

PROPERTY AND CASUALTY INSURANCE

A summary of the results of operations of our property and casualty insurance business is as follows:

	Years Ended December 31		
	2008	2007	2006
	(in millions)		
Underwriting			
Net premiums written	B \$11,782	\$11,872	\$11,974
Decrease (increase) in unearned premiums	46	74	(16)
Premiums earned	11,828	11,946	11,958
Losses and loss expenses	A 6,898	6,299	6,574
Operating costs and expenses	3,546	3,564	3,467
Increase in deferred policy acquisition costs	(17)	(52)	(19)
Dividends to policyholders	40	19	31
Underwriting income	1,361	2,116	1,905
Investments			
Investment income before expenses	1,652	1,622	1,485
Investment expenses	30	32	31
Investment income	1,622	1,590	1,454
Other income	9	6	10
Property and casualty income before tax	\$ 2,992	\$ 3,712	\$ 3,369
Property and casualty investment income after tax	\$ 1,297	\$ 1,273	\$ 1,166

Property and casualty income before tax in 2008 was lower than in 2007 due to substantially lower underwriting income. The decrease in underwriting income in 2008 was due in large part to higher catastrophe losses and the cumulative impact of rate reductions experienced over the past several years in our commercial and specialty insurance businesses. Property and casualty income before tax in 2007 was higher than in 2006 due to higher underwriting income, particularly in our specialty insurance business, as well as a substantial increase in investment income due to an increase in invested assets.

$$A \div B =$$

58.54% 53.05% 54.90%