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Chubb Ltd. (CB)

Q3 2026 Earnings Call

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C. Gregory Peters
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Morgan Stanley & Co. LLC

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MANAGEMENT DISCUSSION SECTION

Susan Spivak
Senior Vice President-Investor Relations

GAAP AND NON-GAAP FINANCIAL MEASURES

- We will also refer today to non-GAAP financial measures, reconciliations of which to the most direct comparable GAAP measures and related details are provided in our earnings press release and financial supplement

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

BUSINESS HIGHLIGHTS

Underwriting Margins

- As you could see, we had a really strong quarter

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- Our sources and quality of earnings, starting with world-class underwriting margins, speak to Chubb's excellent competitive profile, including our geographic and business diversification, our growing invested asset, and an enduring culture of underwriting discipline, a hallmark of who we are
- These distinguishing attributes have all contributed to a long record of sustainable and growing value creation
- P&C underwriting, investment and life income results led to core operating earnings of $2.98B, or a record $7.66 per share, that was down about 2% and up about 1%, respectively, due to exceptionally light CAT losses last year
- From a more meaningful perspective, looking to the first nine months of the year

Core Operating & Underwriting Income and Combined Ratio

- Core operating income was $8.6B, up 21% from the prior year; and core operating EPS was $21.94, up 24.5% from last year
- Annualized core operating return on tangible equity was 21.6% for the quarter, and core operating ROE was 14.9%
- For the quarter, P&C underwriting income of nearly $2.1B led to a combined ratio of 84.1%
- We had strong contributions from all of our businesses
- YTD, we have produced record underwriting income of $5.8B, up nearly 34%
- Our global P&C, ex CAT, combined ratio was a world-class 81.8%, essentially flat with the prior year, and included a reduction in our loss ratio and our admin ratio, offset by an increase in acquisition ratio
    - This speaks to our increasing efficiencies and mix of business

Investment

- On the investment side of our business, adjusted net investment income was a record $1.89B, supported by a materially improved fixed income investment environment and record cash flows
- Fixed income-related exposure was 88% of our invested asset and equity related is 12%
- Our current and future operating income benefits from a rising interest rate environment, which we have expected for some time, given growing fiscal deficits, inflation and the public and private sector competition for money
- We position ourselves with that in mind, by maintaining a moderate duration and a conservative approach to credit quality
- We were a buy and hold investor of a high-quality investment grade portfolio
- Rising rates produced a third quarter mark of $4.5B in net realized and unrealized losses
- Given our duration and higher reinvestment rates, the mark will amortize away reasonably quickly
- It is ephemeral

FIXED INCOME PORTFOLIO YIELD AND LIFE INCOME

- Q3 fixed income portfolio yield was 5.2%, and our current new money rate averages 6.2% as of September 30
- On the alternative asset side, as was publicly announced in the quarter, Strategic Holdings, our holding company partnership with KKR, agreed to sell our investment in USI Insurance Services to Aon
    - This is expected to result in a realized gain of $460mm on an investment of $740mm
- Our invested assets stands at over $175B, up from $168B a year ago
- Life income of $369mm this quarter was up about 11.5% from last year

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- YTD, life income is just over $1B, up over 9% from a year earlier
- Peter's going to have more to say about financial items

Underwriting, Pricing and Growth

- Now, turning to underwriting, pricing and growth
- The substantial majority of our businesses are growing, with the balance flat or purposely shrinking due to inadequate pricing or terms
- There's nothing new there
- In the quarter, we again shed more property and financial lines exposure which affected growth

North America Commercial

- The most visible example again is in the US. North America middle and small commercial grew in the quarter, as did North America personal lines and agriculture
- Overseas General had good growth across all major regions, both consumer and commercial, particularly middle and small commercial, while North America E&S and major accounts shrank
    - This pattern of growth again speaks to the breadth of our business and our diversified sources of growth and opportunity globally
- While total P&C premiums were up 1.9%, Overseas General grew 6.7%, North America personal lines was up 5.3% and agriculture was up over 5%
- Agriculture was a meaningful contributor to growth this quarter
- North America commercial was down 2.7%, impacted again by large account E&S property and financial lines, where we non-renewed certain business and purchased additional reinsurance
- The adverse impact on growth was about 4.5 points
- And with that said, I fully expect North America commercial growth to improve materially in future quarters

PRICING

- In terms of pricing, the market continues to grow more competitive in commercial P&C across the globe, in particular the US and London
- Beyond property, competitive market conditions are spreading to more casualty lines, where pricing in numerous areas is failing to keep pace with loss costs, which, while steady, continue to well outpace general inflation
- There is a lot of hungry and extremely naive capacity available
- Our broad diversification, including a deep local presence in so many countries and lines of business, leave us relatively well positioned with many areas of opportunity
- With that as a baseline, I'm going to give you more color on the quarter by division and region

International P&C

- In international P&C, $17B business, our consumer-related businesses, both A&H and personal lines were up 7.2%, and commercial was up 6.3%
- Latin America grew 1.7%
- Asia grew 7.5% and Europe grew almost 7%
- In our London wholesale business, which is about 10% of international P&C, premiums were up 13.5% for the quarter
- Benefiting in particular from our Gulf War marine-related activities

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North America

PREMIUMS

- Turning back to North America
- Premiums in our $10B middle market and small commercial division grew about 1%, with P&C lines up 2.6%, or 4%, adjusting for a smaller annual workers' comp-related premium adjustment than we had last year
- And middle market financial lines was down 5.9%, or up about 1.8% adjusted for exposure change from additional use of reinsurance and non-renewal of inadequately priced business
- In our $16B major accounts and specialty division, premiums declined 5%, and adjusting for property were up about 1%
- Gross premium pricing in North America for commercial property was down 4.2%
- Casualty was up 5.7% and financial lines was up 2.1%
- Going a step further, for the business we wrote, property pricing was down 11% in shared and later major and specialty, and up a little over 0.5% in mid and small
- On the consumer side of North America, our nearly $8.5B high-net-worth personal lines business, a clear market leader in that category, had another really good quarter with premium growth of almost 5.5%

COMBINED RATIO

- Our combined ratio was 60.3%, which speaks to the strength of our risk selection, underwriting and sophistication in pricing and of course, a lighter-than-average quarter for CATs
- In our international life insurance business, premiums and deposits rose over 15.5%
- The vast majority of our life exposure, as you know, is in Asia, and the majority of growth is coming in North Asia, meaning China, Hong Kong, Korea and Taiwan

Thailand

- So I'd like to call out Thailand as well this quarter
- Premiums in our North America Chubb worksite benefits business were up over 11.5%
- Our International Life division produced $277mm of pre-tax income in the quarter, up 7% from last year, with income up almost 11% YTD

SUMMARY

- In sum, our global diversification, our presence and capabilities globally, our large and growing invested asset, along with rising interest rates and our operating discipline provide us with strong margins, continued growth opportunities and sustainability of value creation
- We are a consistent compounder of wealth and an all-weather firm, with many sources of opportunity on both the liability and asset side of the balance sheet, and we are patient
- CATs and FX aside, as I look out over the medium term, I am confident in our ability to continue to outperform and to generate strong growth and operating earnings and EPS and most important, double-digit growth in tangible book value

Peter C. Enns

Executive Vice President, Chubb Group Chief Financial Officer

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FINANCIAL HIGHLIGHTS

Operating Cash Flow

- Our third quarter results were driven by strong underlying business performance and continued strength in our investment results
- We continue to effectively manage our balance sheet and remain in a financially strong position with book value of $73B and excellent liquidity, as evidenced by a record $12.8B in adjusted operating cash flow over the last nine months
- During the quarter, we issued approximately CHF 400mm of debt at a weighted average cost of 1.1% and an average term of five years
- The use of proceeds is for general corporate purposes, which includes the repayment and refinancing of debt

Share Repurchases, Dividends and Book Value per Share

- For the quarter, we returned $1.6B of capital to shareholders, including $1.2B in share repurchases at an average price of $344.32 and $393mm in dividends
- For the first nine months, we have returned about $4.5B of capital to shareholders
- Book and tangible book value per share, excluding AOCI, grew 2.6% and 3.5%, respectively, for the quarter
- And tangible book value per share adjusting for AOCI was up 15.4% from the prior year

Pre-Tax Catastrophe Losses

- Pre-tax catastrophe losses were $705mm for the quarter, principally from a variety of weather-related events globally and an earthquake in Latin America
- CAT losses were $1.7B through nine months vs. $2.6B over the same period last year
- Pre-tax prior period development in the quarter in our active companies was favorable $562mm, comprising $575mm of favorable development in short-tail lines and $13mm of unfavorable development in long-tail lines

FAVORABLE DEVELOPMENT AND LOSS RESERVES

- As you know, and Evan has said repeatedly, we are slow to recognize favorable development and quick to recognize unfavorable development
- Our corporate runoff portfolio had adverse development of $51mm, predominantly in environmental related
- Overall, our loss reserves, which are now over $71B, are conservatively constructed and remain extremely strong
- Our paid-to-incurred ratio for the quarter and YTD was 80% and 86%, respectively

Tax Rate, Operating Income and ROE

- Our core operating effective tax rate was 19.9% for the quarter, which is near the top end of our previously guided range due to shifts in mix of income and the impact of discrete tax items
- We continue to expect our core operating effective tax rate for the full year to be in the range of 19.5% to 20%

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- Effective this quarter, we have excluded the amortization of certain M&A-related intangible assets from our core operating income
- This change, which has a de minimis impact on growth and ROE, better represents the true economics of past acquisitions, and improves our comparability with peers globally
- All prior periods have been recast accordingly

QUESTION AND ANSWER SECTION

Meyer Shields Q
Keefe, Bruyette & Woods, Inc.

Evan, I was hoping to get a little bit more color on the increasing risk that you're transferring to reinsurers.

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

In what regard?

Meyer Shields Q
Keefe, Bruyette & Woods, Inc.

So, you mentioned that one of the headwinds to North America commercial growth was more reinsurance purchasing. And I was wondering which lines that focus on.

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

Yeah, it – well, as you know, and I think we discussed, it's in financial lines, certain areas of financial lines, and it's in property. In both of those, we took advantage of opportunities to place additional reinsurance, which also gives us the opportunity to maintain presence and provide service and coverage to customers, and at the same time, spread risk. And it was in those two areas.

Meyer Shields Q
Keefe, Bruyette & Woods, Inc.

And second question, we saw admin expenses actually down y-over-y again in North America commercial, and I was hoping to get a sense as to whether there's anything unusual there or this is just technology-based efficiencies?

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

Yeah. And let's put the lens beyond North America. Look at it globally. And I think that zoom out of North America and just look at the company as a whole, North America included, our operating expense ratio has been trending lower and continues to improve. Our digital transformation programs and other efficiencies are visibly appearing. And that's all around employing foundational tech and data and smart layer of technology, algorithmic, large language, and agentic related. And we're on track in terms of the medium- and longer-term efficiencies and an improvement to our competitive profile, which goes beyond efficiencies that we have described in the past. That's why...

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Meyer Shields
Keefe, Bruyette & Woods, Inc.

Q

Thank you.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

...it's impacting underwriting. It's impacting marketing, claims, finance, sales, all areas of the company. And it's impacting broadly across the globe.

Matthew Heimermann
Citigroup Global Markets, Inc.

Q

I guess, Evan, I'd appreciate your perspective on the current debate related to coverage for AI liability, which from my perspective seems quite nuanced, although the brokers seem to suggest the status quo is quite reasonable. So, maybe more specifically, how to think about the utility of new standalone rates and forms vs. simply incremental changes to language or sub-limits in existing forms vs. no changes at all?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Look, AI liability, it's all over the papers generally. It's emerging as a topic beyond the insurance industry. And AI liability is a growing and emerging exposure that is not contemplated in casualty underwriting, really, to date. And it needs to be understood, it needs to be managed and it needs to be addressed. That's what we call underwriting. And that's what the insurance company does. In managing the risk, I imagine, we're going to have a combination of coverage clarifications, ultimately, exclusions, and separate AI-related liability coverages. This will all emerge, along with underwriting and pricing to discern between risks. AI-related liability exposures will vary between insureds and type of insureds.

And frankly, when you think beyond that, to assist business generally and add to greater certainty overall in the liability environment as it emerges, I can imagine a regimen around model certification standards emerging. I can imagine best practices in management and governance of AI and agentics emerging quickly and evolving from there. And these will be the tools that will also assist in insurance underwriting. So, while that's a mouthful, I think that gives you all the elements of how the industry will approach and address AI liability. As an industry, we have to put our arms around this. And frankly, this is – we've had to do this with emerging liabilities over the last 50 years, and there's a pretty good template to follow.

Matthew Heimermann
Citigroup Global Markets, Inc.

Q

There are a number of follow-ups I would love to explore on that, but I think in the interest of time, another topic. I wonder if you or Peter could clarify just in the Asia Life production this quarter. Was there anything either in the quarter or the prior year quarter that was impacting the comps there? And just relative to whatever you think the underlying expectation for us should be, with historically has been pretty strong production?

Peter C. Enns
Executive Vice President, Chubb Group Chief Financial Officer

A

Yeah. In Q3 – sorry, it's Peter. In Q3 2025, there was an acquisition of effectively a closed block of business in New Zealand. We disclosed that; the impact is approximately 8%. So, the production really is more like 10.5% on a comparable basis for net written premium, which we think is more at a normal level.

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Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

It was well over $100mm last year [indiscernible] (00:24:17).

Peter C. Enns
Executive Vice President, Chubb Group Chief Financial Officer
A

Yeah. Yeah.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

It was very large.

Peter C. Enns
Executive Vice President, Chubb Group Chief Financial Officer
A

And we disclosed that.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

We were quick to disclose.

Peter C. Enns
Executive Vice President, Chubb Group Chief Financial Officer
A

Yeah.

Brian Meredith
UBS Securities LLC
Q

Evan, first question, I'm wondering if you can unpack your comments about the improving growth in North America commercial a little bit. Is it because the headwinds in property are going away, or are there really now emerging opportunities in the North America commercial business?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

I think it's a combination of both. The negative impact from the actions that we have taken will diminish, and areas of opportunity, the impact of those will increase, middle and small commercial in particular. But our advantages from product breadth, local geography, massive capabilities up and down the chain, from largest companies to small business, and our data and technology and the power of it, that continues to emerge in spite of, and of course, in context of, soft market. So, I see it between diminishing headwinds and our own opportunities.

Brian Meredith
UBS Securities LLC
Q

And then my follow-up question. Just curious, Evan, can we get your perspective on some of this alternative capital that continues to kind of come into the industry, particularly as it relates to casualty sidecars and some of these broker facilities? Is this something you see having an impact on market conditions here and going forward?

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Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Well, of course. There's a – what drives cycles? What drives cycles in insurance is supply/demand. And so, sidecars and broker facilities, blind-follow facilities, more MGAs with capital behind them other than professional insurance, and frankly, a lot with professional insurance behind it. This is all throwing out of balance the supply relative to demand. And it's a lot of very naive capacity. And even where it's other than traditional insurance, it's investor capital. There's two brands of it to me. There is one brand where they're cleverly going to make a trade, even in casualty sidecars, and they're going to try to pass or they have it arranged to pass the tail back to the carrier that's fronting it, who's going to end up holding the trash, and they may make a turn.

On the other hand, I think a lot of that clever capital doesn't understand the pricing vs. the loss cost environment, and I don't think they're going to end up making the turn that they think they might make. But we've been living in a world where the cost of money is cheap and there's a lot of money looking for absolute return, not risk-adjusted. As you know, generally, the world is beginning to change that way. But in the meantime, a lot of it has found its way, or a fraction of it has found its way into insurance as sort of an alternative investment asset class. It has different forms now than we've seen to some degree in the past, but the themes are the same.

Bob Huang
Morgan Stanley & Co. LLC

Q

I'd like to kind of unpack a little bit about your commentaries around Overseas General Insurance. Noticed that several countries, when you called out, were in Asia for the quarter, specifically Thailand and such. Just given the prolonged conflict in Iran and just oil price volatility, it's been fairly long-lasting so far. Can you maybe help us think about your view on Asia opportunities? And has that changed over the years so far in 2026? Just curious how you think about the go-forward there first?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Yeah. Bob, thank you. First of all, the countries that I cited, that was in the life business. I didn't cite countries in Overseas General P&C.

Bob Huang
Morgan Stanley & Co. LLC

Q

Right. Sorry. Yeah.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

But if I did, I would cite those plus even a larger number of countries. I just returned with my colleagues from two weeks in Asia. We were through Southeast Asia, China, and Korea. So, let me help you with your model. There are two regions of the world that are really growing right now more exceptionally, that is North America, particularly the United States, and Asia. And when you look at the growth in Asia, Southeast Asia, Korea, Taiwan, a lot of it is tied to the US capital investment sort of supercycle that we're in as we build out AI and AI-related infrastructure and invest to remake our economy that way. Asian countries are a beneficiary of that. They're all tied into the supply chain. Asia is growing and I see sustainability. It varies by country but the dynamism that I see and the opportunity that presents for Chubb's business, rising middle class, digitization, growth of small and midsized businesses.

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I was in Vietnam, it's a beehive of development. Thailand, overall. Though it has its own idiosyncrasies related to domestic credit and maybe underperforms the region. Thailand is still very solid. Singapore, Malaysia is growing well, Taiwan. Our business in Hong Kong and China, in spite of a soft domestic environment, P&C and life is growing double-digit. The Korean economy, the Korean economy has grown between 3% and 4% right now.

Again, tied to the supply chain of the United States in particular. So I'm bullish on China – I'm bullish on Asia right now on both medium and longer term and shorter term. Of course, it has a certain volatility signature to it, emerging markets do. But overall, our presence, our capabilities, the breadth of our business, the depth of it through countries, I'm very optimistic for Chubb in Asia.

Bob Huang
Morgan Stanley & Co. LLC

Q

Maybe just pivot a little bit, I know you kind of talk about cyber liabilities, but if we were to think about data center investments, data center constructions, right, AI build-out, can you maybe help us talk about your exposure there? Just maybe the thoughts on the risk maybe the insurance industry is taking on. Just curious your thoughts there as possible. Thank you.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Well, let's unpack it in a couple ways. Right now, in the cycle of data center development, particularly hyperscalers, a medium-sized, we're more in the construction phase, with the operation phase more in front of us than behind us that's to come. A lot of projects announced only – as you know, only a percentage of those are actually shovel in the ground right now and delays due to a combination of things; permitting, energy, labor, supply chain, et cetera. But we are quite active. We're quite active in the physical property-related construction. We're active in marine, surety. It's a huge opportunity for us in surety.

We've written quite a bit but more important, it's the pipeline of what's outstanding to bind because you don't really bind until the shovel goes in the ground. And that's in front of us, as I said, with many projects that are delayed. When you think about values and I think you're alluding to that in concentration of exposure. We manage it technically no differently than we manage any other concentration of exposure. We manage how much we could imagine that we'd have as a loss from a single event. And we imagine that across perils. So, it's technical, it's engineering, and I'm comfortable with the way that Chubb is approaching us.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

By the way, we're a leader across the board globally in data center development. We have the broadest capabilities.

Ryan Tunis
Cantor Fitzgerald & Co.

Q

So, North America Commercial, Evan, there's been about a point of underlying loss ratio deterioration YTD. Is it fair to attribute that magnitude, the impact of pricing vs. loss trend or is there anything else going on there?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

No, I wouldn't say that, it's a reduction in property. Period.

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Ryan Tunis
Cantor Fitzgerald & Co.

Q

So there's a mix shift element? And...

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

That's all it is. You've seen the reductions in property, and so property as a percentage is down. That's the whole loss ratio difference.

Ryan Tunis
Cantor Fitzgerald & Co.

Q

And I guess relatedly, this is the follow-up, Overseas General, we're not seeing a deterioration dynamic so far YTD. So, just curious on color around the stability there, just given the pricing environment.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Well, there is no one pricing environment in Overseas General. Overseas General insures the world. It's throughout Europe. It's throughout the UK. Europe is more stable than the UK is. Our growth in middle and small commercial business throughout the globe. Latin America goes to a different beat than Europe or the UK does. And it varies by country. And again, it's more middle and small commercial for us there. And then the same with Asia Pacific. So that's one part of the story.

But the other part of the story, which I think is more important, is the balance between consumer and commercial. Within Overseas General, consumer is growing more quickly. The size of the consumer business relative to the commercial business. So large account is only a piece and when you get to the consumer – when you get the balance, which most of Overseas General and commercial is mid and small and then you get to the consumer side, which is half the business, it's accident and health which grew. By the way, globally, our A&H business grew at about 6% this quarter.

It's personal lines overseas, which is everything from automobile insurance in Mexico where we're the number three writer insuring over 2mm autos to insuring cell phones and computers in Asia and automobile in Thailand, in Malaysia, and homeowners and high-net-worth insurance in Australia and the UK. It's a variety of opportunities in a huge world out there where we have fabulous capability. So, our direct marketing business in Asia and Latin America, we're the largest direct marketers of insurance digitally and by phone of consumer businesses up and down the chain, as I explained it, from lower middle income people to middle-middle income.

Andrew Kligerman
TD Cowen

Q

High-net-worth personal lines again, a spectacular quarter, premiums up over 5%, combined reported at 60%. Any changes there have been in the competitive landscape with these types of returns with AI coming into the picture? I mean, do you see these kinds of results as sustainable over the intermediate to long term?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

I do. High net worth is the business we do. It's not about the price you charge as much as it is about the richness of the coverage and the services you provide. It's about the complexity of those coverages. It's really like selling a

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small commercial or middle-sized commercial account in the management of it. This is not something you buy over the Internet or some agentic shops for you for insurance. This is far more bespoke and it is a trust business. It is an agent-driven business and relationship business between the customer and us.

This is not a trade. These are our customers, our long-term clients. So I start with that. Yes, there are always cyclical competitive pressures that emerge because CAT reinsurance becomes cheaper, per risk insurance becomes cheaper. And so competitors may employ more of that to chase business at a cheaper price on the margin. But, overall, I see steady as she goes with some variability now and again. And that's it.

Andrew Kligerman
TD Cowen

Q

And then just moving over to reserve adequacy and prior year development was also spectacular. But in the long term lines, I think – and Peter called out $13mm adverse. Could you share with us any color on the, say, 2021 to 2025 accident years? And just your general confidence going forward in longer-tail lines and how adequate those reserves are.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Look, as Peter said, I've repeated it ad nauseam, we're slow over the years. We're slow to recognize favorable development and very quick to recognize adverse. Casualty underwriting is not for optimists. And as you know, the stinger is in the tail in development. The more recent accident years while they may be developing more favorably, they're green. We wouldn't touch them. While the development that we did see was in more older accident years and think more 2019 to 2022. And by the way, the amount was reasonably modest. When I look at our overall reserves as a percentage, it was very small. I think that maybe gives you the kind of color you're looking for.

Tracy Benguigui
Wolfe Research LLC

Q

The market yield rose to 6.2% from 5.5% in June and you extended your duration 5 years from 4.8 years. So that's remarkable. I'm wondering what your expectations are on adjusted net investment income going forward. I thought I would ask, since this is Q2 we stopped getting guide for that. Thanks.

Peter C. Enns
Executive Vice President, Chubb Group Chief Financial Officer

A

Yeah, Tracy. It's Peter. And as you just said, we're not providing specific guidance. The way I'd frame it is, the reinvestment environment, as Evan said in his speech, is much more attractive. When you look at this quarter's results, how I'd frame it as, we had extremely strong performance of fixed income-related net investment income. And alternative, in particular, PE was actually less than what might be normal. And as you know, it's very, very volatile, that specific asset class. And so over time, we're confident that will continue to return well. So with that as a backdrop, I think you can have a perspective around certainly the fixed income piece of this continuing to grow.

Tracy Benguigui
Wolfe Research LLC

Q

Maybe just a quick follow-up. I know Brian had touched on this in the beginning of the questions about the North American commercial growth improving materially in future quarters. But maybe you could just unpack the glide path there. I'm wondering how much of the finishing line you've reached in terms of the underwriting actions you're taking in financial lines and large account property. Thank you.

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Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Nice try, Tracy. I gave as much as I'm going to give on that.

C. Gregory Peters
Raymond James & Associates, Inc.

Q

So, stepping back to the technology piece, it seems like with some rising frequency, we keep hearing about security protocols being violated, breaching of data security, et cetera. You're managing a global enterprise. Your data assets are unique and special to your company. Maybe you could just give us some perspective on how you're managing the data security's large language models and these other tools out there and how are you protecting your data assets.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

Yeah. Look, we're employing all of the best practices around governance and management of not simply our data, but the tools that we employ at the smart layer, which is algorithmic but more to the point large language model and agentics and how we control and limit what they can do, where they can do it, how they can do it, how we instruct for it, and then protecting our own perimeter and multiple layers of detection and defense against third party or external use of agentics in AI that could imperil Chubb's own data or systems.

We invest significantly in this. We pay very close attention to it. It's fundamental to how we think. And by the way, and to give you a sense, it's evolved over a long period of time. Think about actuarial models. Before AI, we've always had to employ model management for a regulatory point of view and for our own use to create governance and management over the efficacy of those models. Traditional math, as those evolved past algorithmic and to AI related, we have used the same template on the same governance processes. We've improved the tools. We've improved the techniques that we use and the automation and humans in the loop to manage all of that. And it continues the harnesses and our ability to provide instruction precisely, all continues to evolve.

C. Gregory Peters
Raymond James & Associates, Inc.

Q

I guess, it's kind of building on the comments you made but as I think about everything that's going on and the new money rate's jumping up over 100BPS from where you were, where it currently is in your book yield. And I just – you mentioned naive capital, there's these facilities, there's these casualty sidecars. Do you think it's possible that we could be pivoting to an environment where we're sort of cash flow underwriting on casualty and longer term – longer-tail liability business, considering that there's these inflationary pressures and higher interest rates.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

A

I think only on the margin. When I look at loss cost inflation vs. new money rates, and I look at pricing, it doesn't – it's not hard for me to work out the math. You're not cash flow underwriting at a 10% or 12% interest rate.

David Motemaden
Evercore ISI

Q

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Just a question on North America commercial. So, Evan, you've talked a bit this call and in the Qs just on how the property growth or the mix change from property is driving the margin or the loss ratio deterioration there. I guess with that drag, I guess, abating a little bit, how should we think about the margin trajectory from here?

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

I don't give guidance on margins, but I feel very good about our margins. And I feel, as you saw in the commentary, our sustainability of value creation, including market, which includes margin, I feel very good about it. But I'm not going to give you more than that, David.

David Motemaden Q
Evercore ISI

Thanks. Yeah, worth a shot. On...

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

And by the way, you would be well served as others would not to simply over-obsessed about North America commercial and consider all of that in the round as one company, and then imagine all the handles to pull.

David Motemaden Q
Evercore ISI

Yes. No, no, I hear you on that. Maybe just following up here. The growth has moderated a bit just for the company overall. Still solid, but it has slowed a bit. Capital return, if I look at it, it's unchanged year-on-year, roughly, at least on the buyback. How are you thinking about capital allocation here just given the current market environment?

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

Peter is going to answer a part of that, and then I'm going to come back on and actually answer it. Probably another part.

Peter C. Enns A
Executive Vice President, Chubb Group Chief Financial Officer

Yeah, David, we've been pretty consistent around preserving capital for risk and opportunity. If you look back over the last while, and it hasn't really changed this year, you saw our buyback ticked up this quarter. We've been returning in the range of 50%. And that's not a rule we have, it's an outcome. But look, we look at the investment environment and think it's really, really strong. And so we think about our capital in terms of return to shareholders. But we also think about how we can deploy it in our insurance business and in particular right now in our investment business, which includes both the current, of course, fixed income environment, as well as our old strategy, which is very differentiated.

Evan G. Greenberg A
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group

I think that's said it all.

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Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

We're getting paid – and then want to add that we're getting paid to hold the capital. And money doesn't burn a hole in our pocket. And there is no event on the horizon related to acquisition or any of that that we know is speculated. We actually enjoy the invested asset and the growth of it and the accretion to shareholder value that it produces. It is a major part of our business is our investment business.

Alex Scott
Barclays Capital, Inc.
Q

I had one on casualty. Yes. As we're seeing casualty pricing come under a little bit more pressure and I think maybe for a few quarters been under loss cost trend, any specific actions that may need to be taken there? I'm just trying to understand if we need to consider that in the context of some of the growth discussion from earlier.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

We're underwriters. We write up and down the chain, large companies to small companies, all kinds of industries, all kinds of casualty, from primary to access, to professional, to construction. So more types of casualty for more types of industries and more geographies than you probably can imagine. And as underwriters, we're conscious of the risk environment of the loss cost environment, which we then matched the terms and pricing and we're nimble. And I think that probably answers your question. I'm not sure what you're asking me beyond that.

Alex Scott
Barclays Capital, Inc.
Q

Second question, also growth related. I heard the comments on small commercial and that continuing to be a good growth focus for you.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

Yeah.

Alex Scott
Barclays Capital, Inc.
Q

Could you give us a taste of some of the things you're doing, whether it's expansion of distribution, just any taste of what will propel that growth?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group
A

Yeah. It's small commercial. It's lower middle market. It's middle market, a combination of a very local geographic reach within countries because that's how it's done. Whether it is in North America or frankly, it's in Malaysia. It's the breadth of product. It's our industry practices, which is a real secret sauce for Chubb, where coverages and the amalgamation of coverages are tailored for different industries to their specific needs to industry experts that we have that represent those industries. So that, plus technology, the amount of data that we have that give us insight into risk selection and pricing and then the technology to enable the local reach in relationship and a compelling proposition to both quote it quickly, issue it with few questions, service it quickly, match to the human to human of agent to company relationship on a local basis, that is who Chubb is and the opportunity in that and the scale advantages that we have around because of – that give us for data and for know-how that we can

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spread around from, whether it's the West Coast of the United States to the southwest of the United States, or spreading from Asia to Europe or United States to Europe. Our ability to do that and the scale advantage to invest in technology and use data to inform broadly, that is a hallmark advantage for Chubb that is enduring

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