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# EDITED TRANSCRIPT

CB.N - Q2 2025 Chubb Ltd Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Karen Beyer** *Chubb Ltd - Senior Vice President, Investor Relations*

**Evan Greenberg** *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

**Peter Enns** *Chubb Ltd - Chief Financial Officer, Executive Vice President*

## CONFERENCE CALL PARTICIPANTS

**Gregory Peters** *Raymond James - Analyst*

**Bob Huang** *Morgan Stanley - Analyst*

**David Motemaden** *Evercore ISI - Analyst*

**Brian Meredith** *UBS AG - Analyst*

**Meyer Shields** *Keefe Bruyette & Woods Inc - Analyst*

**Michael Zaremski** *BMO Capital Markets - Analyst*

**Vikram Gandhi** *HSBC Securities (USA) Inc - Analyst*

**Alex Scott** *Barclays Services Corp - Equity Analyst*

## PRESENTATION

### Operator

Thank you for standing by. My name is Greg, and I will be your conference operator today. At this time, I would like to welcome everyone to today's Chubb Limited second quarter 2025 earnings call. (Operator Instructions)

I would now like to turn the call over to Karen Beyer, Senior Vice President of Investor Relations. Karen, you have the floor.

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### **Karen Beyer** - *Chubb Ltd - Senior Vice President, Investor Relations*

Thank you, and welcome to our June 30, 2025, second quarter earnings conference call. Our report today will contain forward-looking statements, including statements relating to company performance, pricing and business mix, growth opportunities and economic and market conditions, which are subject to risks and uncertainties, and actual results may differ materially.

Please see our recent SEC filings, earnings release and financial supplement, which are available on our website at [investors.chubb.com](https://investors.chubb.com) for more information on factors that could affect these matters. 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.

Now I'd like to introduce our speakers. First, we have Evan Greenberg, Chairman and Chief Executive Officer, followed by Peter Enns, our Chief Financial Officer, and then we'll take your questions. Also with us to assist with your questions are several members of our management team. And now it's my pleasure to turn the call over to Evan.

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### **Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Good morning. As you saw from the numbers, we had an excellent quarter. Core operating EPS was a record \$6.14, up 14% from a year ago, supported by record underwriting, strong investment results and good premium revenue growth. All of our businesses and regions of the world contributed to the quarter's growth - particularly in North America: our middle market and small commercial, personal lines and E&S businesses; and in international, both commercial and consumer P&C in all regions; and Life Insurance in Asia and the U.S.

Core operating income of \$2.5 billion was a record result, up 13%.

The results demonstrate the broad-based, diversified nature of our company geographically by customer segment and product area. Our balance of business and presence provides us a wide range of opportunities, which supports long-term sustainable and profitable growth.

In the quarter, we produced record underwriting income on both the published and current accident year ex-CAT basis, supported by premium growth and underwriting margin improvement. Published underwriting income of \$1.6 billion was up 15% from a year ago, leading to a combined ratio of 85.6% -- more than a percentage point better than a year earlier. Current accident year underwriting income, excluding CATs, was up almost 11.5%, supported by a combined ratio of 82.3%, again nearly a full point improvement from prior year.

On the invested asset side, for the quarter, adjusted net investment income was nearly \$1.7 billion, up 8%. Our fixed income portfolio yield is 5.1%, and our current new money rate is averaging 5.4%. Our operating cash flow in the quarter, which supports investments was quite strong, at \$3.2 billion.

Given federal deficits, a weakening dollar and our country's trade policies, I expect the trend is towards higher inflation and a steeper yield curve, which is an issue for our country but will support our company's continued growth in investment income.

Tangible book value growth, our primary measure of wealth creation, was up 23.7% per share from a year ago and 8% from the previous quarter. Our annualized core operating return on tangible equity in the quarter was 21%, very strong results.

Peter will have more to say about financial items.

Turning to growth, pricing and the rate environment, global P&C premiums, which exclude agriculture, grew 5.8% and 6.4% in constant dollars, with commercial up 4.2% and consumer up 11.9%. Premiums in our Life Insurance division grew almost 17.5%.

In terms of the US commercial P&C underwriting environment, large account-related short-tail business, both admitted and E&S, has grown quite competitive. A lot more capital is chasing the property business and prices are softening, while terms and conditions remain steady. We are, of course, disciplined, and we're not going to write business below an adequate price. While others are leaning in, we've begun walking away, where necessary.

On the other hand, middle market and small commercial property remain much more disciplined and orderly. Rates continue to rise, and we're growing property in this area. Casualty continues to firm in all areas that require rate - retail and E&S, both large account and middle market- and, again, we are growing. While financial lines remain soft, we're seeing signs of firming in discrete classes.

With that as backdrop, I'll give you some more color by division.

Beginning with North America, P&C premiums excluding agriculture, were up 5.3%, including growth of 9.1% in personal insurance and 4.1% in commercial, with P&C lines up 4.2% and financial lines actually up 3.6%.

In Commercial, we had a good quarter for new business - up 7% versus prior year - driven by middle-market across the board and in large account and E&S casualty lines. Our renewal retention on a policy count basis was 86%.

Premiums in our leading middle market division grew 8.4%, another excellent result, with P&C up 10% and financial lines up 2%. Our Small Commercial business grew about 10%.

Premiums in our Major Accounts and Specialty division grew 1.5%, with our large account business essentially flat and our E&S business up 5.6%. Both were heavily impacted by premium reductions in property.

Overall commercial pricing for property and casualty excluding financial lines and comp was up 4.5%, with rates up 1.6% and exposure change of 2.9%. Property pricing was down 2.5%, with rates down about 7%, offset by exposure change of 4.9%. Importantly, going a step further, property pricing was down more than 12% in large account business, both admitted and E&S, and it was up over 8% in middle market and small commercial. Casualty pricing in North America was up 11.6%, with rates up 10.6% and exposure up 0.9%.

Financial lines pricing was down 1.2% and in workers comp, primary comp pricing was essentially flat while large account risk management pricing was up over 7.5%.

In North America Commercial, our selected loss-cost trends remained steady across the board. No change from what I gave you last quarter.

On the consumer side of North America, our high-net-worth personal lines business had a simply outstanding quarter with premium growth exceeding 9%. New business growth was more than 17%. Homeowners pricing was up 10.2% in the quarter and ahead of loss-costs, which remained steady at 8.9%. I expect the kinds of results we're showing in personal lines to endure and continue.

Turning to our international general insurance operations, premiums were up 8.5%, or over 10% in constant dollars. Commercial lines grew about 7% and consumer was up more than 15%.

From a region of the world perspective, Asia grew over 12.5% in constant dollars. Europe grew over 8% and Latin America grew over 17%.

Premiums in our London wholesale business were up over 7%.

In our international retail commercial business, P&C pricing was up just 0.5% and financial lines pricing was down over 6.5%. The loss cost trend in our international retail business remained steady. Like in North America, large account commercial property, shared and layered, has become much more competitive, particularly in London. While in the rest of the world property is growing more competitive, conditions remain reasonably orderly, though they vary by market.

In our international life insurance business, which is fundamentally Asia, premiums were up 18% in constant dollars and in North America, Combined Insurance Company's premiums grew over 17%. Our life division produced \$305 million of pre-tax income in the quarter, up about 10.5%. As you know, the economic and geopolitical environment is dynamic and evolving. We're in a period of greater uncertainty. The U.S. recently passed tax legislation and efforts towards deregulation should support economic growth. On the other hand, budget deficits, trade and immigration policies, and a weaker dollar are potential headwinds that can impact both economic growth and inflation. The picture is complex. With that as context, Chubb's fundamentals and our positioning are simply excellent. Organizationally we're performing at a high level, coupled with our broad-based global diversification, and a disciplined, energized and talented culture of professionals.

As I observed at the beginning of the year, roughly 80% of our businesses have good growth and continued growth prospects. There is a lot of opportunity, and I have confidence in our ability to continue to grow both top and bottom line at a superior rate, CATs and FX notwithstanding. To reinforce, from all I can see overall, I expect the company's pattern of growth, revenue and earnings to continue.

Now I'll turn the call over to Peter, and then we're going to come back and we're going to take some of your questions.

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**Peter Enns** - Chubb Ltd - Chief Financial Officer, Executive Vice President

Good morning. As you've heard from Evan, we had another strong quarter that contributed to quarterly and six-month records. Our results were supported by exceptional balance sheet strength, including all-time highs in book value of \$69 billion and cash and invested assets of \$160 billion. Additionally, the quarter produced adjusted operating cash flow of \$3.2 billion.

There are a few capital-related matters I'd like to touch on. In May, our Board authorized a new \$5 billion share repurchase program that took effect on July 1 with no expiration date. In the quarter, we returned \$1.1 billion of capital to shareholders, including \$388 million in dividends, and \$676 million in share repurchases.

Book and tangible book value per share grew 6.1% and 8.0%, respectively, for the quarter. Book in tangible book value per share excluding AOCI grew 3.4% and 4.5%, respectively, for the quarter, and 10.3% and 15.3%, respectively, from the prior year.

This quarter we also closed on the acquisition of Liberty Mutual's P&C business in Thailand, which diluted tangible book value by about \$230 million, or about half of a percentage point to growth.

Our core operating return on tangible equity and core operating ROE were 21.0% and 13.9%, respectively, for the quarter.

Pre-tax catastrophe losses were \$630 million for the quarter, split 60% U.S. and 40% international from a variety of events.

Pre-tax prior period development in the quarter in our active companies was favorable \$319 million, split 87% short-tail, primarily from Commercial Property related lines and Personal Auto, and 13% long-tail. Our corporate runoff portfolio had adverse development of \$70 million, mostly from molestation-related claims development.

Turning to investments, our A-rated portfolio increased over \$6 billion this quarter, reflecting strong operating cash flow as well as positive marks to market and favorable FX, partially offset by shareholder distributions. Adjusted net investment income was \$1.69 billion. We now expect adjusted net investment income to be approximately \$1.72 billion to \$1.74 billion next quarter.

Our core effective tax rate was within our previously guided range at 19.1% for the quarter, and we continue to expect our annual core operating effective tax rate to be in the range of 19% to 19.5%.

I'll now turn the call back over to Keren.

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**Karen Beyer** - Chubb Ltd - Senior Vice President, Investor Relations

And at this point, we're happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Gregory Peters, Raymond James.

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**Gregory Peters** - Raymond James - Analyst

So during the quarter, Evan, you and John put an article, an editorial in the Wall Street Journal about the litigation challenges that the industry faces. And so, I wanted to just have you talk a little bit more about this. Specifically, how is it affecting the coverages for casualty and general liability? Is it making it uninsurable? And I guess, how do you see the tort reform situation playing out because getting some sort of federal resolution seems to be challenging to say the least, and a state-by-state strategy for reform seems like it could take forever.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

Yes. So you got to separate two things. So let's not conflate. The two of us wrote that article, op-ed. That was about public policy. And that was to flag an issue that people should be focused on for our country that is a problem. It impacts the cost of everything. It's inflationary. It impacts innovation and growth of business and continuity of businesses, litigation and the movement of cost inflation around it, which runs at 7% to 9%

every year, which is a multiple of what the nation runs as inflation, is roughly -- the total cost is roughly 2.5% of GDP and only a fraction of the \$550 billion goes to the actual aggrieved party.

And while litigation is an important function in a society based around laws, the trial bar and the litigation funding industry together are money-making ventures that are out of control. And we are pointing that out because I started by saying, don't conflate two things because the insurance industry and our job, we don't print money. We intermediate money. And frankly, when I look from an insurance point of view today, the pricing for most --

(technical difficulty)

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**Gregory Peters** - *Raymond James - Analyst*

Did I lose you?

Operator, I can't hear the speaker.

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

(technical difficulty)

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**Operator**

Actually one moment please if we can just pause for a moment we will be right back with you callers. Sorry for any inconvenience.

And ladies and gentlemen, thank you so much for your patience. We are experiencing some technical difficulties there. I would now like to hand it back to Karen and the crew to continue the Q&A session. Speakers, please --

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**Karen Beyer** - *Chubb Ltd - Senior Vice President, Investor Relations*

I think we can move on to Bob, next caller.

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**Operator**

Bob Huang, Morgan Stanley.

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**Bob Huang** - *Morgan Stanley - Analyst*

Hi, good morning, folks. My first question is about Latin America. You had a pretty strong Latin America growth in 2024. And this quarter, on a constant currency basis, it was even stronger. Can you maybe help us to get a better understanding of maybe is there like a specific country that's driving this or a specific product? Or can you maybe just help us about the opportunity there going forward, things of that nature?

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah. Bob, we're throughout Latin America with a significant presence in Mexico. Number three, P&C writer. Number three, auto insurer in Mexico, we've got 60 offices, thousands of agents do well over -- do over \$1 billion of premiums. And automobile in Mexico, important business to us, as you've known for -- as we've said for years, growing well. Small commercial, growing well. A&H, growing well.

Our digital business in Latin America, which show -- and our direct marketing, which shows up in Chile and in Brazil, we have important partnerships with the likes of Nubank in Brazil and we're the exclusive partner, joint venture partner with Banco de Chile in Chile. Those businesses and our consumer business there, life and non-life, are growing quickly and doing quite well. Argentina, as the country has improved, we've had a presence forever and Argentina in the commercial P&C business is growing.

So our consumer business outpaced our commercial business in the quarter, it's enduring, and it's across -- it's not simply a trade, and it's across franchises that are moving from strength to strength with a lot of opportunity.

It has a certain volatility signature to it. It's not smooth every quarter and quarter-to-quarter, but you measure it over any period of time. And we expect, depending on how the world goes, double-digit growth in Latin America continues over time.

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**Bob Huang** - *Morgan Stanley - Analyst*

Okay. No, that's really -- yes, double-digit growth going forward is pretty strong. Maybe if we can ask about -- this might be a little hypothetical. So, administration has talked about potentially phasing out FEMA. And if that were to happen, does that have an impact on your high-net-worth business in the coastal states? Would you consider in partner with other insurers to write flood insurance business to support your high-net-worth book. Just curious if you have any thoughts there.

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

No. Look, FEMA on flood insurance provides a relatively modest limit. It's an important limit to the average consumer, but for high-net-worth, if you think of the values of their homes that you measure in the millions and FEMA gives you \$0.25 million or so of coverage. While it's not something that you sneeze at, it's not -- it doesn't move the needle. And the private flood market, and Chubb is part of it, has been growing. It's on a selective basis, with frankly, better mapping and underwriting than FEMA's. So I don't see enough.

If FEMA phases out, I think it's bad for the country. I would restructure FEMA and how it provides coverage. I wouldn't provide the same coverage to the same individual to rebuild and rebuild and rebuild in the same flood zone, and have multiple claims. On the other hand, as a first loss in flood for people who have no other choice. I -- from a social perspective, I would keep it.

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**Bob Huang** - *Morgan Stanley - Analyst*

Okay. Really, appreciate the color. Thank you for the insights.

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

You're welcome

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**Operator**

David Motemaden, Evercore ISI.

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**David Motemaden** - *Evercore ISI - Analyst*

Hi, thanks. Good morning. Evan. It was good to see global P&C growth, excluding FX, is fairly stable again this quarter at around 6 to 7, same as it's been in the last few quarters despite you guys stepping away from some large account property business. I guess can you -- that would imply that, I guess, growth on the other 80% of the book where conditions are attractive, accelerated a bit. Maybe you could just touch on that, just the

durability of the growth on that 80%, where conditions are a bit more attractive? And then maybe just talk about on the other 20%, your outlook there?

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah. The pattern of growth, ex that 20%, first of all, overall, the math is pretty simple. It's double-digit growth. And when you add it all together, commercial and consumer P&C, the pattern of growth is durable. And the pace of growth, as we can see, look forward, is durable to us. The themes are durable.

It's around middle market and small commercial. In the United States, we're the second largest middle market writer in the U.S. And between that and small commercial, the opportunity, and I've talked about it before, it's not just cyclical. It's secular to me, it's enduring.

Our high-net-worth business, which has been growing rapidly and our margins from repricing and remodeling and all the work we did over about a six year period from '16 through '20, '21 quietly, has put us in such a solid position. And I expect that pattern to continue both growth and the kinds of margin that it has generated.

When I look in Asia, and I look at the consumer businesses and the -- like Latin America, the digital distribution related growth for consumer business on one hand, and our growing agency auto business in selected countries on the other, and on our direct marketing A&H and our travel insurance business, more people travel in the region. That pattern of growth and opportunity continues.

And when I look at our middle market and small commercial because we are so deep in those markets, which is what it takes from Australia to Malaysia, to Thailand, to Singapore, to Taiwan, I expect it to continue to expand. When I look at our powerhouse business in Korea, which is a direct marketing -- fundamentally, a direct marketing A&H business with a life coat on.

I expect that growth to not only continue, I expect in time for that to accelerate and to do better. So, throughout Asia, the themes of opportunity, commercial and consumer are enduring in front of us, like Latin America. It's a region that has, it's vast, it's multiples the size of Latin America. And it has a certain volatility signature to it. So it isn't every quarter exactly the same or every year exactly the same. But as I look at it, it's where we're leaning in, and we see more opportunity.

Our business in Europe, the same. It's not just a large commercial business and specialty. It is a middle market business, and it's expanding and growing more quickly in a variety of markets throughout. So overall, I look at this pattern of growth and I look at earnings, and I look at the stability of margin, and it all is about that diversification of the company.

Our E&S business in the U.S., and I'm going to finish with this. We printed about a 5.6% growth. Property was negative. You look under the covers of that and the balance of lines of business from construction to casualty, both primary and excess, our pet insurance business are growing nicely.

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**David Motemaden** - *Evercore ISI - Analyst*

Got it. Thanks for that. I appreciate that. And then just a quick follow-up. Just in North America personal lines great to see another quarter of current accident year ex-cat loss ratio improvement. Is that purely rate earning in over trend? Or was there anything else in there in the result that drove that improvement this quarter?

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

No, it's a combination, rate over trend, it's over a period of time. I mean that's been iterative over years that has occurred. And I said drop over time into the 70s and that's what it's done. That's what it needs to do, given it's CAT exposure. But it's that and it's underwriting shaping of the portfolio. We just grow more insightful. We have more tools available. And we have a greater knowledge and ability, that's a standout of who we are on being in the high-net-worth business. It's very complex underwriting. And the property exposures are very complicated. And our insight into

underwriting and managing that stands out and we focus on that. Rate will never be enough to get you there. Underwriting doesn't equal rate. It equals risk selection and insight into risk engineering and managing the properties.

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**David Motemaden** - *Evercore ISI - Analyst*

Got it. Thank you.

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

You're welcome.

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**Operator**

Brian Meredith, UBS.

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**Brian Meredith** - *UBS AG - Analyst*

Yes. Thanks. Evan, I'm just curious, looking at the North American commercial, right now, we're seeing written pricing, call it, below loss trend, it looks like -- are we at a period now for that business that we're seeing kind of peak margins, and we should maybe expect margin to deteriorate going forward here, granted from a very attractive level?

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

I think that's simplistic. Yes, the headline number, but that's why you peel it back. Casualty is ahead of loss cost trend. On the other hand, property right now is, pricing is negative, and there is a more modest loss cost trend, but that loss cost trend is there. So one is going one way, one is going the other way. And on the other hand, we grew professional -- we grew financial lines this quarter, first time in most of our portfolios, not all, but most in quite a while. And in certain areas, we're beginning to get rate. And then I look at comp and comp pricing was better than the prior quarter. So there's puts and takes on it. And then as our mix of business changes. So you look at it, our loss ratio overall across the globe dropped, North America loss ratio, commercial was flat. And that's a mix of business change occurring as well, more mid and small versus large and then within E&S, a shift. So I don't envision, as I look from what I see right now, the deterioration as your mental model, if you do it too simplistically, I would imagine.

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**Brian Meredith** - *UBS AG - Analyst*

That's really helpful. And then second question, I'm just curious, and I think you've chatted about this a little bit in the past, a number of large health care insurance companies have had some issues with medical cost inflation. And I'm wondering how that could potentially affect the P&C insurance business workers' comp. How are you thinking about that in the context of Chubb?

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah. The medical inflation, remember, there's -- comp is different that way. And we have been careful, first of all, in our loss cost trend factors we used in reserving for medical, where we use factors that, frankly, are ahead of what we observed because it has a long-tail to it. And by the idiosyncratic nature, what we see in health insurance companies, what drives the trend there in medical inflation is not the same factors that affect comp. And so we're not seeing it there.

**Brian Meredith** - UBS AG - Analyst

Thanks.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

You're welcome.

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**Operator**

Meyer Shields, KBW.

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**Meyer Shields** - Keefe Bruyette & Woods Inc - Analyst

Good, great. Thanks so much, and good morning. Evan, I was hoping you could talk about how sensitive your large domestic accounts are to social inflation in terms of the coverage that they're looking for. Is demand for more coverage, more deeper, broader coverage. Is that changing in response to elevated social inflation?

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

Well, they always like to buy deeper and broader coverage and have a positive arbitrage with insurance companies. The trend has gone the other way. Over the last couple of years, last bunch of years, terms and conditions around casualty, it varies by area, obviously, particularly anything with logistics and automobile trucking related retail, slip and fall, et cetera. And those have been really the areas experiencing social inflation, which is true in middle market as well, separate from class actions around a chemical or something in the stream of commerce that way, let's separate them out.

Terms and conditions have tight retentions. I mean that's what I talked about for you'll recall for a multiyear period where we were reshaping the book and took a hit to revenue. Who cares because we were adjusting client retentions, which leaves more with them, no dollar swapping, while prices increased for the layers above the dollar swap because frequency and severity of loss is increasing and has been increasing. I think there's an equilibrium that is being achieved now where the terms and conditions and the pricing reflect and are keeping pace with what is a hostile liability environment.

And so -- and there is that balance between client and carrier. But they make no bones about it. There's been more of a shift of risk back to client because why would you dollar swap. And then there has been inflation, extreme inflation in liability insurance premiums to reflect the risk that we are, in fact, taking. To a degree, you can't say that the middle market is immune from that at all. Case and point, I'll just point you to middle market commercial auto as a poster child for the last number of years, a bunch of years, and a very difficult line for middle market carriers, and that's all about litigation, social inflation. It's a poster child for it.

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**Meyer Shields** - Keefe Bruyette & Woods Inc - Analyst

Okay. That is tremendously helpful. Second question, on the international side, is there any way of I guess, breaking down growth between market share gains of current products and adding more sophisticated insurance products to markets where the economy is developing, but where Chubb would presumably have less competition.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

It's a combination of both. We're driving in and gaining market share. There is, on one hand -- no, there's a third one in there. Number two, new insurance buyers, those economies are growing. So, lots of new businesses and not just new businesses but new industries as those economies develop. And so it's not -- where middle market may have been Main Street retail and restaurants and shop owners. It now expands as the economies develop. They have more technology-related and services-related businesses, et cetera, that develop with the economy on this. People have more money. So it's new buyers, new industries and then you're adding product and locals don't have it. It could be from professional liability, to cyber insurance, to environmental liability, to their change to a more carbon neutral as those economies shift and new energy related industries, whether it's wind or solar, et cetera. So, it's multi-dimensional when you look at it and it varies by market. There's not sort of one theme covering all of them. These are individual countries.

**Meyer Shields** - Keefe Bruyette & Woods Inc - Analyst

Okay. That's very helpful. Thank you so much.

**Operator**

Mike Zaremski, BMO Capital Markets.

**Michael Zaremski** - BMO Capital Markets - Analyst

Hey, great. Good morning. Going back to the social inflation conversation. On the North America commercial loss trend, which I believe you said is around 6.5. Is there a way to kind of tease out or estimate how much of that is attributed to litigation finance or social inflation more broadly, is there a way to kind of think about that?

**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

It's not an easy number to break out. But we do our own private work around that and information and our ability to measure where there is litigation financing or not is growing, but it's still not clear. It's not transparent enough yet.

**Michael Zaremski** - BMO Capital Markets - Analyst

Okay. That's fair. I appreciate that it's complicated.

**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

What we can measure that I think, frankly -- I want to help you with your question. It varies. What we can see very clearly, it varies by state to a very large degree. And that is the liability laws. We can measure how much comparative negligence as an example, depending on the law around comparative negligence. So, I may be the only party in a suit that has money. And yet, I was only 15% liable. But in that state, I'm required to pay 100% of the loss, if no one else can. And then comparative negligence between the claimant and the defense and the litigant, what is comparative fault and how do you put dollar amounts around it. We can measure those things economically. And know that this kind of law change in this place will have this kind of impact. And by the way, that's what's driving a Louisiana or a Florida or a Georgia to tort reform.

**Michael Zaremski** - BMO Capital Markets - Analyst

Got it. That's helpful. Maybe pivoting as my follow-up, the larger account property marketplace, which you gave good commentary on. Is there a way to think, perspectively, given the kind of extent of the pricing declines from a modeling perspective, would it be fair to say that if we have a

normal catastrophe or loss year in the remainder of the year that this is kind of the worst would be behind us? Or is it just too tough to size up and we'll see what competitive dynamics do next year or later this year?

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

I'm sorry, Mike. For a moment, I blanked out on you because a colleague was telling me to mention non-economic damages in liability which is another issue, and we can measure it. Were you talking about property insurance? And if we have...

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**Michael Zaremski** - BMO Capital Markets - Analyst

Yeah. I guess this large account property, investors have asked us a lot of questions about just the extent of the price decrease.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

Here is the mental model I want to give you, others who are listening about this. Large account buys large limits to the property. They break it up into these layers and it becomes simply a trading business, if you're not the one issuing the paper and managing the claims, and doing the engineering, and issuing policies all over the world for them, which most have no capability to do, Chubb does. And therefore, they throw the business in a dog bowl when there's so much capital that's hungry, they eat layers out of the bowl. So, they place it that way.

London and a number of other carriers, whether it is E&S related or it's admitted related, come to play and you get this frenzy when there's too much capital, please give me a share because it looks well kept. It responds over time to loss cost, both the, if you underprice it. And we're not -- we're on the edge of that right now. And they -- and so it will respond to major catastrophes, it will respond to frequency of attritional loss that will occur over time. And whether it is in one season will depend on how major the CATs are and how many of them are and where are they. So not a simple answer, but ultimately in the business, you got to get an adequate price to make any money. Economics don't change, just a timing question.

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**Michael Zaremski** - BMO Capital Markets - Analyst

Thank you.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

You're welcome.

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**Operator**

Vikram Gandhi, HSBC.

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**Vikram Gandhi** - HSBC Securities (USA) Inc - Analyst

Hi, good morning. I hope you can hear me. Thank you for the opportunity. I have a question on the investment income, which has a flat lined over the past three quarters despite a reasonable growth in investment portfolio.

I see the duration has been pretty stable. ForEx, if anything should have helped the past quarter. So does it all boil down to the pressure on yields outside the US? And then I do hear your comment about positive trajectory of investment income over the next quarter. And I wonder what really changes that.

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**Peter Enns** - Chubb Ltd - Chief Financial Officer, Executive Vice President

Vikram, it's Peter. I think in the prior quarters, we disclosed that in certain quarters, we had lower-than-expected private equity related income which can be volatile. And at the same time, what we're signaling with the forward guidance is as the cash flows have come into the portfolio particularly over the last quarter that we expect investment income to continue to grow quite nicely.

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**Vikram Gandhi** - HSBC Securities (USA) Inc - Analyst

Okay. So if I understand currently, it's really the alternative income coming in, that going to help in Q3.

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**Peter Enns** - Chubb Ltd - Chief Financial Officer, Executive Vice President

A combination of the alternative coming out of which a component can more variable and a component is fairly stable. And then the cash flow is coming in the portfolio, which have been quite significant over the past quarter, which next quarter will have the full benefit of.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

Growing invested assets.

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**Peter Enns** - Chubb Ltd - Chief Financial Officer, Executive Vice President

Which is why I pointed out the \$6 billion increase.

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**Vikram Gandhi** - HSBC Securities (USA) Inc - Analyst

Thank you. Okay. And a follow-up, just curious on your thoughts around share buybacks since the mix change in the business might probably mean the -- even though there is growth in the business, it might not be as capital intensive. So what's the best way for us to think about share buybacks going forward?

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**Peter Enns** - Chubb Ltd - Chief Financial Officer, Executive Vice President

Yes. We don't give guidance and nothing's really changed, right. We keep capital for risk and opportunity, and we continue to see significant opportunity. You'll see that we have continued to buy back on a regular basis. We bought back more this quarter than the prior quarter.

We're not going to do it on a consistent basis, we will flex based on what we see happening in the market and what we see in the stock market -- in our stock, what we see happening in the insurance market.

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**Evan Greenberg** - Chubb Ltd - Chairman of the Board, Chief Executive Officer

And as you see, we just reauthorized \$5 billion open-ended for share repurchase.

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**Vikram Gandhi** - HSBC Securities (USA) Inc - Analyst

Right. Okay. Thank you.

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Thank you.

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**Operator**

Alex Scott, Barclays.

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**Alex Scott** - *Barclays Services Corp - Equity Analyst*

Hey, for the first one, I just wanted to ask about reinsurance. And see if you could provide more color around just the step down in premiums and how you're finding the market in terms of just relative attractiveness and price adequacy.

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

The reinsurance business, we wrote a large structured transaction last year (inaudible). Excluding that, growth was rather muted and that was more property related. It's not a big deal, we just simply didn't like the trades. And so we're disciplined and didn't chase it.

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**Alex Scott** - *Barclays Services Corp - Equity Analyst*

Thank you. Understood, understood. Second question I had is on capital and just how you're viewing excess capital? If you could update us on that and just sort of the pecking order of things you're interested in and if there's any heightened interest around M&A at all?

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**Evan Greenberg** - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

We're deploying our capital in ways that are accretive to our ROE, whether it is deployed to support insurance business, it's deployed to support our invested asset and our investment management strategy. So we feel quite good about our management around the capital we hold.

At the same time, it provides us flexibility and opportunity which is the second derivative for growth in our business, organic or inorganic that may occur from time to time. And finally, we return capital as Peter went through to shareholders in a reasonably steady way through both dividends and share repurchase, which together was over \$1 billion this quarter.

Thanks a lot, Alex.

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**Alex Scott** - *Barclays Services Corp - Equity Analyst*

Thank you.

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**Operator**

Yeah, thank you, Alex. And again, that does conclude our question-and-answer session today. Thank you all so much. And I would now like to turn the call back over to Karen Beyer for closing remarks. Karen?

**Karen Beyer** - *Chubb Ltd - Senior Vice President, Investor Relations*

Thank you, everyone, for joining us today. And if you have any follow-up questions, we'll be around to take your call. Enjoy the day. Thank you.

**Operator**

Thanks, Karen. And ladies and gentlemen, again, that concludes today's call. Thank you all for joining, and you may now disconnect.

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