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CB.N - Q3 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

**David Motemaden** *Evercore Inc - Analyst*

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

**Ryan Tunis** *Cantor Fitzgerald LP - Research Analyst*

**Matthew Heimermann** *Citi Infrastructure Investments LLC - Analyst*

**Tracy Benguigui** *Wolfe Research LLC - Equity Analyst*

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

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

**Andrew Kligerman** *Cowen and Company LLC - Analyst*

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

## PRESENTATION

**Operator**

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

I'd now like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. Please go ahead.

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

Thank you, and welcome to our September 30, 2025, Third 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 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. Then, we'll take your questions. Also with us to assist with your questions today 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, in fact a record earnings quarter. Core operating income of $3 billion was up 29%, leading to EPS of $7.49 per share, up 31% from a year ago, both supported by record underwriting and investment results, as well as solid premium revenue growth.

The results put a point on the broad-based and diversified nature of our company geographically, by customer segment and by product area. Most of our businesses in regions of the world contributed. Geographically, that means North America, Asia, Latin America and UK/ Europe. When I say customer segments that contributed strong growth this quarter, that means, globally, both consumer – homeowners and auto, specialty personal lines, life, and international A&H.

When I say commercial P&C, particularly middle market and small commercial, our E&S business, crop insurance and a broad range of large account casualty and financial lines. And growth was generated by numerous distribution sources – brokerage, agency, phone-based direct marketing and digital. In short, a wide variety of diverse businesses and geographies that are contributing to growth globally.

Our balance of business and presence – about half U.S. and half outside – provides a wide range of opportunities, which supports long-term profitable growth. Importantly, it also supports our ability to manage the commercial P&C cycle with discipline – something we are well known for doing. We expect to continue generating superior margin and earnings growth and, in fact, an increase to our return on shareholder equity.

In the quarter, record underwriting income on both a published and current accident year ex-CAT basis was supported, of course, by a quiet CAT quarter, but more importantly by current underwriting year margin improvement and strong prior period development. Published underwriting income of $2.3 billion was up 55% from a year ago, with a record combined ratio of 81.8% – about six percentage points better than a year earlier.

Though CAT losses were light in the quarter, rest assured catastrophe risk is alive, well, and, obviously, by definition, volatile. Remember the California wildfires first quarter and convective storm activity through much of the year.

CAT volatility aside, our underlying underwriting results were simply excellent in the quarter. Current accident year underwriting income, excluding CATs was a record $2.2 billion, up 10%, supported by a combined ratio of 82.5%, nearly a full point improvement from prior year, with most all of it coming from loss ratio improvement.

On the invested asset side, for the quarter, adjusted net investment income was a record $1.8 billion, up 8.3%. Our fixed income portfolio yield is 5.1%, and our current new money rate is averaging 5.2%. Our operating cash flow in the quarter was quite strong, at $4.5 billion, which is contributing to strong growth in our invested asset, which is up nearly 10% over the last 12 months.

Current fiscal, financial and economic conditions favor attractive fixed income and alternative asset portfolio returns for our growing invested asset. Federal budget deficits, inflation, and rotation from the dollar support what we believe will be a steeper yield curve as we look to the future, which in turn should support our reinvestment rates and future investment income growth.

Tangible book value growth, our primary measure of wealth creation, was 17% per share from a year ago and 6.6% from the previous quarter. Our annualized core operating return on tangible equity in the quarter was 24.5% – simply an outstanding result.

Peter's going to have more to say about financial items in a couple of minutes.

Turning to growth, pricing and the rate environment, total company premiums grew 7.5%, with consumer up almost 16% and commercial up 3.3%. Commercial P&C growth this quarter was impacted by two items that benefited North America last year. Our underlying renewable Commercial P&C business grew about 5.5%, which is more representative of our run rate. Premiums in our Life Insurance division grew over 24.5%.

In terms of the commercial P&C underwriting environment, I would characterize the market globally as in transition. Competition continues to grow, especially large account-related short-tail business, both admitted and E&S. A lot more capital is chasing the property business and prices are softening, while terms and conditions remain steady.

On the other hand, middle market and small commercial property is more disciplined and orderly, though greater competition is beginning to show, as expected, particularly in upper middle market. In mid-market property, rates continue to rise, but naturally at a slower pace. Casualty pricing overall – large account, E&S and middle market – is also slowing, though it continues to firm in the areas that require rate. It's quite rational. Financial lines remain soft, but we're seeing signs affirming in discrete classes.

I'll give you some more color by division.

For a change let's begin this quarter with our international business. Premiums in our Overseas General division were up 9.7%, or nearly 7.5% in constant dollars. Consumer was up 15.5% and commercial lines grew nearly 6%. From a region of the world perspective, Asia grew over 14%. Europe grew almost 5%, and Latin America grew over 10.5%. Consumer lines grew more than 25% in Asia and more than 12.5% in Latin America.

Premiums in our London wholesale business were up over 8.5%. Our international retail and E&S business again illustrates the power of Chubb diversification.

In our international retail commercial business, P&C rates were down 1.3% and financial lines rates were down over 8%.

Turning to North America, total P&C premiums were up 4.4%, including over 8% in personal lines and 3.5% growth in Commercial. Adjusting for the two non-recurring items we wrote last year that did not repeat this year, renewable premiums in our North America commercial business grew 6.2%, with P&C lines up 5.8% and financial lines up almost 8.5%.

Drilling down, our North America high net worth personal lines business generated more than $1.8 billion in net written premium for the quarter. This business is now almost as large as our North America middle market and major accounts commercial businesses, each with premiums in the quarter of $2.1 billion, again illustrating our company's diversification.

Premium growth for our true high-net-worth segments was about 11.5%.

On the commercial P&C side in North America, premiums in our middle market business, where we are the second largest writer in the U.S., grew 4.1% to $2.1 billion. Middle market workers comp growth was impacted by one of the 2024-year items I mentioned, namely, an annual retrospective premium exposure adjustment which we make every year in the third quarter that benefited us much less this year than last. Adjusting for that, we grew middle market almost 7% with P&C lines up 8.6% and financial lines flat.

Premiums in Major Accounts & Specialty grew 2.5%, and with major up 3.2% and E&S up 6.6%. The major accounts division was up 5.6% adjusting for the impact of a large one-off LPT written last year.

In North America commercial, we had a very good quarter for new business – up 24% versus prior year – with double digit growth in major, specialty, middle-market and small commercial. Our renewal retention rate on a policy count basis was over 86%.

Commercial pricing for property and casualty excluding financial lines and comp was up 4.3%, with rates up 2.4% and exposure change of 1.9%. Property pricing was flat, with rates down 3.3%, and exposure change of 3.5%. And going a step further, Property pricing was down 13.5% in large account business and E&S, and up 6.2% in middle market and small commercial. Casualty pricing in North America was up 8%, with rates up 7.5% and exposure up 0.5%.

Financial lines pricing was down almost 2%, and the workers comp, primary comp pricing was flat, while large account risk management pricing was up almost 5%.

In North America commercial, there was no change to our selected loss-cost trends.

In our international Life Insurance business, which is fundamentally Asia, premiums were up 26.5%. We had a large one-time premium in New Zealand; adjusting for that, growth was up just over 16.5%. In North America, Combined Insurance Company premiums were up 18%. Our life division produced $324 million of pre-tax income in the quarter, up over 14%.

Chubb's fundamentals and our positioning are excellent. We are performing at a high level almost anywhere you look in the company. We have broad global diversification and a disciplined, energized and talented team of professionals whom I couldn't be more proud of to call my colleagues. We are reaping results and planting seeds for the future. Our digital and AI efforts, years in the making, are contributing to growth and beginning to transform the company and how we do business. Our balance sheet, starting with loss reserves, has never been stronger.

We estimate that 70% to 80% of our businesses present attractive growth opportunities and looking forward and from all we can see, our performance is enduring. We will maintain superior earnings growth, including double-digit growth in EPS, book and tangible book value, and core operating ROE increasing to 14%+ over the medium term.

In the quarter, we stepped up share buybacks because we are an excellent investment with our stock trading well below intrinsic value. Increased buyback activity will continue, while at the same time we will continue to build additional capital and our invested asset.

I'm going to turn the call over to Peter now, and then we're going to come back and take questions.

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

Good morning. As you have just heard, we had another strong quarter that produced nine-month records in our three primary sources of earnings. Our results were supported by $4.5 billion of adjusted operating cash flows and exceptional balance sheet strength, including all-time highs in both book value of nearly $72 billion and cash and invested assets that exceeded $168 billion.

There are a few capital-related matters I'd like to touch on. First, we returned $1.6 billion of capital to shareholders during the quarter, including $385 million in dividends and $1.2 billion in share repurchases. Secondly, we issued approximately $2.2 billion of debt at a weighted average cost of 4% and an average term of about 12 years.

Book and tangible book value per share excluding AOCI grew 2.8% and 3.8%, respectively, for the quarter, and 10.4% and 14.8% from the prior year.

Our core operating return on tangible equity and core operating ROE were 24.5% and 16.3%, respectively, for the quarter.

Pre-tax catastrophe losses were $285 million for the quarter, principally from weather-related events split 86% U.S. and 14% international, and $2.6 billion through nine months versus $1.8 billion over the same period last year.

Pre-tax prior period development in the quarter in our active companies was favorable $422 million, comprising $460 million of favorable development in short-tail lines, and $38 million of unfavorable development in long-tail lines. Our corporate runoff portfolio had adverse development of $61 million, mostly environmental related.

Our paid-to-incurred ratio for the quarter was 83%, and 87%, year-to-date.

Turning to investments, our A-rated portfolio, which had an average book yield of 5.1% for the quarter, increased over $7.5 billion from prior quarter. The increase reflects strong operating cash flow as well as positive marks to market and favorable FX, partially offset by shareholder distributions.

Adjusted net investment income was $1.78 billion which was above our previously guided range by approximately $40 million due to higher than projected private equity income as well as higher call premium and strong cash flows into the portfolio. To give you a bit more color this quarter, approximately 87% of investment income was generated by our fixed income portfolio, which is relatively predictable and growing steadily. The balance of our investment income is from private investments and other sources, which while growing more quickly, are more variable from quarter to quarter. We now expect adjusted net investment income in the fourth quarter to be between $1.775 billion and $1.81 billion next quarter.

International Life premiums written growth in the quarter of 26.5% included a favorable one-time large transaction of $126 million, without which growth would have been 16.6%. The contribution from this transaction to Life Insurance segment income was de minimis.

Our core operating effective tax rate was 20.5% for the quarter, which is above our previously guided range due to shifts in mix of income by tax jurisdiction, in particular related to prior period development catastrophe losses. As a result, we expect our core operating effective tax rate for this full year to be in the range of 19.5% to 20%.

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

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

Thank you. At this point we'll be happy to take your questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) David Motemaden, Evercore.

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

Nice to talk to you.

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**David Motemaden** - *Evercore Inc - Analyst*

It happens once a year, it seems like so not too bad. But just, Evan, just had a question on the ROE outlook increase to 14%+ from 13% in December. I guess, can you just talk through the moving pieces there and where you see upside that incremental point? Is it net investment income, underwriting, either releases or underlying underwriting, all of the above? Can you just help me think through the moving pieces there?

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

Yeah. I'll help you think it through conceptually, not a worksheet. Look, we -- and I think this is the place where I start the mental model here. And it's 14%+ by the way. The plus is an important sign. We have strong and growing earning power. And as we look forward, we see that enduring. It's growing earnings. And there are three engines of it, and so you keep a mental model of that: underwriting, Life income, and our invested assets, so investment income.

The growth in underwriting, it's commercial and consumer, P&C, it's very broad-based, in non-life, including A&H. Our life earning power, growing. Our invested asset and alternative allocation to alternatives, so investment income, growing. Each of those, as we look forward, we see good sustainability to growth of earnings.

And then with growth of earnings, it means our capital base, obviously, with those earnings growth and that earning power, capital continues to grow. We're trading well, as we see it, below intrinsic value. And by the way, as you continue to grow earnings, and if it's sustainable, then frankly, your intrinsic value continues to move out.

We will buy back above previous trend. As you saw this quarter, we will continue to do that. And at the same time, we're going to continue to build our invested asset that also contributes to growth of earning power. That's as simple as I believe I can break it down for you.

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**David Motemaden** - *Evercore Inc - Analyst*

Got it. That's helpful. And then maybe just following up, excess capital, I think in the past you guys have talked about it as a drag on the ROE. I guess, how can we think about that today? I think last time you spoke about it, it was, I think, a 2-point drag. Any way you could size that today for us?

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

Yeah. Everybody migrates. Me, too. And I don't really view it as excess capital because we're earning -- it's accretive to ROE as we deploy it on the invested asset side to the degree that it isn't supporting insurance underwriting activity. That's what you'll think of as surplus capital. But we're generating an excellent return on the alternative side, in particular, as we grow that in our invested asset. And so, I more think of it that way. But to answer your point directly, it's 2 points or north of 2 points.

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**David Motemaden** - *Evercore Inc - Analyst*

Understood. Thank you.

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**Operator**

Gregory Peters, Raymond James.

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

So as I look at your results in the third quarter and through the year, year to date, at least, the Overseas General growth stands out as somewhat of a surprise. And so, I was looking for some more color on that. And I guess why I'm a little bit surprised by it is because there's all this talk about pricing pressure among the large multinational types of exposures and in E&S market. And it seems like your business, whether it's London wholesale or the commercial inside Overseas General performing -- outperforming the peer groups. So maybe you can shed some color on that.

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

I want to correct your mental model, I think. The majority -- the vast majority of our Overseas General business, so P&C, is not E&S, and it is not large account multinational. The majority of it is middle market, small commercial, and consumer business, personal lines, automobile, homeowners, depending on the territory you're in. We do it selectively, and we talk about it. A&H business, digitally derived, direct marketing, agency, brokerage, vast in Asia, big in Latin America. And in the UK and on the continent, our business is well diversified, middle market in particular, and large account.

Large account business is fundamentally, when you get down to it, UK, parts of the continent, Australia. But that's a better mental model than the one you start with, which is most of the neighborhood that you talk to, which is crowded in London and writing shared and layered trades in E&S and then large multinational. And in that business, it's property that is most competitive, which is where the globe is moving in a similar direction. Large account, shared and layered, but beginning to show up in parts of the middle market. It's property.

And when I have any concern about underpricing of business at the moment, it's particularly in parts of that area of property. The balance, particularly in most casualty lines, is adequately priced or where it's not, the market is responding with pricing. And to achieve adequacy, financial lines bumps around the bottom, so buyer beware.

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

Great. Thanks for the clarification on that. I guess the second question, unrelated but important, is just around the expense ratio. If I look at the year-to-date results, the P&C consolidated policy acquisition ratio is up a little bit. Maybe the administrative expense ratio is holding in line, but I'm just curious what the moving parts are (multiple speakers) --

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

Yeah, yeah. The acquisition is just a mix of business, more middle market, small, and consumer lines. They run a more favorable loss ratio.

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

Fair enough. Thanks for the answers.

**Operator**

Ryan Tunis, Cantor Fitzgerald.

**Ryan Tunis** - *Cantor Fitzgerald LP - Research Analyst*

So I guess one thing that kind of surprised me, maybe it shouldn't, but North America E&S, I'm guessing that's Westchester, still up 7% this quarter. You talked about a transitioning market. Maybe expected growth to be a little bit less there. So just maybe some color on -- yeah, I guess, what's driving the solid growth rate there?

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

Yeah. Without giving away competitive secrets, property shrank, and it shrank significantly as it should. I mean, gave up rate, and we gave up exposure where we can't get paid adequately price to model for CAT. We're simply going to walk away, and we are.

On the other hand, there are areas of casualty that grew, and we are large in small -- quietly in small commercial E&S. We have a very large and growing completely digital capability, and that contributes very well to growth. And then we have a few program areas, like you'll notice we're in the pet insurance business, and those areas contribute to growth as well.

It's diversification, again, and balance. And it's not achieved overnight. It's what you just patiently do, and then it bears fruit over time.

**Ryan Tunis** - *Cantor Fitzgerald LP - Research Analyst*

And I guess, second one, just a broad one, Evan, just from where you're sitting, on the commercial side globally, in what ways are you seeing the macro impact your business, if at all?

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

Yeah. There's a wild card. Right now, interesting enough, I'm not seeing a big impact to the macro. U.S. is doing well. So overall, the economy, you can't get away from it. You look at the numbers, overall, U.S. economy has remained strong, though labor is slowing down, and the growth of payroll is slowing. And that's what you saw in the sort of that workers' comp adjustment, once-a-year adjustment payroll numbers. So you see that show up.

Europe is slow in economic growth, but it's been slow, and it continues to be slow. Asia has stood up pretty well. It varies by country within Asia, but it's stood up reasonably well. Korea is slow right now, but it isn't really impacting the growth of our business too much because of the nature of our kind of products and our distribution. But Thailand is impacted on one hand. On another hand, Singapore does well. Australia, doing quite well economically. So it varies across the board. It's a little volatile. But I don't notice a big impact.

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**Ryan Tunis** - *Cantor Fitzgerald LP - Research Analyst*

Thank you.

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**Operator**

Matthew Heimermann, Citi.

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**Matthew Heimermann** - *Citi Infrastructure Investments LLC - Analyst*

Evan, I wonder if you could talk maybe about the inorganic growth opportunities in Asia. And in particular, I guess, the impression I'm getting from what's happening in the market there is there might actually be a lot more sellers than there have been historically as people think about where they are at strategically, whether they have scale distribution, et cetera. So I'd just be curious if you have any comments or color in that regard.

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

We must be talking to different people because, frankly, I haven't noticed that kind of chatter or many sellers in Asia. Most seem to be happy to make a go of it. So I'm not noticing that.

I know one thing. I got a dance card that's pretty full. Our plate is very full with organic growth opportunities across consumer, across small, mid, in particular, commercial variety of distribution, and a whole lot of countries. So we're just flat-out busy growing organically right now and building capability and reaping what we got. So I haven't really noticed much of that, Matt.

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**Matthew Heimermann** - *Citi Infrastructure Investments LLC - Analyst*

All right. I appreciate that. Thank you. The other question I have, if you're willing to entertain it, is there's been a lot of chatter about a particular historically wholesale broker moving into the U.S. organically on the retail side and some big shifts of business away from them, in particular in the London wholesale market. I'm just curious, from a health of the market, drawing regulatory scrutiny and maybe it's just my institutional memory is too long, should we be worried about that type of behavior?

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

No. I wouldn't. It speaks to market economy. People make choices. They have their own choice to make. I'm not going to second-guess their own analysis and the strategic outcome of that. That broker is doing what they're doing with their eyes wide open, I assume. And they look at the positive, and they look at the negative, and they must see that the positives outweigh the negative. That's their choice to make.

And it's every other brokers' choice to react. I'm glad there isn't regulation that somehow impacts the ability of market to make rational choices, each on their own.

**Matthew Heimermann** - *Citi Infrastructure Investments LLC - Analyst*

I appreciate it. Thank you.

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

Let's have a dynamic market. And by the way, a dynamic market is, by definition, messier.

**Matthew Heimermann** - *Citi Infrastructure Investments LLC - Analyst*

Great. I like messy. Thank you.

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

You're a guy.

**Operator**

Tracy Benguigui, Wolfe Research.

**Tracy Benguigui** - *Wolfe Research LLC - Equity Analyst*

Evan, you said that your balance sheet starting with your reserves have never been stronger. I'm wondering if you could share with us where your reserves sit relative to your central estimate and any comments about this quarter's North America commercial lines favorable reserve development, which was slightly down this quarter versus prior quarters.

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

Tracy, nice try. No, I will share no detail about our reserve position and our reserve strength beyond what I just said. That's proprietary. So I'm not going to do that. There'll be additional color on our reserves in the 10-Q that'll come out, and you can look at those.

**Tracy Benguigui** - *Wolfe Research LLC - Equity Analyst*

Yes, okay.

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

Our reserves -- but I think my comment that our reserves have never been -- I've never seen them stronger stands on its own weight.

**Tracy Benguigui** - *Wolfe Research LLC - Equity Analyst*

Got it. Okay. Can you talk a few minutes about your small to middle market commercial business? I mean, I recognize you have strong field operations. Legacy Chubb has built that over 100 years. But I'm wondering if you could discuss where you win in business. Is it more by offering cyber package policies, given you're a leader there?

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

No. I would say that's a specialty add-on. We are the second largest writer in the United States of middle market customers. So you start with that. The amount of data that we have, the product, the spread of product that we offer and the capability, and we deliver it both through our branch operation and more and more supported by technology to enable the process.

Our industry practices business, we are the pioneers, the inventors of the notion of industry practice that some others are trying to copy where we offer product and suites of product with wordings designed by industry. It's not just marketing. It's true underwriting and product differentiation in the various customer cohorts because we break down the middle market by industry and specialize across a wide swath of industries targeting customers in those industries.

We segment the middle market between large and sort of middle and then lower middle market, which is a different buyer than the balance of middle market. It's more akin to small commercial. And the ability to take the seams out and deliver to customer whether they're small or lower middle and in a totally digital way and to have the broadest suite of products so that you meet all of the customer's needs that way, growing marketing capability to be able to segment by geography where are the customers that we are most compelling for, we have the best offering, the growing ability of our software with our people to deliver in that and to do it in a way that drives not just more submission activity but at a close ratio that is superior, that is what Chubb's middle market and small commercial, in a nutshell, is about. And that is spreading around the globe.

**Tracy Benguigui** - *Wolfe Research LLC - Equity Analyst*

Very helpful comments. Thank you.

**Operator**

Brian Meredith, UBS.

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

Evan, I was hoping you could just give us a little update on the global A&H business. Kind of what's the outlook there? I know it's been seeing some declining revenues here year to date and in the quarter. What's going on with the business?

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

Yeah, perfect. It was North America that declined. We had a -- and it's not a dog ate my homework. We had a very large customer that we couldn't come to terms with, the underwriting, just simply the pricing wasn't going to meet our standard. And so we mutually agreed to part ways on that, and that was the end of last year. And that's impacted A&H in North America all year, in fact. It's a one-off.

Internationally, the business is growing at around 7.5%. Asia, in particular, and Latin America, and it's growing, and the opportunity is in a number of areas. Our travel-related business is growing quickly because it's 100% digital. And our ability to deliver through airlines on an embedded basis or through large travel agencies and an improvement of product and even being able to settle claims on a digital basis has given us a lot of runway on that.

Our direct marketing business, not just by phone, but by a digital direct-to-consumer through, as I've talked about repeatedly. We have over 200 platform partners, but some very large ones like a Nubank or in Latin America or Grab in Asia or a ByteDance, et cetera, to their customers through both an embedded and now what we call click to engage or click to call where we marry up voice and direct digital together to be able to sell a higher average ticket product.

It's a very vibrant strategy with a lot of growth runway to it, both non-life, which is what you see disclosed there, and on the life side, well remember, 60% to 70% of our business is A&H. So when I look at it going forward, I think about growth in Asia, Latin America, both growth regions. Europe, more flattish. North America, we see growth picking up.

And then to remind you, when I say that Combined was up 18%, that's work site marketing. And most of that is A&H and then some risk-based life insurance. But it's dread disease. It's hospital cash. So again, that's another proxy of A&H business. We love A&H business around here for decades.

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

And the second question, maybe you could talk a little bit about the reinsurance business. Obviously, big decline in premium this quarter. What are you seeing in that marketplace? Are you seeing terms and conditions loosening up? And any crystal ball as to what you think 1/1 may look like?

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

I like it as a buyer. Look, our reinsurance business, and you know this, we've always run it a bit as a -- we get the joke. We recognize it more as a trade. And frankly, it's the other side of that same coin of property softening. And we're not going to chase property CAT unless we really like, unless we think it's priced adequately, and we're disciplined about price to model. There is no sort of gut feel or I observe one or two quarters where CAT activity was light, so something has changed. Oh my God, please.

And so, we're disciplined about it. And we will write the business when we're going to get paid adequately, and we will shrink when we're not. And there's a pretty good example.

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

Thanks.

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**Operator**

Meyer Shields, KBW.

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

Peter, you mentioned that the more volatile components of investment income are growing faster. I was hoping to get a little bit more color in terms of the underlying thought process and maybe targeted allocations.

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

I'm sorry, say that again?

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

So Peter mentioned that non-fixed investment income is more volatile but growing faster than the fixed income component, and I was hoping to dig a little deeper in terms of what you're thinking and maybe where that goes over time.

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

Yeah. I'm going to give it to Peter in a second, but let's be very careful of more volatile. It's not more volatile in its signature. It's just a question of realized gains versus interest rate income off of a fixed -- so fixed versus equity-based. That's all. But go ahead, Peter.

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

So we'd indicated before that we're increasing our allocation to private investments, including private equity, and those have -- so we're increasing the allocation, and those also have a higher current yield. So just on that basis alone, that income will grow more quickly over time.

To Evan's point, there will be quarterly fluctuations from things like distributions and realizations. But the current return of that that will flow through our adjusted NII is higher, plus the total IRR is much higher, and that will help book value compound more quickly.

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

So think of alternatives as producing. And we've said this before, we used our partnership with -- our long-term partnership with KKR as an example. It'll feed a coupon yield of, let's call it, somewhere around 7%, 7.5%. But on the other hand, it has an IRR to it of 15%+ or in that range. So therefore, it does have a terminal value component to it also. And you see that fluctuation as you do normally in PE.

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

Okay, fantastic. That's very helpful. One quick other question. We've had two consecutive quarters in North America personal with really solid top-line growth and declining administrative expenses on a year-over-year basis. Is that something that can persist? Is that technology driven?

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

I like the pattern.

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

Okay, then. Thank you.

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

I mean, we like to continue patterns that we find that we like. It is part of our strategy. As we digitize, as AI over time matures more within the company, we expect our growth of expense, the growth rate to decline as revenue grows. And over time, we expect the total employee population declines as revenue grows. And both technology and AI in various forms at different parts of the process of conducting our business. They continue to mature and continue to take hold sort of business by business. So it takes time, but we're seeing results. It's not a futuristic as we're harvesting now.

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

Understood. Thank you so much.

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**Operator**

Andrew Kligerman, TD Cowen.

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**Andrew Kligerman** - *Cowen and Company LLC - Analyst*

So Evan, I thought the print that you put out in property casualty was literally the best in the world. You had under an 82% combined. Net written premium growth was around 5% but would have been higher were it not for some one-offs. And I appreciate your commentary about the broadness of the business, the geography, the product, the account size, and other items. But diverse companies often mess up. And you gave a good description on your middle market commentary and why that's so good. But how does Chubb stay ahead on tech, on data, on underwriters? What is it that keeps you ahead and doesn't mess up this incredible performance that you've been doing quarter after quarter?

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

I've been the CEO of this company for 21 years. We have built a culture, a discipline, and an ability to monitor and survey our discipline and the way we work at an extremely granular level on a real-time basis. And culture here means the higher you go, the harder you work. It's an inverted pyramid, and it is a privilege. And if you don't feel that way and you need a, quote-unquote, different work-life balance, then this may not be the place for you.

The people who embrace this, the management team, we've been together, some 15 years, some 20 years, some 25 years. We've been together decades. We've all grown up with the same ethos of how do you run and discipline and manage a business. And we're fundamental builders. We love what we do.

And so it's granular. You look at the results, but it's the result of those macro results of granular effort across hundreds of businesses in dozens of countries with a management structure that can discipline and drive it on a daily basis. And we are all traveling and on the ground tirelessly to examine and know our businesses. We love it. We love what we do.

And frankly, I've been asked this question of enduring, and that's why I started with it, for over 20 years. How are you guys gonna keep repeating it? And by the way, you can lose it. You can lose it quickly if you start laying back or getting a little complacent or starting to believe your own stuff that is written about you that you're so great. We're not. We act like we're chased every day. And this company has only $60 billion-some-odd of revenue in a $4 trillion industry. We've got the world in front of us, and that's what drives us. Period.

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**Andrew Kligerman** - *Cowen and Company LLC - Analyst*

Very helpful. And then if I could follow up on the -- and I know you don't want to talk about the details of your position and strength and reserves. But could you talk about the casualty development in the quarter? Was it adverse? Was it favorable? Anything by vintage? Just how did it develop in commercial P&C in the third quarter?

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

Yeah. It was overall casualty development was $38 million negative. And that was $104 million in the US and negative and $66 million positive internationally.

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**Andrew Kligerman** - *Cowen and Company LLC - Analyst*

Got it. And nothing by vintage that kind of stuck out?

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

No, sir.

**Andrew Kligerman** - *Cowen and Company LLC - Analyst*

Thank you so much.

**Operator**

Alex Scott, Barclays.

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

I really enjoyed that answer on the culture, by the way. But my question is on the path to the 14%+ ROE. If I look at just the simple DuPont kind of analysis, it would suggest that that ROE drag, whether you want to call it excess capital or just lower premium to equity that maybe you could run with, that seems like the biggest opportunity to increase the ROE quicker, but that wasn't where you went at first with that response. So I was interested in that.

You feel like there are things you can do on underwriting life income, growing the business. You feel like you can hit that 14% ROE plus without any contemplation of really hammering the buyback or doing inorganic or something like that.

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

Correct. Yes, correct. We're going to -- from all we see, we're going to continue to grow income. I gave you the parts and pieces of growing income, which is growing earning power. We will continue to build our invested asset, and we will continue to -- with that income, not just loss reserves, and so capital will build. And at the same time, we will increase our buybacks. We'll do both as long as we're trading below intrinsic value and we are trading well below.

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

Got it. Very helpful. And then I wanted to go to the Chubb personal lines business. I mean, it's been doing really well with the amount of growth. Just interested in your views on how you think that would be impacted, if at all, if we see competition heating up and maybe areas of the market where that has more of an impact like direct-to-consumer, et cetera.

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

Yeah. And I think you're referring to high-net-worth North America. Or are you thinking globally? Or what do you think?

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

Yeah, more in North America.

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

Okay. In North America, I mean, look, competition. It takes -- what is competition really about? We have competitors out there who sell at a price significantly below Chubb. And if you are a Chubb customer, and we respect our customers, but if price becomes a real problem for you, then we have two or three other phone numbers we'll give you of others who will sell it at a price below us.

But it's about service. It's about the richness of product. Anybody who has a claim with Chubb that I know of, I mean, there's our reputation, it never leaves. Our ability in risk engineering and again, the richness of the coverage we offer, so it's not just claims service in terms of speed and how we deal with a customer, but it's how the richness of that coverage comes alive at that time. It's our broad reach and appetite.

We can underwrite a customer anywhere they are for any kind of home they're in. We offer the broadest range of coverages, from their fine arts and jewelry to large limits of casualty to yachts and boats anywhere in the world. No one steps up to this. We do define the class, yet we're hungry and we're humble about it. We keep stepping up to reinforce and rebuild ourselves.

Competition is heating up as it heats up, more in CAT – extreme, CAT-concentrated areas. We can't write it all. I'm not going to try to dominate in any area where, oh, I wrote 100% to the CAT market here. Are you kidding me? So there's room for others to come on in and write your share. And by the way, you can write it at an adequate risk-adjusted price. Don't worry.

And so, competition wanes and waxes in it. It's more about the price in that case, but not the richness of coverage and service that we provide.

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

Thanks.

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

It's such an enduring franchise, and I couldn't be more proud of it. And I couldn't be a bigger fan.

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

Appreciate all the color. Thank you.

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**Operator**

Ladies and gentlemen, I will now turn the call back over to Karen Beyer for closing remarks. Please go ahead.

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

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

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**Operator**

Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.

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