset by higher levels of payments for claims and claim adjustments expenses, commissions and general and administrative expenses.

Investing Activities

Net cash used in investing activities in the first nine months of 2023 and 2022 was $5.04 billion and $3.05 billion, respectively. The Company's consolidated total investments at September 30, 2023 increased by $2.50 billion, or 3% over year-end 2022, primarily reflecting the impacts of (i) net cash flows provided by operating activities, partially offset by (ii) net cash used in financing activities and (iii) higher net unrealized investment losses due to the impact of higher interest rates during the first nine months of 2023.

The Company's investment portfolio is managed to support its insurance operations; accordingly, the portfolio is positioned to meet obligations to policyholders. As such, the primary goals of the Company's asset-liability management process are to satisfy the insurance liabilities and maintain sufficient liquidity to cover fluctuations in projected liability cash flows. Generally, the expected principal and interest payments produced by the Company's fixed maturity portfolio adequately fund the estimated runoff of the Company's insurance reserves. Although this is not an exact cash flow match in each period, the substantial amount by which the market value of the fixed maturity portfolio exceeds the value of the net insurance liabilities, as well as the positive cash flow from newly sold policies and the large amount of high quality liquid bonds, contributes to the Company's ability to fund claim payments without having to sell assets at a loss or access credit facilities.

Financing Activities

Net cash used in financing activities in the first nine months of 2023 and 2022 was $778 million and $2.01 billion, respectively. The totals in both 2023 and 2022 reflected common share repurchases and dividends paid to shareholders, partially offset by the net proceeds from employee stock option exercises. Common share repurchases in the first nine months of 2023 and 2022 were $957 million and $1.56 billion, respectively. Net cash used in financing activities in the first nine months of 2023 also included the receipt of net proceeds from the issuance of debt.

Dividends. Dividends paid to shareholders were $676 million and $656 million in the first nine months of 2023 and 2022, respectively. The declaration and payment of future dividends to holders of the Company's common stock will be at the discretion of the Company's Board of Directors and will depend upon many factors, including the Company's financial position, earnings, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints and other factors as the Board of Directors deems relevant. Dividends will be paid by the Company only if declared by its Board of Directors out of funds legally available, subject to any other restrictions that may be applicable to the Company. On October 18, 2023, the Company announced that it declared a regular quarterly dividend of $1.00 per share, payable December 29, 2023 to shareholders of record on December 8, 2023.

Share Repurchases. The Company's Board of Directors has approved common share repurchase authorizations under which repurchases may be made from time to time in the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, in private transactions or otherwise. The authorizations do not have a stated expiration date. The Company expects that, generally over time, the combination of dividends to common shareholders and common share repurchases will likely not exceed net income. The Company also expects that to the extent that it continues to grow premium volumes, the amount of capital returned to shareholders relative to earnings would be somewhat less than it otherwise would have been absent the growth in premium volumes. Given the significant level of catastrophe losses incurred by the Company in the first nine months of 2023, the Company expects that, as was the case in the third quarter of 2023, the level of common share repurchases in the fourth quarter of 2023 will be lower than the quarterly level of repurchases in the first and second quarters of 2023. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels appropriate for the Company's business operations, changes in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions, changes in tax laws (including the Inflation Reduction Act) and other factors. During the three and nine months ended September 30, 2023, the Company repurchased 0.6 million and 5.0 million common shares, respectively, under its share repurchase authorizations for a total cost of $100 million and $900 million, respectively. The average cost per share repurchased was $164.46 and $179.59, respectively. On April 19, 2023, the Board of Directors approved a share repurchase authorization that added $5.0 billion of repurchase capacity to the $1.60 billion of capacity remaining at that date. At September 30, 2023, the Company had $6.10 billion of capacity remaining under its share repurchase authorizations. Included in the cost of treasury stock acquired pursuant to common share repurchases is the 1% excise tax imposed as part of the Inflation Reduction Act.

Capital Resources. Capital resources reflect the overall financial strength of the Company and its ability to borrow funds at competitive rates and raise new capital to meet its needs. The following table summarizes the components of the Company's capital structure at September 30, 2023 and December 31, 2022.

(in millions)	September 30, 2023	December 31, 2022
Debt:		
Short-term	**$ 100**	$ 100
Long-term	**8,004**	7,254
Net unamortized fair value adjustments and debt issuance costs	**(73)**	(62)
Total debt	**8,031**	7,292
Shareholders' equity:		
Common stock and retained earnings, less treasury stock	**27,990**	28,005
Accumulated other comprehensive loss	**(8,012)**	(6,445)
Total shareholders' equity	**19,978**	21,560
Total capitalization	**$ 28,009**	$ 28,852

On May 25, 2023, the Company issued $750 million aggregate principal amount of 5.45% senior notes that will mature on May 25, 2053. The Company intends to use the net proceeds of the notes for general corporate purposes. See note 9 of the notes to the unaudited consolidated financial statements for further discussion regarding the terms of the senior notes.

The following table provides a reconciliation of total capitalization presented in the foregoing table to total capitalization excluding net unrealized losses on investments, net of taxes, included in shareholders' equity.

(dollars in millions)	September 30, 2023	December 31, 2022
Total capitalization	**$ 28,009**	$ 28,852
Less: net unrealized losses on investments, net of taxes, included in shareholders' equity	**(6,466)**	(4,898)
Total capitalization excluding net unrealized losses on investments, net of taxes, included in shareholders' equity	**$ 34,475**	$ 33,750
Debt-to-total capital ratio	**28.7 %**	25.3 %
Debt-to-total capital ratio excluding net unrealized losses on investments, net of taxes, included in shareholders' equity	**23.3 %**	21.6 %

The debt-to-total capital ratio excluding net unrealized gains (losses) on investments, net of taxes, included in shareholders' equity, is calculated by dividing (a) debt by (b) total capitalization excluding net unrealized gains and losses on investments, net of taxes, included in shareholders' equity. Net unrealized gains and losses on investments can be significantly impacted by both interest rate movements and other economic factors. Accordingly, in the opinion of the Company's management, the debt-to-total capital ratio calculated on this basis provides another useful metric for investors to understand the Company's financial leverage position. The Company's ratio of debt-to-total capital excluding after-tax net unrealized investment losses included in shareholders' equity of 23.3% at September 30, 2023 was within the Company's target range of 15% to 25%.

RATINGS

Ratings are an important factor in assessing the Company's competitive position in the insurance industry. The Company receives ratings from the following major rating agencies: A.M. Best Company (A.M. Best), Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and S&P Global Ratings (S&P). The following rating agency action was taken with respect to the Company since July 20, 2023, the date on which the Company's Form 10-Q for the quarter ended June 30, 2023 was filed with the SEC. For additional discussion of ratings, see "Part I—Item 1—Business—Ratings" in the Company's 2022 Annual Report.

- On July 20, 2023, A.M. Best affirmed all ratings of the Company. The outlook for all ratings is stable.

CRITICAL ACCOUNTING ESTIMATES

For a description of the Company's critical accounting estimates, refer to "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in the Company's 2022 Annual Report. The Company considers its most significant accounting estimates to be those applied to claims and claim adjustment expense reserves and related reinsurance recoverables, and impairments of investments, goodwill and other intangible assets. Except as shown in the table below, there have been no material changes to the Company's critical accounting estimates since December 31, 2022.

Claims and Claim Adjustment Expense Reserves

The table below displays the Company's gross claims and claim adjustment expense reserves by product line. Because establishment of claims and claim adjustment expense reserves is an inherently uncertain process involving estimates and the application of judgment, currently established claims and claim adjustment expense reserves may change. The Company reflects adjustments to the reserves in the results of operations in the period the estimates are changed. These changes in estimates could result in income statement charges that could be material to the Company's operating results in future periods. In particular, a portion of the Company's gross claims and claim adjustment expense reserves (totaling $2.26 billion at September 30, 2023) are for asbestos and environmental claims and related litigation. Asbestos and environmental reserves are included in the General liability, Commercial multi-peril and International and other lines in the summary table below. While the ongoing review of asbestos and environmental claims and associated liabilities considers the inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability and the risks inherent in complex litigation and other uncertainties, in the opinion of the Company's management, it is possible that the outcome of the continued uncertainties regarding these claims could result in liability in future periods that differs from current insurance reserves by an amount that could be material to the Company's future operating results. Asbestos and environmental reserves are discussed separately; see "Asbestos Claims and Litigation", "Environmental Claims and Litigation" and "Uncertainty Regarding Adequacy of Asbestos and Environmental Reserves" in this report.

Gross claims and claim adjustment expense reserves by product line were as follows:

	September 30, 2023			December 31, 2022		
(in millions)	Case	IBNR	Total	Case	IBNR	Total
General liability	**$ 5,532**	**$ 10,136**	**$ 15,668**	$ 5,465	$ 9,220	$ 14,685
Commercial property	**1,481**	**393**	**1,874**	1,200	439	1,639
Commercial multi-peril	**2,922**	**2,893**	**5,815**	2,624	2,759	5,383
Commercial automobile	**2,672**	**2,702**	**5,374**	2,625	2,388	5,013
Workers' compensation	**9,994**	**9,265**	**19,259**	10,034	9,458	19,492
Fidelity and surety	**185**	**533**	**718**	166	496	662
Personal automobile	**2,204**	**2,304**	**4,508**	2,139	2,133	4,272
Personal homeowners and other	**1,274**	**2,411**	**3,685**	1,095	1,913	3,008
International and other	**2,514**	**2,288**	**4,802**	2,420	2,069	4,489
Property-casualty	**28,778**	**32,925**	**61,703**	27,768	30,875	58,643
Accident and health	**6**	**—**	**6**	6	—	6
Claims and claim adjustment expense reserves	**$ 28,784**	**$ 32,925**	**$ 61,709**	$ 27,774	$ 30,875	$ 58,649

The $3.06 billion increase in gross claims and claim adjustment expense reserves since December 31, 2022 primarily reflected the impacts of (i) catastrophe losses in the first nine months of 2023, (ii) higher volumes of insured exposures and (iii) loss cost trends for the current accident year, partially offset by (iv) claim payments made during the first nine months of 2023 and (v) net favorable prior year reserve development.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

See note 1 of the notes to the unaudited consolidated financial statements contained in this quarterly report and in the Company's 2022 Annual Report for a discussion of recently issued accounting pronouncements.

FORWARD-LOOKING STATEMENTS

This report contains, and management may make, certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as "may," "will," "should," "likely," "probably," "anticipates," "expects," "intends," "plans," "projects," "believes," "views," "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, such as the impact of elevated industrywide loss costs in Personal Insurance, and its future results of operations and financial condition (including, among other things, anticipated premium volume, premium rates, renewal premium changes, underwriting margins and underlying underwriting margins, net and core income, investment income and performance, loss costs, return on equity, core return on equity and expected current returns, and combined ratios and underlying combined ratios);
- the impact of legislative or regulatory actions or court decisions;
- share repurchase plans;
- future pension plan contributions;
- the sufficiency of the Company's reserves, including asbestos;
- the impact of emerging claims issues as well as other insurance and non-insurance litigation;
- the cost and availability of reinsurance coverage;
- catastrophe losses and modeling, including statements about probabilities or likelihood of exceedance;
- the impact of investment (including changes in interest rates), economic (including inflation, disruption in the banking and commercial real estate sectors, changes in tax laws, changes in commodity prices and fluctuations in foreign currency exchange rates) and underwriting market conditions;
- the Company's approach to managing its investment portfolio;
- the impact of changing climate conditions;
- strategic and operational initiatives to improve profitability and competitiveness;
- the Company's competitive advantages and innovation agenda, including executing on that agenda with respect to artificial intelligence;
- new product offerings;
- the impact of developments in the tort environment, such as increased attorney involvement in insurance claims;
- the impact of developments in the geopolitical environment; and
- the impact of a U.S. government shutdown.

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

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

Insurance-Related Risks

- high levels of catastrophe losses, including as a result of factors such as increased concentrations of insured exposures in catastrophe-prone areas and changing climate conditions, could materially and adversely affect the Company's results of operations, its financial position and/or liquidity, and could adversely impact the Company's ratings, the Company's ability to raise capital and the availability and cost of reinsurance;
- if actual claims exceed the Company's claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, including as a result of, among other things, changes in the legal/tort, regulatory and economic environments in which the Company operates, including increased inflation, the Company's financial results could be materially and adversely affected;
- the Company's business could be harmed because of its potential exposure to asbestos and environmental claims and related litigation;
- the Company is exposed to, and may face adverse developments involving, mass tort claims such as those relating to exposure to potentially harmful products or substances; 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 and have a material adverse impact on the Company's results of operations.

FORWARD-LOOKING STATEMENTS, Continued

Financial, Economic and Credit Risks

- during or following a period of financial market disruption or an economic downturn, the Company's business could be materially and adversely affected;
- 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 may not be able to collect all amounts due to it from reinsurers, reinsurance coverage may not be available to the Company in the future at commercially reasonable rates or at all and the Company is exposed to credit risk related to its structured settlements;
- 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 could adversely impact the Company's business volumes, adversely impact the Company's ability to access the capital markets and increase the Company's borrowing costs; and
- the inability of the Company's insurance subsidiaries to pay dividends to the Company's holding company in sufficient amounts would harm the Company's ability to meet its obligations, pay future shareholder dividends and/or make future share repurchases.

Business and Operational Risks

- the ongoing impact of COVID-19 and related risks, and any future pandemics (including new variants of COVID-19), could materially affect the Company's results of operations, financial position and/or liquidity, 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;
- the intense competition that the Company faces, including with respect to attracting and retaining employees, and the impact of innovation, technological change and changing customer preferences on the insurance industry and the markets in which it operates, could harm its ability to maintain or increase its business volumes and its profitability;
- disruptions to the Company's relationships with its independent agents and brokers or the Company's inability to manage effectively a changing distribution landscape could adversely affect the Company;
- the Company's efforts to develop new products or services, expand in targeted markets, improve business processes and workflows or make acquisitions may not be successful and may create enhanced risks;
- the Company may be adversely affected if its pricing and capital models 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 could reduce the Company's future profitability; and
- the Company is subject to additional risks associated with its business outside the United States.

Technology and Intellectual Property Risks

- if, as a result of cyber attacks (the risk of which could be exacerbated by geopolitical tensions) or otherwise, the Company experiences difficulties with technology, data and network security, outsourcing relationships or cloud-based technology, the Company's ability to conduct its business could be negatively impacted;
- the Company's business success and profitability depend, in part, on effective information technology systems and on continuing to develop and implement improvements in technology, including with respect to artificial intelligence, particularly as its business processes become more digital; and
- intellectual property is important to the Company's business, and the Company may be unable to protect and enforce its own intellectual property or the Company may be subject to claims for infringing the intellectual property of others.

Regulatory and Compliance Risks

- the Company's businesses are heavily regulated by the states and countries in which it conducts business, including licensing, market conduct and financial supervision, and changes in regulation, including higher tax rates, may reduce the Company's profitability and limit its growth; and
- the Company could be adversely affected if its controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.

In addition, the Company's share repurchase plans depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels appropriate for the Company's business operations, changes

FORWARD-LOOKING STATEMENTS, Continued

in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions, changes in tax laws (including the Inflation Reduction Act) and other factors.

The Company's forward-looking statements speak only as of the date of this report or as of the date they are made, and the Company undertakes no obligation to update forward-looking statements. For a more detailed discussion of these factors, see the information under the captions "Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" herein and "Part I—Item 1A—Risk Factors" and "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2022 Annual Report, in each case as updated by the Company's periodic filings with the SEC.

WEBSITE AND SOCIAL MEDIA DISCLOSURE

The Company may use its website and/or social media outlets, such as Facebook and Twitter, as distribution channels of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at investor.travelers.com, its Facebook page at facebook.com/travelers and its X account (@Travelers) at twitter.com/Travelers. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting the "Email Notifications" section under the "Investor Toolkit" section at investor.travelers.com.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the Company's disclosures about market risk, please see "Part II—Item 7A—Quantitative and Qualitative Disclosures About Market Risk" in the Company's 2022 Annual Report filed with the SEC. There have been no material changes to the Company's disclosures about market risk in Part II—Item 7A of the Company's 2022 Annual Report.

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2023. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, the design and operation of the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

In addition, there was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company regularly seeks to identify, develop and implement improvements to its technology systems and business processes, some of which may affect its internal control over financial reporting. These changes may include such activities as implementing new, more efficient systems, updating existing systems or platforms, automating manual processes or utilizing technology developed by third parties. These systems changes are often phased in over multiple periods in order to limit the implementation risk in any one period, and as each change is implemented the Company monitors its effectiveness as part of its internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The information required with respect to this item can be found under "Contingencies" in note 15 of the notes to the unaudited consolidated financial statements contained in this quarterly report and is incorporated by reference into this Item 1.

Item 1A. RISK FACTORS

For a discussion of the Company's potential risks or uncertainties, please see "Part I—Item 1A—Risk Factors" and "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2022 Annual Report and "Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, in each case as updated by the Company's periodic filings with the SEC. There have been no material changes to the risk factors disclosed in Part I—Item 1A of the Company's 2022 Annual Report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

The table below sets forth information regarding repurchases by the Company of its common stock during the periods indicated.

ISSUER PURCHASES OF EQUITY SECURITIES

Period Beginning	Period Ending	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
July 1, 2023	July 31, 2023	1,680	$ 134.37	—	$ 6,205
August 1, 2023	August 31, 2023	151,456	$ 162.53	147,913	$ 6,181
September 1, 2023	September 30, 2023	460,547	$ 165.26	460,290	$ 6,105
Total		613,683	$ 164.50	608,203	$ 6,105

The Company's Board of Directors has approved common share repurchase authorizations under which repurchases may be made from time to time in the open market, pursuant to pre-set trading plans meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, in private transactions or otherwise. The most recent authorization was approved by the Board of Directors on April 19, 2023 and added $5.0 billion of repurchase capacity to the $1.60 billion of capacity remaining at that date. The authorizations do not have a stated expiration date. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including the Company's financial position, earnings, share price, catastrophe losses, maintaining capital levels appropriate for the Company's business operations, changes in levels of written premiums, funding of the Company's qualified pension plan, capital requirements of the Company's operating subsidiaries, legal requirements, regulatory constraints, other investment opportunities (including mergers and acquisitions and related financings), market conditions, changes in tax laws (including the Inflation Reduction Act) and other factors. Included in the cost of treasury stock acquired pursuant to common share repurchases is the 1% excise tax imposed as part of the Inflation Reduction Act.

The Company acquired 5,480 shares for a total cost of approximately $926,000 during the three months ended September 30, 2023 that were not part of its publicly announced share repurchase authorizations. These shares consisted of shares retained to cover payroll withholding taxes in connection with the vesting of restricted stock unit awards and performance share awards, and shares used by employees to cover the price of certain stock options that were exercised.

For additional information regarding the Company's share repurchases, see "Part I—Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Item 5. OTHER INFORMATION

During the three months ended September 30, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 6. EXHIBITS

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of The Travelers Companies, Inc., as amended and restated May 23, 2013, were filed as Exhibit 3.1 to the Company's current report on Form 8-K filed on May 24, 2013, and are incorporated herein by reference.
3.2	Bylaws of The Travelers Companies, Inc. as Amended and Restated December 7, 2022, were filed as Exhibit 3.2 to the Company's current report on Form 8-K filed on December 12, 2022, and are incorporated herein by reference.
10.1†	The Company's Amended and Restated Deferred Compensation Plan for Non-Employee Directors effective August 2, 2023.
31.1†	Certification of Alan D. Schnitzer, Chairman and Chief Executive Officer of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of Daniel S. Frey, Executive Vice President and Chief Financial Officer of the Company, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†	Certification of Alan D. Schnitzer, Chairman and Chief Executive Officer of the Company, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2†	Certification of Daniel S. Frey, Executive Vice President and Chief Financial Officer of the Company, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.1†	The following information from The Travelers Companies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 formatted in Inline XBRL: (i) Consolidated Statement of Income for the three months and nine months ended September 30, 2023 and 2022; (ii) Consolidated Statement of Comprehensive Income (Loss) for the three months and nine months ended September 30, 2023 and 2022; (iii) Consolidated Balance Sheet at September 30, 2023 and December 31, 2022; (iv) Consolidated Statement of Changes in Shareholders' Equity for the three months and nine months ended September 30, 2023 and 2022; (v) Consolidated Statement of Cash Flows for the nine months ended September 30, 2023 and 2022; (vi) Notes to Consolidated Financial Statements; and (vii) the cover page.
104.1	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101.1).

† Filed herewith.

The total amount of securities authorized pursuant to any instrument defining rights of holders of long-term debt of the Company does not exceed 10% of the total assets of the Company and its consolidated subsidiaries. Therefore, the Company is not filing any instruments evidencing long-term debt. However, the Company will furnish copies of any such instrument to the Securities and Exchange Commission upon request.

Copies of any of the exhibits referred to above will be furnished to security holders who make written request therefor to The Travelers Companies, Inc., 385 Washington Street, Saint Paul, MN 55102, Attention: Corporate Secretary.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure except for the terms of the agreements or other documents themselves, and you should not rely on them for other than that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and do not apply in any other context or at any time other than the date they were made.

THE TRAVELERS COMPANIES, INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Travelers Companies, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		THE TRAVELERS COMPANIES, INC. **(Registrant)**
Date: October 18, 2023	By	/S/ CHRISTINE K. KALLA **Christine K. Kalla** **Executive Vice President and General Counsel** **(Authorized Signatory)**
Date: October 18, 2023	By	/S/ PAUL E. MUNSON **Paul E. Munson** **Senior Vice President and Corporate Controller** **(Principal Accounting Officer)**