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CB.N - Q4 2025 Chubb Ltd Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by. My name is Jay and I'll be your conference operator today. At this time, I would like to welcome everyone to the Chubb Ltd fourth-quarter 2025 earnings call.

(Operator Instructions)

I would now like to turn the conference over to Susan Spivak, Senior Vice President, Investor Relations. You may begin.

Susan Spivak - *Chubb Ltd - Senior Vice President, Investor Relations*

Thank you and welcome to our December 31, 2025 fourth-quarter and year-end earnings conference call. Our report today will contain forward-looking statements, including statements relating to company's 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.

See our recent SEC filings, earnings release, and financial supplement, which are all 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 today 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.

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

Good morning. We had an outstanding quarter, which contributed to another record year, demonstrating both the resilience and the broadly diversified nature of our company. We delivered excellent full-year results with strong contributions from virtually all of our businesses. We achieved record earnings for both the quarter and the year.

For the quarter, very strong double-digit increases in underwriting and life income along with record investment income, led to core operating income of nearly \$3 billion or \$7.52 per share up about 22% and 25%, respectively.

Total company net premiums grew almost 9%, with P&C up 7.7% and life up about 17%. In fact, our company's published growth this quarter was faster than the average for the full year.

In the quarter, our underwriting performance was simply outstanding. P&C underwriting income was \$2.2 billion, up 40% with a record-low combined ratio of 81.2%. Our published underwriting results were supported, of course, by low CATs and prior period reserve development, but importantly by very strong current accident year performance from our businesses across the board, including from our agriculture division, where we are the #1 crop insurer in America. Agriculture's outstanding results benefited the quarter's underlying current accident year combined ratio of 80.4% which was nearly 2 points better than prior year and a record low. Importantly, however, excluding agriculture, the Global P&C ex-CAT current accident year combined ratio, reflecting the strength of our businesses from around the globe, was 80.9%, and almost a full point better than prior year and again a record result.

And we had an outstanding quarter on the investment side of our business. We generated record adjustment net investment income of \$1.8 billion, up 7.3%. Our fixed income portfolio yield is 5.1%, and our current new money rate averages slightly above that. Our invested asset now stands at \$169 billion, up from \$151 billion a year ago.

The more important time frame to me to discuss though is the full year, and what a year we had. We printed record operating income just shy of \$10 billion, or \$24.79 per share, up about 9% and 11%, respectively, over prior year. For perspective, over the past three and five years, core operating income has grown 55% and over 200%.

All three major sources of income for our company produced record results last year: P&C underwriting income of \$6.5 billion was up 11.6% with a record-low combined ratio for the year of 85.7%. Adjusted net investment income rose 9% to almost \$7 billion, and life insurance income of \$1.2 billion was up over 13%.

Our record underwriting results and earnings were achieved in spite of full-year CAT losses that were, in fact, higher than prior year, substantially driven by the California wildfires in the first quarter. Though U.S. and worldwide hurricane and typhoon seasons were unusually light this year, annual industry CAT losses still approached \$129 billion. By its nature, CAT exposure is volatile. Frequency and severity of losses are alive and well. Fire, flood, cyclonic and earthquake are all perils that contributed to industry CAT losses.

For the year, we grew total company premiums over 6.5%, with P&C up about 5.5% and life up over 15%. Per share tangible book value, our most important measure of wealth creation grew 25.7% last year. Peter is going to have more to say about financial items.

Again, our results for both the quarter and the year, top and bottom line, put a point on the broad-based, diversified nature of the company by geography, by product, by commercial and consumer customer segment and distribution channel. It speaks to how well we are positioned both relatively and in absolute terms.

Turning to growth, pricing, and the rate environment. P&C premium revenue, again, grew over 7.5% in the quarter, with consumer up almost 12% and commercial up over 6%. Our international P&C and U.S. agriculture business had a particularly strong growth quarter, with premiums up nearly 11% and over 45%, respectively. But we also had strong growth from our U.S. personal lines business and our commercial U.S. middle market and E&S businesses.

In terms of the commercial P&C underwriting environment, in the fourth quarter, as I said in the last few quarters, the market globally is in transition and growing incrementally more competitive quarter by quarter, particularly large account property admitted and E&S, and upper middle market. Casualty pricing - overall - large account, E&S and middle market - continues to firm in the areas that require rate, and in those that don't, price increases have slowed. Financial lines remain soft with some signs of firming in discrete classes. I will give you some more color on the fourth quarter by division, and I'm going to begin with our international P&C business.

Premiums in Overseas General were up 10.8% or over 8% in constant dollars - a very good result. Premiums in our global retail business, which operates in 53 countries and which is 90% of our overseas general division were up 12.5%, with consumer premiums both A&H and personal lines up 18.7% and commercial lines up almost 7.5%. Latin America grew 14.7%, with consumer up almost 18% and commercial up about 10.5%; Asia grew 13%, with consumer up 25% and commercial flat; and Europe grew over 7%.

In our international retail commercial business, P&C rates were down 3.6% and financial lines rates were down almost 9%. Loss costs remained steady. Premiums in our London wholesale business, which is 10% of our international P&C were down about 1%, given more competitive London open market conditions basically across the board - property, marine, aviation and professional lines.

Turning to North America, total P&C premiums were up over 6.5%. Agriculture, again, was up over 45%, predominantly due to the profit-sharing formula with the government. Excluding agriculture, premiums were up 4.7%, including more than 6% in personal lines and 4.3% in commercial, which is made up of middle market, small, E&S and large account divisions.

Breaking U.S. commercial growth down further, premiums in middle market and small commercial grew over 6% with P&C up 7.5% and financial lines up 1.5%. New business for middle market and small was strong, up more than 17% versus prior year.

Premiums in Major Accounts & Specialty grew 3%, with major or large account business up 0.5% in Westchester, our E&S company, up over 7.5%. Major Accounts and for that matter Westchester growth was impacted by property, obviously, and in major we wrote fewer one-off LPT transactions than we did prior year.

Commercial pricing for property and casualty, excluding financial lines and comp was up 4.3%, with rates up 2.5% and exposure change of 1.8%. Property pricing was down 1.5% with rates down 4.6%, partially offset by exposure of 3.3%. Going a step further, property pricing was down over 13.5% in large account business and E&S, and it was up 3.7% in middle market and small commercial. Casualty pricing in North America was up 8.5%, with rates up 7.6% and exposure up 0.8%.

financial lines pricing was down 1.5%, and comp middle market pricing was down just under 1%. Large account risk management pricing was up 6.5%.

In North America Commercial, again, there was no change to our selected loss cost trends.

Premiums in North America high net worth personal lines grew over 6%, and homeowners pricing was up over 8.5%.

In our international life insurance business, which is fundamentally Asia, premiums were up almost 18% in constant dollars. In North America, premiums in our Chubb worksite benefits business were up over 16.5%. Our life division produced \$322 million of pre-tax income in the quarter, up just shy of 20%.

So in summary, we had a great quarter and a great year, which again speaks to the broadly diversified and global nature of our company. We have many sources of opportunity on both the liability and asset side of the balance sheet. At the same time, we are continuing to invest to improve our competitive profile.

While early, we're off to a good start in '26, and we're confident in our ability to generate for the year strong growth in operating earnings, and double-digit growth in EPS and tangible book value through the three sources of income, P&C underwriting, investment income and life, though CATS and FX aside.

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

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

Good morning. As you heard from Evan, we concluded the year with an outstanding quarter that produced full year earnings records and all-time highs on our balance sheet, including cash and invested assets exceeding \$171 billion and book value of nearly \$74 billion. Our exceptional results were supported by \$4.2 billion of adjusted operating cash flows in the quarter and \$13.9 billion for the year.

We returned \$1.5 billion of capital to shareholders, which contributed to a total of \$4.9 billion for the year or about half of our core operating income, including \$3.4 billion in share repurchases at an average price of \$282.57 per share and \$1.5 billion in dividends.

Book and tangible book value per share, excluding AOCI, grew 3.4% and 4.8%, respectively, for the quarter and 11% and 15.5%, respectively, for the year.

Our core operating return on tangible equity and core operating ROE in the quarter were 23.5% and 15.9%.

Pretax catastrophe losses were \$365 million for the quarter, principally from weather-related events split 55% U.S. and 45% international, and \$2.9 billion for the year versus \$2.4 billion in the prior year.

Pre-tax prior period development in the quarter in our active companies was favorable \$430 million, split 64% short-tail lines and 36% long-tail lines. Our corporate runoff portfolio had adverse development of \$162 million, primarily related to our asbestos review which is completed each fourth quarter.

Our paid-to-incurred ratio for the quarter and year was 105% and 91%, respectively. Excluding CATs, PPD, and agriculture, our paid-to-incurred ratio for the quarter and year was 94% and 88%.

Turning to investments. Our A-rated portfolio increased about \$2.7 billion from the prior quarter and \$18.1 billion from the prior year. The increase for the quarter and full year reflects strong operating cash flow and positive marks to market, while the year also includes favorable FX, partially offset by shareholder distributions.

Adjusted net investment income of \$1.81 billion was at the top end of our previously guided range, primarily due to strong growth in the invested asset base. For the year, adjusted net investment income grew 9% to \$6.9 billion, which included approximately \$6 billion or 9% growth from our public fixed income portfolio, and \$940 million, or 8.5% growth, from our private investments. We expect adjusted net investment income in the first quarter of 2026 to be between \$1.81 billion to \$1.84 billion.

Our core operating effective tax rate was 18.7% for the quarter and 19.4% for the year, which was slightly below our previously guided range. We expect our annual core operating effective tax rate for 2026 to be in the range of 19.5% to 20%.

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

Susan Spivak - *Chubb Ltd - Senior Vice President, Investor Relations*

Thank you, Peter. At this point, we're happy to take your questions. Operator, please queue up the questions

QUESTIONS AND ANSWERS

Operator

Thank you. The floor is now open for questions.(Operator Instructions)

Brian Meredith, UBS.

Brian Meredith - UBS AG - Analyst

Yeah, thank you. Evan, first question, just looking at the U.S. commercial in North American Commercial Lines business. Your underlying margins have been incredibly consistent and excellent results over the last several years. I'm just wondering, given the current pricing environment, do you think you can sustain those here in 2026?

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

Morning, Brian. I don't give guidance, as you know. And on one hand, you have clearly, lines of business where price is not keeping pace with loss cost. And the math naturally works in one direction.

On the other hand, we have a very broad business and mix of business changes, mitigate on the other side. I'm very comfortable with the combined ratios we are publishing, and I do not prognosticate the future, but I do have confidence in underwriting income for this company, growth in underwriting income contributing to that growth in EPS.

Brian Meredith - UBS AG - Analyst

Great, thanks. And then maybe, that's terrific. And then maybe pivot over to the personal lines business. Once again, terrific combined ratios, there's been some press and some regulators talking about excess profit laws and implementing them. I'm just curious your thoughts on that and potential implications for Chubb and this profitability in that business?

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

Yeah. Look, if you measure our personal lines business in the United States over any reasonable period of time, 3, 5, 10 years, it classically runs in the high 80s to up into the low 90s combined ratios, given - and it bounces around given the nature of catastrophe losses, in particular.

I'm very mindful and more than mindful sympathetic about the issue of affordability in the United States and - but I would be careful when politicians think about that issue of affordability pointing to insurance as a culprit. We intermediate money. We don't print money. For Chubb, loss costs in homeowners are rising around 7.5% to 8% at the moment. Liability on one hand is a strong contributor to that. And we know liability costs in the U.S. overall are rising. Inflation for liability is roughly 9%, 7% to 9% and that's multiples of CPI. That's a problem with litigation. That's not an insurance company problem.

Secondly, and I think more important to homeowners, a large price part of pricing is catastrophes. And those are measured over an extended period.

As you know, you could have a two-year period where you have huge outsized CATs, and you lose money in that state. On the other hand, you could have a quiet period. And it looks like you made money. You measure it over an extended period. And for homeowners, admitted homeowners in particular, prices are filed and they get approved based upon technical actuarial.

So I would be careful of politicizing the affordability question, and as you point to, homeowners insurance where it's going to create ultimately an availability problem and that will exacerbate affordability.

Brian Meredith - UBS AG - Analyst

Thank you.

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

You're welcome.

Operator

Bob Huang, Morgan Stanley.

Bob Jian Huang - Morgan Stanley - Analyst

Hi, good morning. I'm a sucker for overseas business, so I'd like to ask a question on that. Clearly, the growth in Latin America and in Asia are very strong in Latin America, Mexico has been consistently called out as a very much a favorable environment. Maybe can you give us a little bit of color outside of Mexico in Latin America in terms of what is the opportunity there? And what is the growth momentum there?

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

Yeah. It's more in our consumer than in our commercial businesses. We have, as I'm sure you know, Banco de Chile, largest bank in Chile is our long-term partner for distribution of consumer-based insurance as an example. Nubank is our partner in Brazil for digitally distributed insurance, consumer insurance. In Ecuador, we are partners with Banco Guayaquil, one of the biggest banks in Ecuador for distribution of the consumer insurances, you get the picture.

And in Argentina, we have actually a very good business growing in both consumer and commercial. While commercial is good in Mexico and Brazil, to a degree in Chile and Colombia, it's the consumer businesses with multiple distributions, A&H, specialty, personal lines and automobile on both a direct-to-consumer through bank and other distribution, digitally based direct-to-consumer, and broker and agent driven.

Our Mexico business predominantly is agent-driven growth. Though we are the exclusive insurance partner long term of Banamex and with the sale of Banamex right now from - by CitiGroup to a local Mexican management, I expect that that's going to be another growth opportunity. So it's very broad-based. It's across a variety of countries, and we've been at it for years.

Bob Jian Huang - Morgan Stanley - Analyst

Really appreciate that. It sounds like a lot of opportunities without us worry about pricing. Maybe the second point, staying on overseas, Asia business, clearly, another area of excitement, but can you maybe give us a little bit of the competitive dynamics there, right? You made an acquisition here this year. Just curious about how we should think about an area where everyone is excited about it. And clearly, everyone wants a piece of that pie, so to speak.

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

Yeah. First, I want to just, so we stay grounded in reality. When you think about Asia, when you think about Latin America, Asia, dwarfs Latin in American in its size and scale and the opportunity, both regions though, are developing market and mature market regions. And they have that signature about them. So a certain volatility to economic and political growth. It's many, many countries in Asia, small micro markets and large markets. But there is a certain volatility in any period, one period to another that can occur. The trend line for both regions is up and Asia in particular. Growth this quarter in Asia, as you saw, came fundamentally from consumer lines, commercial lines was flat.

That's mostly the large account business, Australia, Singapore based, Hong Kong a little bit where the environment is more competitive.

Our growth is in small and middle market commercial and in consumer lines, both agency and digitally and direct-to-consumer-oriented. Market by market, it is very hard to compete in that business for anybody to just come in and want a piece of that pie. It's a lot of countries, every culture is different. They're economically different. They're small markets, many of them like Southeast Asia, but they add up in aggregate to be a big region it's hard work, and you have to establish yourself, not with one office and two or three underwriters, you've got to have broad capability distributed through the country to be able to mine the opportunity of small and mid-market commercial and consumer.

So it's years of hard yards to build local franchises in those operations. And then on top of it, the ability to bring your technology and bring your data and your insights to bear from what you have and the scale around the globe to help your competitive profile in those markets, that is another dimension. And that's what we're hard at work at and it shows results and I'm bullish on the long-term opportunity. Any one period of time notwithstanding.

Bob Jian Huang - *Morgan Stanley - Analyst*

Got it. I really appreciate the color. Thank you very much.

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

You're welcome.

Operator

David Motemaden, Evercore ISI.

David Motemaden - *Evercore Inc - Analyst*

Hey, thanks, good morning, Evan, maybe just a follow-up on just on the overseas general insurance business and the consumer lines growth there has been robust, and it looks like that's continued over the last three quarters. Sounds like you feel good about the opportunity and sustaining that. I guess, could you help us think through how that manifests through margins? Because it feels like that's margin accretive, at least over the last few quarters. But I know there are some moving pieces there. with the consumer business, higher expense ratio, lower loss ratios. I'm hoping you can help me think through that.

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

Yeah. I can't help you too much that. You're left to your own, to - we each have our hell and you're left with that one. We don't break out the margin by business, we don't break out overseas general consumer versus commercial margins.

What I'm going to help you with is simply this. Our A&H, it breaks down between A&H and auto and homeowners and specialty personal lines. Each has their own signature. And by the way, depending on the distribution channel, whether I'm doing it digitally or in a bank direct response, telemarketing, we're doing it through agency brokerage. They have their own signature of acquisition costs and loss ratio.

They're reasonably steady businesses. Auto not as steady, obviously as A&H. Our A&H is a large business that is, that a lot of the risk is on the direct marketing side, and we have built capability over many years. We're the number one, when we say we're the number one direct marketer in Asia, that's predominantly A&H business over non-life and life. And it produces a reasonably steady and decent underwriting margin.

Beyond that, I'm confident in our mix of business overall between large accounts, middle and small and our consumer businesses internationally that our margins are, how do I want to say it. They are, they are not predictable because it's the risk business, but they are decent, as you see, and we feel confident in them.

David Motemaden - *Evercore Inc - Analyst*

Got it, thanks. I appreciate that. And then, maybe.

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

I know you wanted more, but we just don't break it down that way.

David Motemaden - *Evercore Inc - Analyst*

I had to try. But I guess, just maybe a bigger picture question. The December presentation showed about 150 basis points of combined ratio improvement from the digital transformation over the next three to four years and I'm not asking for formal guidance here. But could you just share how you're thinking about the key drivers and execution priorities to deliver on that improvement even as the competition in some of the markets you operate in intensifies?

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

Yeah. Most of it is on the expense side. It is in both OpEx and in cost of claims. It is, there is some that is, but it is more, much more minority, that is projected in loss ratio, but we're fact-based people. And so as we see more, know more that we can measure mathematically, we gain more confidence in that portion in the insight.

And it is business by business, division by division. It's predominantly North America, UK, Europe, and our larger markets of Asia and in Latin America. It is covering, right now, we're focused, in particular, on 9 or 10 very discrete projects that all the businesses are lined up on, the business leaders, our technical team around technology, data, AI, analytics and our operations.

And we work it with those who are fully dedicated along with the disciplines and the business leaders to transformation and bringing it all together in how we transform a business in the nine discrete projects across a variety of geographies. Here you go, and it will continue to evolve.

David Motemaden - *Evercore Inc - Analyst*

Awesome, thank you.

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

You're welcome.

Operator

Greg Peters, Raymond James.

Gregory Peters - Raymond James - Analyst

Good morning. So I'm going to have two follow-up questions. One to the overseas operations. I guess I'm going to ask a question around foreign exchange and I realize this is probably going to spill over into geopolitical considerations as it relates to the growth in your operations.

But I'm looking, I've been watching the last several weeks, the yen go down relative to the U.S. dollar. And I understand you're matching your assets and liabilities in the same currency. But running a global enterprise, I'm just curious how you look at foreign exchange volatility as it relates to what you're managing in the enterprise risk?

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

Yeah. We do not hedge revenue or income. The only time we really hedge is remittances around remittances when they're large. Our assets and liabilities are matched in currency, so they move together. Foreign exchange, if the U.S. dollar weakens relatively, that's a tailwind to us in terms of growth, and it obviously helps income in any business generating income.

And then if the dollar strengthens, which has been its longer-term trend over a long period, we pay that price. And you can see it because we're transparent about it of what are we in constant dollar in terms of growth versus published.

And so Greg, that is what it is. Right now, the prognostication is more towards the dollar, at the moment, the dollar weakening as you look forward. But you know what, that sentiment bounces around and changes based upon financial conditions, economic and as you said, geopolitically.

Gregory Peters - Raymond James - Analyst

Okay. And then I wanted to follow-up on.

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

And by the way, that's why, that is why, I say that when we talk about any projection about Chubb future income or EPS growth. I do say CATs and FX aside. We're in the risk business. It's not like we can control anything, but we have better control over most things and can forecast. I can't forecast CATs. I can't forecast FX, and I don't have control over them. And it doesn't speak to the intrinsic strength of the business.

Gregory Peters - Raymond James - Analyst

Got it. I think you said in your, the quote was macro conditions notwithstanding, when you talked about your outlook for growth.

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

I said it broadly.

Gregory Peters - Raymond James - Analyst

Correct. Can I go back to the other comments around agentic AI and digital infrastructure. And I guess I want to come at it from a different angle. The large brokers are talking about the build-out of this infrastructure as being a big opportunity. I think Marsh used 2,000 to 3,000 data centers being built over the next couple of years.

And so I guess, I wanted to approach it from a couple of different angles. How do you see that evolving and Chubb's participation in that? And I guess there's also an investment opportunity, too, that Chubb might be looking at. So I'm just looking for how you're looking at the different touch points of this emerging trend and how it's going to impact your organization?

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

Yeah. On the insurance side, we're all over it. We've been writing data centers, and we, globally, this is a global opportunity. And we're, our capabilities are extremely broad. We're in a rare group when it comes to capability. Builder's Risk, operations in terms of property. And we write the primary property. We do the engineering.

We have large capacity we put at it. And others take shares behind us generally. We can do that on a global basis. Marine and all of the related exposures around that, surety, liability professional lines when it comes to design of data centers.

We are one of the few that writes insurance around the broad variety of exposures globally that those who are constructing data centers confront. We have recently, obviously, with all of the investment that is going into this, and by the way, on the utility and energy side, we are a major writer and no one is building a major data center without the energy and utility dimension of this, and we can seamlessly transition to that in coverage as well.

With all the investment that is going in our, inside our organization, we have doubled down on how we are structured to bring all of the coverages, the services and engineering, the teams together to approach this globally or an important were an important factor when Aon and Marsh and other major brokers are engaged in the creation and putting together in placement of data centers.

The one thing I would say about this right now, there's a lot of projects announced, there, how much of this actually gets built and over what period of time remains a question. There are headwinds. There's headwinds around availability and affordability of energy to power data centers. That is a rising and growing problem. How fast does that get addressed? And for each data center, it's a different answer depending on where they're located.

There's more pushback on where data centers will be built. There is the question of labor. And is labor available for the construction of data center? Supply, and the supply chains and the cost of supply are questions that hang out there. So, there's a lot announced. We're all focused on it. But I'd be careful not to be overly breathless about this.

On the question on the invested asset side. Some of, this is a great technology that we are creating for economic and mankind purposes in so many great ways. There are trillions of dollars being poured in. I have no doubt that some of it is going to produce good returns. Some is going to produce more anemic returns and, some may not prove to be any good.

Both on the technology development side and on the infrastructure to support the technology, i.e., data centers, et cetera. As an investor, we are thoughtful and very cautious around this. I think there'll be a second act down the road that may be a very interesting investment opportunity, and I'll leave it at that.

Gregory Peters - *Raymond James - Analyst*

Thanks for the detail.

Operator

Ryan Tunis, Cantor Fitzgerald.

Ryan Tunis - *Cantor Fitzgerald LP - Research Analyst*

Hey, thanks. Good morning. So Evan, I guess just a follow-up on that question from Greg. GDP growth has been, I'm just trying to think about how economic growth maps to growth if you're looking for insurance growth opportunities.

And obviously, a lot of the GDP growth we've seen has sort of come from this AI infrastructure build-out. As someone looking for growth opportunities in P&C, are you agnostic as to where the growth comes from? Or is, would you actually prefer the GDP growth to be coming from more traditional means such as growth in employment?

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

Ryan, when GDP growth, if it's overly concentrated, it is more vulnerable. It is more, it is potentially more volatile. Broader-based growth by definition is more stable. And it creates more broad-based prosperity. That impacts both commercial and consumer.

So, just as a businessman, as a citizen, I would say that to you. When it comes to Chubb growing, if we can earn an adequate risk-adjusted return on the growth, I'll take it wherever it's coming from. That's why we're pursuing opportunities in multiple directions.

Ryan Tunis - *Cantor Fitzgerald LP - Research Analyst*

Got you. And then just a follow-up, not looking for guidance, but the acquisition expense ratio in North America commercial. It's kind of an upticking, I think, because of mix in middle market, is that a trend that we should continue to see? Or do you feel like these levels are sort of steady state?

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

Be careful with it. In the quarter, a part of it is because an important part is because we wrote less one-off transactions this year in the fourth quarter, LPT business, which type business loss portfolio transfer, which has a very low acquisition ratio to it. Classically a little higher loss ratio. And that impacts it, and that bounces around quarter-to-quarter.

You also have in North America commercial, the yes, middle and small growing faster than major. So that mix shift impacts it on one hand, but the relative size of each varies a little bit quarter-to-quarter. So you got a, it's not just a straight line that way. But that trend in that direction, yes, is clear. And then E&S has been growing faster than major. And that is, by its nature, it's wholesale business as a higher acquisition ratio.

Ryan Tunis - *Cantor Fitzgerald LP - Research Analyst*

That's helpful. Thanks, Evan.

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

You're welcome.

Operator

Matthew Heimermann, Citi Research.

Matthew Heimermann - *Citi Infrastructure Investments LLC - Analyst*

Good morning everybody. First question would be, you had this comment with respect to more favorable January 1 conditions relative to expectations. I just, I was curious what you meant by that, whether that was from a growth standpoint, from a pricing standpoint, geopolitical factors, just would like to better understand what you meant.

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

Yeah. It wasn't geopolitical. January 1, and don't overread it. January 1 is an important date for certain businesses, particularly large account business. It's a very important date in Europe and the UK, very large percentage of the business, particularly it's large account oriented is on the continent and in the UK, January 1.

And so between the US and Europe and the UK, in particular, the large account business, it did better than we, it had a relatively good start because it did better than we had imagined ourselves. That's all. So it said it was a statement of confidence for that business that we're off to a good start.

Matthew Heimermann - *Citi Infrastructure Investments LLC - Analyst*

I appreciate it. I guess, with respect to, one, I appreciate that you actually gave some targets on the investments you're making on the digital side. So thank you for that. I would be curious, though, when you think about the pace at which you're moving on that, how constrained are you at all, if at all, by other stakeholders' constituents, whether they be distributors, customers or service or technology providers?

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

Yeah. And by the way, when we did this just they, everyone understand. When I came out in December at the investor dinner to talk about this and to put this up. It's because I'm talking more long term and about intrinsic value creation and competitive profile of the company.

This is not going to become something that, and it's a long term, and I put it out there on multiple years. So it's not something that is going to start working its way into worksheets or I'm going to start giving quarterly updates of this or this or this. It's missing the whole point. And from time to time, I will give updates that provide a broader insight when someone is thinking about investing in Chubb who is long-term investing.

And to answer your question, the only place where a distribution partner constrains our ability to implement or to grow is really in our digital business, with digital partners, where how fast given all of their priorities for growing their basic business. Will they pay attention in connectivity, data, analytics, et cetera, and make available for us to be able to do what we do well and that is interest and distribute through their pipeline to customers. That's the only place of significance that comes to mind.

Matthew Heimermann - *Citi Infrastructure Investments LLC - Analyst*

Appreciate it. And thank you for that perspective.

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

You're welcome.

Operator

Tracy Benguigui, Wolfe Research.

Tracy Benguigui - *Wolfe Research LLC - Equity Analyst*

Thank you. Good morning. On asset allocation, you're targeting to raise private from 12% of your investments to 15% over the medium term. I recognize that Schedule BA type of assets, at least for the private equity piece, consumed a lot of risk-based capital. Are you expecting to make that up with diversification credit like as you grow your life business, should I think about those two pieces moving together?

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

No. Go ahead, Peter. That's a worksheet question. I think we ought to take off-line, but I'm going to let Peter.

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

Not specific to life. There is an allocation of PE that goes into life and to in particular, the Asian markets. but it's relatively modest to the overall footprint and what we intend to grow.

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

They're not, we did not look at them together in diversification. And by the way, we're very mindful both on a statutory and an S&P basis, how much capital each class of alternative draws and we have made statements about how it will be and is accretive to our ROE now and will be as we go forward.

Tracy Benguigui - *Wolfe Research LLC - Equity Analyst*

Okay. I love seeing actual quantified metrics with respect to your AI digital agenda. So my question is actually more on the cultural side. I kind of think of insurance tends to be a tribal culture. What is the reception from your underwriting and claims folks with respect to reinventing how they do business like the transformation piece?

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

Yeah. It's very interesting, Tracy. The comment tribal. I think of every business in any industry, every company that is a good company and is well run. A hallmark of it is its culture. And culture is norms of behavior that all hold in common that they consider important and that forms culture. When I look at Chubb part of our culture is an ability and a willingness to adapt change to be earnest, it's a meritocracy where you're rewarded for what you achieve, we're a highly disciplined organization, the things we intend to do are measurable.

It's an organization and behavior that is about accountability. And that we take individual accountability. It's not about some committee. And when I add all that together, and it's a respectful culture. We respect each other. It's not management respecting employees. We're all employees. We're all colleagues and so when we have plans, and they are understood and explained, and we work through them, the vast majority in this organization work hard towards achieving it with an open mind, and we support each other.

It is for many employees, the transformation and we didn't invent this. The digital transformation society is going through and how it's going to impact businesses in economic. Chubb has a great opportunity to be a leader and to be highly relevant, but all of us have to adapt. All of us have to learn skills. All of us have to be flexible. And the majority, I have so much confidence in my colleagues. The vast majority around the globe will put themselves into this. And that is a large part of what gives me confidence.

Tracy Benguigui - *Wolfe Research LLC - Equity Analyst*

Thank you.

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

You're welcome.

Operator

Andrew Kligerman, TD Cowen.

Andrew Kligerman - *Cowen and Company LLC - Analyst*

Good morning. Evan, your commentary around financial lines and workers' comp pricing trends didn't sound that compelling. So it was interesting to me that financial lines net written premium was up 5.4%, workers' comp was up 3.6%, an acceleration from the prior quarters. So I'm wondering what you might be seeing there? Do you think this trend can continue where Chubb is growing in those lines?

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

Well, first of all, it bounces around quarter-to-quarter. But I'm going to turn it over to John Keogh to answer that question.

John Keogh - *Chubb Ltd - President, Chief Operating Officer, Chairman - North America Insurance.*

Andrew, why don't we talk about the financial lines number. This is one that I observed. I think you understand is, one, that's a global number. So we're offering financial lines in a number of markets around the globe, some of which are growing, some of which are shrinking.

Financial lines also includes everything from public D&O to D&O for private companies, not for profits. It includes all sorts of professional lines for different trade groups and industries. It's employment practices, it's fiduciary coverages, it's fidelity coverages, it's cyber coverages.

So in that number, you're seeing, I think, speaks to the diversity of our business and financial lines and the areas there where we're purposely growing that business because we think we're getting paid adequately for that particular product in that particular market. And there are other places, unfortunately, where we're shrinking. Where a product in a particular market around the globe does not mean a requirement. So that number is an aggregation of the diversity of those businesses.

To your question in terms of trend, the one thing we did see in the fourth quarter in the financial lines is some green shoots in terms of some areas that do need rate. And I'd call out, particularly in North America, we saw for the first time in many quarters, a slight rate increase on our public D&O book. We saw in transaction liability, pricing terms and conditions, a lot more rational in the fourth quarter than we've seen in the last couple of years. And then employment practices in the US, we're pushing rate across the board because it needs it in that book of business.

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

In workers' comp, it was predominantly in middle market and small commercial that had a very good quarter. I'm comfortable because we don't write, we're not a broad-based writer of all industries, all classes and comp. We've been and our signature for many years is, we're selective within the industries and the states within which we write. This quarter was, in particular, a strong quarter. I don't believe it's such a trend. It was a bit opportunistic, but it was very good.

Andrew Kligerman - *Cowen and Company LLC - Analyst*

Got it. Thank you for that. And then just shifting over to the another outstanding prior period development favorable \$268 million. Curious about the casualty piece, commercial auto excess liability. How did that develop? And maybe a little color on accident years, if you could?

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

Yeah. We're not going to, we don't break down that way, as you know. And the prior period reserve development in long-tail lines came from the portfolios that we studied in the quarter. Every quarter, we study a different cohort of portfolios for annual deep dive review.

We look provisionally every quarter in all portfolios, but we, in particular, react to those, especially long tail business, where it's part of a quarterly review. And so long tail in the cohorts we reviewed this quarter, they produced a favorable outcome as far as on the go.

Andrew Kligerman - *Cowen and Company LLC - Analyst*

Thanks very much.

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

You're welcome.

Operator

And that's all the time we have for our Q&A session. I will now turn the conference back over to Susan Spivak for closing remarks.

Susan Spivak - *Chubb Ltd - Senior Vice President, Investor Relations*

Thank you, everyone, for joining us today. If you have any follow-up questions, we will be around to take your calls. Enjoy the day, and thank you again.

Operator

This concludes today's conference call. You may now disconnect

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