# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File No. 1-11778

# CHUBB LIMITED

(Exact name of registrant as specified in its charter)

| **Switzerland** | **98-0091805** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**Baerengasse 32**
Zurich, Switzerland CH-8001
(Address of principal executive offices) (Zip Code)
+41 (0)43 456 76 00
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Shares, par value CHF 24.15 per share | CB | New York Stock Exchange |
| Guarantee of Chubb INA Holdings Inc. 0.30% Senior Notes due 2024 | CB/24A | New York Stock Exchange |
| Guarantee of Chubb INA Holdings Inc. 0.875% Senior Notes due 2027 | CB/27 | New York Stock Exchange |
| Guarantee of Chubb INA Holdings Inc. 1.55% Senior Notes due 2028 | CB/28 | New York Stock Exchange |
| Guarantee of Chubb INA Holdings Inc. 0.875% Senior Notes due 2029 | CB/29A | New York Stock Exchange |
| Guarantee of Chubb INA Holdings Inc. 1.40% Senior Notes due 2031 | CB/31 | New York Stock Exchange |
| Guarantee of Chubb INA Holdings Inc. 2.50% Senior Notes due 2038 | CB/38A | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The number of registrant's Common Shares (CHF 24.15 par value) outstanding as of July 17, 2020 was 451,365,891.

**CHUBB LIMITED**
**INDEX TO FORM 10-Q**


| | | | Page |
|---|---|---|---|
| **Part I.** | **FINANCIAL INFORMATION** | | |
| Item 1. | Financial Statements: | | |
| | Consolidated Balance Sheets (Unaudited) June 30, 2020 and December 31, 2019 | | 3 |
| | Consolidated Statements of Operations and Comprehensive Income (Unaudited) Three and Six Months Ended June 30, 2020 and 2019 | | 4 |
| | Consolidated Statements of Shareholders' Equity (Unaudited) Three and Six Months Ended June 30, 2020 and 2019 | | 5 |
| | Consolidated Statements of Cash Flows (Unaudited) Six Months Ended June 30, 2020 and 2019 | | 6 |
| | Notes to Consolidated Financial Statements (Unaudited) | | |
| | Note 1. | General | 7 |
| | Note 2. | Acquisitions | 8 |
| | Note 3. | Investments | 9 |
| | Note 4. | Fair value measurements | 16 |
| | Note 5. | Reinsurance | 23 |
| | Note 6. | Unpaid losses and loss expenses | 25 |
| | Note 7. | Commitments, contingencies, and guarantees | 29 |
| | Note 8. | Shareholders' equity | 33 |
| | Note 9. | Share-based compensation | 34 |
| | Note 10. | Postretirement benefits | 35 |
| | Note 11. | Segment information | 37 |
| | Note 12. | Earnings per share | 39 |
| | Note 13. | Information provided in connection with outstanding debt of subsidiaries | 40 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | | 46 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | | 87 |
| Item 4. | Controls and Procedures | | 90 |
| **Part II.** | **OTHER INFORMATION** | | |
| Item 1. | Legal Proceedings | | 90 |
| Item 1A. | Risk Factors | | 90 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities | | 91 |
| Item 6. | Exhibits | | 92 |

## PART I FINANCIAL INFORMATION

### ITEM 1. Financial Statements

**CONSOLIDATED BALANCE SHEETS (Unaudited)**

Chubb Limited and Subsidiaries

| (in millions of U.S. dollars, except share and per share data) | June 30 2020 | December 31 2019 |
|---|---|---|
| **Assets** | | |
| Investments | | |
| Fixed maturities available for sale, at fair value, net of valuation allowance - $69 at June 30, 2020 (amortized cost – $82,740 and $82,580) | **$ 86,712** | $ 85,488 |
| Fixed maturities held to maturity, at amortized cost, net of valuation allowance - $51 at June 30, 2020 (fair value – $12,620 and $13,005) | **11,845** | 12,581 |
| Equity securities, at fair value | **2,394** | 812 |
| Short-term investments, at fair value, net of valuation allowance - $2 at June 30, 2020 (amortized cost - $4,004 and $4,291) | **4,003** | 4,291 |
| Other investments, at fair value | **5,923** | 6,062 |
| Total investments | **110,877** | 109,234 |
| Cash | **1,557** | 1,537 |
| Restricted cash | **152** | 109 |
| Securities lending collateral | **1,832** | 994 |
| Accrued investment income | **845** | 867 |
| Insurance and reinsurance balances receivable | **10,853** | 10,357 |
| Reinsurance recoverable on losses and loss expenses, net of valuation allowance - $303 and $316 | **15,207** | 15,181 |
| Reinsurance recoverable on policy benefits | **197** | 197 |
| Deferred policy acquisition costs | **5,243** | 5,242 |
| Value of business acquired | **290** | 306 |
| Goodwill | **15,184** | 15,296 |
| Other intangible assets | **5,909** | 6,063 |
| Prepaid reinsurance premiums | **2,725** | 2,647 |
| Investments in partially-owned insurance companies | **1,364** | 1,332 |
| Other assets | **9,239** | 7,581 |
| Total assets | **$ 181,474** | $ 176,943 |
| **Liabilities** | | |
| Unpaid losses and loss expenses | **$ 65,699** | $ 62,690 |
| Unearned premiums | **17,081** | 16,771 |
| Future policy benefits | **5,895** | 5,814 |
| Insurance and reinsurance balances payable | **6,249** | 6,184 |
| Securities lending payable | **1,832** | 994 |
| Accounts payable, accrued expenses, and other liabilities | **12,589** | 11,773 |
| Deferred tax liabilities | **696** | 804 |
| Repurchase agreements | **1,409** | 1,416 |
| Short-term debt | **1,300** | 1,299 |
| Long-term debt | **13,656** | 13,559 |
| Trust preferred securities | **308** | 308 |
| Total liabilities | **126,714** | 121,612 |
| **Commitments and contingencies (refer to Note 7)** | | |
| **Shareholders' equity** | | |
| Common Shares (CHF 24.15 par value; 479,783,864 shares issued; 451,360,023 and 451,971,567 shares outstanding) | **11,121** | 11,121 |
| Common Shares in treasury (28,423,841 and 27,812,297 shares) | **(3,866)** | (3,754) |
| Additional paid-in capital | **10,416** | 11,203 |
| Retained earnings | **35,991** | 36,142 |
| Accumulated other comprehensive income (AOCI) | **1,098** | 619 |
| Total shareholders' equity | **54,760** | 55,331 |
| Total liabilities and shareholders' equity | **$ 181,474** | $ 176,943 |

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

Chubb Limited and Subsidiaries

| (in millions of U.S. dollars, except per share data) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Revenues** | | | | |
| Net premiums written | **$ 8,355** | $ 8,343 | **$ 16,332** | $ 15,656 |
| Increase in unearned premiums | **(227)** | (452) | **(410)** | (628) |
| Net premiums earned | **8,128** | 7,891 | **15,922** | 15,028 |
| Net investment income | **827** | 859 | **1,688** | 1,695 |
| Net realized gains (losses): | | | | |
| Other-than-temporary impairment (OTTI) losses gross | **—** | (14) | **—** | (27) |
| Portion of OTTI losses recognized in other comprehensive income (OCI) | **—** | 1 | **—** | 1 |
| Net OTTI losses recognized in income | **—** | (13) | **—** | (26) |
| Net realized gains (losses) excluding OTTI losses | **—** | (210) | **—** | (294) |
| Net realized gains (losses) (includes $(33), $12, $(352), and $(32) reclassified from AOCI) | **30** | (223) | **(928)** | (320) |
| Total revenues | **8,985** | 8,527 | **16,682** | 16,403 |
| **Expenses** | | | | |
| Losses and loss expenses | **6,577** | 4,715 | **11,062** | 8,813 |
| Policy benefits | **223** | 161 | **352** | 357 |
| Policy acquisition costs | **1,593** | 1,544 | **3,208** | 3,008 |
| Administrative expenses | **727** | 758 | **1,468** | 1,468 |
| Interest expense | **128** | 140 | **260** | 280 |
| Other (income) expense | **58** | (230) | **113** | (269) |
| Amortization of purchased intangibles | **72** | 77 | **145** | 153 |
| Chubb integration expenses | **—** | 4 | **—** | 7 |
| Total expenses | **9,378** | 7,169 | **16,608** | 13,817 |
| Income (loss) before income tax | **(393)** | 1,358 | **74** | 2,586 |
| Income tax expense (benefit) (includes $(2), $4, $(42), and $(2) on reclassified unrealized gains and losses) | **(62)** | 208 | **153** | 396 |
| **Net income (loss)** | **$ (331)** | $ 1,150 | **$ (79)** | $ 2,190 |
| **Other comprehensive income** | | | | |
| Unrealized appreciation (depreciation) | **$ 3,248** | $ 1,252 | **$ 769** | $ 3,097 |
| Reclassification adjustment for net realized (gains) losses included in net income (loss) | **33** | (12) | **352** | 32 |
| | **3,281** | 1,240 | **1,121** | 3,129 |
| Change in: | | | | |
| Cumulative foreign currency translation adjustment | **445** | (97) | **(414)** | 50 |
| Postretirement benefit liability adjustment | **(22)** | (18) | **(36)** | (45) |
| Other comprehensive income, before income tax | **3,704** | 1,125 | **671** | 3,134 |
| Income tax (expense) benefit related to OCI items | **(513)** | (216) | **(192)** | (547) |
| Other comprehensive income | **3,191** | 909 | **479** | 2,587 |
| **Comprehensive income** | **$ 2,860** | $ 2,059 | **$ 400** | $ 4,777 |
| **Earnings per share** | | | | |
| Basic earnings (loss) per share | **$ (0.73)** | $ 2.52 | **$ (0.17)** | $ 4.78 |
| Diluted earnings (loss) per share | **$ (0.73)** | $ 2.50 | **$ (0.17)** | $ 4.75 |

See accompanying notes to the consolidated financial statements

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)**

Chubb Limited and Subsidiaries

| (in millions of U.S. dollars) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Common Shares** | | | | |
| Balance – beginning and end of period | **$ 11,121** | $ 11,121 | **$ 11,121** | $ 11,121 |
| **Common Shares in treasury** | | | | |
| Balance – beginning of period | **(3,872)** | (2,775) | **(3,754)** | (2,618) |
| Common Shares repurchased | **—** | (376) | **(326)** | (743) |
| Net shares issued under employee share-based compensation plans | **6** | 58 | **214** | 268 |
| Balance – end of period | **(3,866)** | (3,093) | **(3,866)** | (3,093) |
| **Additional paid-in capital** | | | | |
| Balance – beginning of period | **10,710** | 12,051 | **11,203** | 12,557 |
| Net shares issued under employee share-based compensation plans | **7** | 1 | **(189)** | (190) |
| Exercise of stock options | **(3)** | (14) | **(29)** | (48) |
| Share-based compensation expense | **55** | 63 | **124** | 117 |
| Funding of dividends declared to Retained earnings | **(353)** | (344) | **(693)** | (679) |
| Balance – end of period | **10,416** | 11,757 | **10,416** | 11,757 |
| **Retained earnings** | | | | |
| Balance – beginning of period | **36,322** | 32,728 | **36,142** | 31,700 |
| Cumulative effect of adoption of accounting guidance (refer to Note 1) | **—** | — | **(72)** | (12) |
| Balance – beginning of period, as adjusted | **36,322** | 32,728 | **36,070** | 31,688 |
| Net income (loss) | **(331)** | 1,150 | **(79)** | 2,190 |
| Funding of dividends declared from Additional paid-in capital | **353** | 344 | **693** | 679 |
| Dividends declared on Common Shares | **(353)** | (344) | **(693)** | (679) |
| Balance – end of period | **35,991** | 33,878 | **35,991** | 33,878 |
| **Accumulated other comprehensive income** | | | | |
| Net unrealized appreciation (depreciation) on investments | | | | |
| Balance – beginning of period | **667** | 1,014 | **2,543** | (545) |
| Change in period, before reclassification from AOCI, net of income tax expense of $(522), $(225), $(198) and $(549) | **2,726** | 1,027 | **571** | 2,548 |
| Amounts reclassified from AOCI, net of income tax (expense) benefit of $(2), $4, $(42) and $(2) | **31** | (8) | **310** | 30 |
| Change in period, net of income tax expense of $(524), $(221), $(240) and $(551) | **2,757** | 1,019 | **881** | 2,578 |
| Balance – end of period | **3,424** | 2,033 | **3,424** | 2,033 |
| Cumulative foreign currency translation adjustment | | | | |
| Balance – beginning of period | **(2,764)** | (1,836) | **(1,939)** | (1,976) |
| Change in period, net of income tax (expense) benefit of $6, $2, $40 and $(5) | **451** | (95) | **(374)** | 45 |
| Balance – end of period | **(2,313)** | (1,931) | **(2,313)** | (1,931) |
| Postretirement benefit liability adjustment | | | | |
| Balance – beginning of period | **4** | 52 | **15** | 73 |
| Change in period, net of income tax benefit of $5, $3, $8 and $9 | **(17)** | (15) | **(28)** | (36) |
| Balance – end of period | **(13)** | 37 | **(13)** | 37 |
| Accumulated other comprehensive income | **1,098** | 139 | **1,098** | 139 |
| **Total shareholders' equity** | **$ 54,760** | $ 53,802 | **$ 54,760** | $ 53,802 |

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Chubb Limited and Subsidiaries

| (in millions of U.S. dollars) | Six Months Ended June 30 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) | **$ (79)** | $ 2,190 |
| Adjustments to reconcile net income to net cash flows from operating activities | | |
| Net realized (gains) losses | **928** | 320 |
| Amortization of premiums/discounts on fixed maturities | **192** | 209 |
| Amortization of purchased intangibles | **145** | 153 |
| Deferred income taxes | **(302)** | (133) |
| Unpaid losses and loss expenses | **3,172** | 240 |
| Unearned premiums | **538** | 808 |
| Future policy benefits | **87** | 101 |
| Insurance and reinsurance balances payable | **118** | (94) |
| Accounts payable, accrued expenses, and other liabilities | **(304)** | (357) |
| Income taxes payable | **2** | 16 |
| Insurance and reinsurance balances receivable | **(645)** | (843) |
| Reinsurance recoverable | **(71)** | 565 |
| Deferred policy acquisition costs | **(62)** | (194) |
| Other | **(22)** | (273) |
| Net cash flows from operating activities | **3,697** | 2,708 |
| **Cash flows from investing activities** | | |
| Purchases of fixed maturities available for sale | **(13,058)** | (12,566) |
| Purchases of fixed maturities held to maturity | **(42)** | (73) |
| Purchases of equity securities | **(2,824)** | (147) |
| Sales of fixed maturities available for sale | **7,734** | 7,832 |
| Sales of to be announced mortgage-backed securities | **—** | 6 |
| Sales of equity securities | **1,353** | 266 |
| Maturities and redemptions of fixed maturities available for sale | **5,220** | 3,963 |
| Maturities and redemptions of fixed maturities held to maturity | **642** | 598 |
| Net change in short-term investments | **173** | (763) |
| Net derivative instruments settlements | **(18)** | (536) |
| Private equity contributions | **(546)** | (920) |
| Private equity distributions | **443** | 780 |
| Deposit paid on share acquisition | **(1,550)** | — |
| Other | **(221)** | (727) |
| Net cash flows used for investing activities | **(2,694)** | (2,287) |
| **Cash flows from financing activities** | | |
| Dividends paid on Common Shares | **(678)** | (671) |
| Common Shares repurchased | **(333)** | (741) |
| Proceeds from issuance of long-term debt | **—** | 1,289 |
| Repayment of long-term debt | **—** | (500) |
| Proceeds from issuance of repurchase agreements | **1,402** | 1,984 |
| Repayment of repurchase agreements | **(1,402)** | (1,986) |
| Proceeds from share-based compensation plans | **74** | 95 |
| Policyholder contract deposits | **215** | 237 |
| Policyholder contract withdrawals | **(173)** | (138) |
| Other | **(3)** | — |
| Net cash flows used for financing activities | **(898)** | (431) |
| Effect of foreign currency rate changes on cash and restricted cash | **(42)** | 38 |
| Net increase in cash and restricted cash | **63** | 28 |
| Cash and restricted cash – beginning of period | **1,646** | 1,340 |
| **Cash and restricted cash – end of period** | **$ 1,709** | $ 1,368 |
| Supplemental cash flow information | | |
| Taxes paid | **$ 442** | $ 522 |
| Interest paid | **$ 286** | $ 286 |

See accompanying notes to the consolidated financial statements

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**
Chubb Limited and Subsidiaries

## 1. General

### a) Basis of presentation

Chubb Limited is a holding company incorporated in Zurich, Switzerland. Chubb Limited, through its subsidiaries, provides a broad range of insurance and reinsurance products to insureds worldwide. Our results are reported through the following business segments: North America Commercial P&C Insurance, North America Personal P&C Insurance, North America Agricultural Insurance, Overseas General Insurance, Global Reinsurance, and Life Insurance. Refer to Note 11 for additional information.

The interim unaudited consolidated financial statements, which include the accounts of Chubb Limited and its subsidiaries (collectively, Chubb, we, us, or our), have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and, in the opinion of management, reflect all adjustments necessary for a fair statement of the results and financial position for such periods. All significant intercompany accounts and transactions, including internal reinsurance transactions, have been eliminated.

The results of operations and cash flows for any interim period are not necessarily indicative of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2019 Form 10-K.

### b) Restricted cash

Restricted cash in the Consolidated balance sheets represents amounts held for the benefit of third parties and is legally or contractually restricted as to withdrawal or usage. Amounts include deposits with U.S. and non-U.S. regulatory authorities, trust funds set up for the benefit of ceding companies, and amounts pledged as collateral to meet financing arrangements.

The following table provides a reconciliation of cash and restricted cash reported within the Consolidated balance sheets that total to the amounts shown in the Consolidated statements of cash flows:

| (in millions of U.S. dollars) | | **June 30 2020** | | December 31 2019 |
|---|---|---|---|---|
| Cash | **$** | **1,557** | $ | 1,537 |
| Restricted cash | | **152** | | 109 |
| Total cash and restricted cash shown in the Consolidated statements of cash flows | **$** | **1,709** | $ | 1,646 |

### c) Goodwill

During the six months ended June 30, 2020, Goodwill decreased $112 million, primarily reflecting the impact of foreign exchange.

### d) Accounting guidance adopted in 2020

***Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments***

Effective January 1, 2020, we adopted, on a modified retrospective basis, new guidance on the accounting for credit losses of financial instruments that are measured at amortized cost, including held to maturity securities, and reinsurance recoverables, by applying an approach based on the current expected credit losses (CECL). The estimate of expected credit losses considers historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. In addition, the guidance also replaced the current available for sale (AFS) security other-than-temporary impairment model by requiring an estimate of the expected credit loss (ECL) only when the fair value is below the amortized cost of the asset. The length of time the fair value of an AFS security has been below its amortized cost no longer impacts the determination of whether a potential credit loss exists. The AFS security model also requires the use of a valuation allowance as compared to the previous practice of writing down the asset.

In 2020, we recognized a cumulative effect adjustment and decreased beginning retained earnings by $79 million pre-tax, or $72 million after-tax, principally related to the valuation allowance for credit losses. We also adopted the required disclosures within Note 3 Investments and Note 5 Reinsurance. Results for reporting periods prior to January 1, 2020 are presented in accordance with the previous guidance.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

**Accounting guidance not yet adopted**

***Effects of Reference Rate Reform on Financial Reporting***

In March 2020, the FASB issued guidance which provides optional expedients and exceptions for applying GAAP to investments, derivatives, or other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Along with the optional expedients, the amendments include a general principle that permits an entity to consider contract modifications due to reference reform to be an event that does not require contract re-measurement at the modification date or reassessment of a previous accounting determination. Additionally, a company may make a one-time election to sell, transfer, or both sell and transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform and that were classified as held to maturity before January 1, 2020. This standard may be elected over time through December 31, 2022 as reference rate reform activities occur. We are currently assessing the effect of adopting this guidance on our financial condition and results of operations.

***Targeted Improvements to the Accounting for Long-Duration Contracts***

In August 2018, the FASB issued guidance to improve the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments in this update require more frequent updating of assumptions and a standardized discount rate for the future policy benefit liability, a requirement to use the fair value measurement model for policies with market risk benefits, simplified amortization of deferred acquisition costs, and enhanced disclosures. This standard will be effective in the first quarter of 2022 with early adoption permitted. However, in July 2020, the FASB proposed to defer the adoption date by one year, therefore, if the guidance is amended, this standard will be effective for us in the first quarter of 2023. We are currently assessing the effect of adopting this guidance on our financial condition and results of operations. We will be better able to quantify the effect of adopting this standard as we progress in our implementation process and draw nearer to the date of adoption.

Refer to the 2019 Form 10-K for information on additional accounting guidance not yet adopted.

**2. Acquisitions**

***Huatai Group***

Chubb maintains a direct investment in Huatai Insurance Group Company Limited (Huatai Group). Huatai Group is the parent company of, and owns 100 percent of, Huatai Property & Casualty Insurance Co., Ltd. (Huatai P&C) and approximately 80 percent of Huatai Life Insurance Co., Ltd. (Huatai Life). As of June 30, 2020 Chubb's aggregate ownership interest in Huatai Group was 30.9 percent. Chubb applies the equity method of accounting to its investment in Huatai Group by recording its share of net income or loss in Other (income) expense in the Consolidated statements of operations.

In 2019, Chubb entered into agreements to acquire an additional 22.4 percent ownership in Huatai Group for approximately $1.55 billion through two separate purchases, a 15.3 percent ownership interest for approximately $1.1 billion and a 7.1 percent ownership interest for approximately $493 million. On July 13, 2020, we acquired the 15.3 percent ownership interest. The purchase of the additional 7.1 percent ownership interest is contingent upon important conditions that are expected to be completed by the end of 2021.

In connection with these purchase agreements, in January 2020, we paid collateralized deposits totaling $1.55 billion to the selling shareholders. This transaction was recorded to Other assets on the Consolidated balance sheet and within investing activities on the Consolidated statement of cash flows.

Upon completion of the 7.1 percent purchase, which will result in majority ownership of Huatai Group, Chubb is expected to obtain control of Huatai Group, Huatai P&C and Huatai Life. At that time, Chubb is expected to apply consolidation accounting and discontinue the application of the equity method of accounting.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

## 3. Investments

### a) Fixed maturities

Effective January 1, 2020, we adopted new accounting guidance that requires a valuation allowance for credit losses to be established for fixed maturity securities classified as held to maturity (HTM) or available for sale (AFS). For information on accounting policies applicable to periods prior to January 1, 2020, refer to the 2019 Form 10-K.

| June 30, 2020<br>(in millions of U.S. dollars) | Amortized Cost | Valuation Allowance | Gross Unrealized Appreciation | Gross Unrealized Depreciation | Fair Value |
|---|---|---|---|---|---|
| *Available for sale* | | | | | |
| U.S. Treasury / Agency | $ 2,636 | $ — | $ 239 | $ — | $ 2,875 |
| Non-U.S. | 23,370 | (17) | 1,420 | (166) | 24,607 |
| Corporate and asset-backed securities | 32,721 | (52) | 1,658 | (410) | 33,917 |
| Mortgage-backed securities | 17,165 | — | 1,051 | (18) | 18,198 |
| Municipal | 6,848 | — | 270 | (3) | 7,115 |
| | $ 82,740 | $ (69) | $ 4,638 | $ (597) | $ 86,712 |

| | Amortized Cost | Valuation Allowance | Net Carrying Value | Gross Unrealized Appreciation | Gross Unrealized Depreciation | Fair Value |
|---|---|---|---|---|---|---|
| *Held to maturity* | | | | | | |
| U.S. Treasury / Agency | $ 1,242 | $ — | $ 1,242 | $ 73 | $ — | $ 1,315 |
| Non-U.S. | 1,278 | (8) | 1,270 | 102 | (2) | 1,370 |
| Corporate and asset-backed securities | 2,232 | (41) | 2,191 | 247 | (10) | 2,428 |
| Mortgage-backed securities | 2,189 | (1) | 2,188 | 146 | (3) | 2,331 |
| Municipal | 4,955 | (1) | 4,954 | 223 | (1) | 5,176 |
| | $ 11,896 | $ (51) | $ 11,845 | $ 791 | $ (16) | $ 12,620 |

| December 31, 2019<br>(in millions of U.S. dollars) | Amortized Cost | Gross Unrealized Appreciation | Gross Unrealized Depreciation | Fair Value | OTTI Recognized in AOCI |
|---|---|---|---|---|---|
| *Available for sale* | | | | | |
| U.S. Treasury / Agency | $ 3,188 | $ 96 | $ (1) | $ 3,283 | $ — |
| Non-U.S. | 22,670 | 1,099 | (62) | 23,707 | (25) |
| Corporate and asset-backed securities | 30,689 | 1,180 | (78) | 31,791 | (5) |
| Mortgage-backed securities | 18,712 | 494 | (14) | 19,192 | — |
| Municipal | 7,321 | 205 | (11) | 7,515 | — |
| | $ 82,580 | $ 3,074 | $ (166) | $ 85,488 | $ (30) |
| *Held to maturity* | | | | | |
| U.S. Treasury / Agency | $ 1,318 | $ 29 | $ — | $ 1,347 | $ — |
| Non-U.S. | 1,423 | 62 | — | 1,485 | — |
| Corporate and asset-backed securities | 2,349 | 121 | (2) | 2,468 | — |
| Mortgage-backed securities | 2,331 | 65 | — | 2,396 | — |
| Municipal | 5,160 | 150 | (1) | 5,309 | — |
| | $ 12,581 | $ 427 | $ (3) | $ 13,005 | $ — |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

Management evaluates CECL for all HTM securities each quarter. U.S. Treasury and agency securities and U.S. government agency mortgage-backed securities are assumed to have no risk of non-payment and therefore are excluded from the CECL evaluation. The remaining HTM securities are evaluated for potential credit loss on a collective pool basis. We elected to pool HTM securities by 1) external credit rating and 2) time to maturity (duration). These characteristics are the most representative of similar risk characteristics within our portfolio. Chubb will pool HTM securities and calculate an expected credit loss for each pool using Moody's corporate bond default average, corporate bond recovery rate, and an economic cycle multiplier. The multiplier is based on the leading economic index and will adjust the average default frequency for a forward-looking economic outlook. Prior to the adoption of this guidance, HTM securities were evaluated individually for other-than-temporary impairment (OTTI).

Management monitors the credit quality of HTM securities through the review of external credit ratings on a quarterly basis. The following table presents the amortized cost of our HTM securities according to S&P rating:

June 30, 2020

| (in millions of U.S. dollars) | Amortized cost | % of Total |
|---|---|---|
| AAA | $ 2,583 | 22 % |
| AA | 6,397 | 54 % |
| A | 2,302 | 19 % |
| BBB | 591 | 5 % |
| BB | 21 | — % |
| Other | 2 | — % |
| Total | $ 11,896 | 100 % |

Management evaluates expected credit losses (ECL) for AFS securities when fair value is below amortized cost. AFS securities are evaluated for potential credit loss on an individual security level but the evaluation may use assumptions consistent with expectations of credit losses for a group of similar securities. If management has the intent to sell or will be required to sell the security before recovery, the entire impairment loss will be recorded through income to net realized gains and losses. If management does not have the intent to sell or will not be required to sell the security before recovery, an allowance for credit losses is established and the portion of loss that relates to credit losses is recorded in income to Net realized gains (losses) and the portion of loss that relates to non-credit loss is recorded in Other comprehensive income.

Examples of criteria that are collectively evaluated to determine if a credit loss has occurred include the following:

- The extent to which the fair value is less than amortized cost;
- Adverse conditions related to the security, industry, or geographic area;
- Downgrades in the security's credit rating by a rating agency; and
- Failure of the issuer to make scheduled principal or interest payments

AFS securities that meet any one of the criteria included above will be subject to a discounted cash flow analysis by comparing the present value of expected future cash flows with the amortized cost basis. If the present value of expected future cash flows is less than the amortized cost, a credit loss exists and an allowance for credit losses will be recognized. If the present value of expected future cash flows is equal to or greater than the amortized cost basis, management will conclude an expected credit loss does not exist.

We elected to not measure an allowance for accrued investment income as uncollectible balances are written off in a timely manner, typically 30 to 45 days after uncollected balances are due.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

The following table presents fixed maturities by contractual maturity:

| | June 30 2020 | | December 31 2019 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | Net Carrying Value | Fair Value | Amortized Cost | Fair Value |
| *Available for sale* | | | | |
| Due in 1 year or less | **$ 4,487** | **$ 4,487** | $ 3,951 | $ 3,973 |
| Due after 1 year through 5 years | **26,867** | **26,867** | 27,142 | 27,720 |
| Due after 5 years through 10 years | **25,465** | **25,465** | 23,901 | 24,874 |
| Due after 10 years | **11,695** | **11,695** | 8,874 | 9,729 |
| | **68,514** | **68,514** | 63,868 | 66,296 |
| Mortgage-backed securities | **18,198** | **18,198** | 18,712 | 19,192 |
| | **$ 86,712** | **$ 86,712** | $ 82,580 | $ 85,488 |
| *Held to maturity* | | | | |
| Due in 1 year or less | **$ 890** | **$ 902** | $ 478 | $ 479 |
| Due after 1 year through 5 years | **3,505** | **3,662** | 3,869 | 3,940 |
| Due after 5 years through 10 years | **3,328** | **3,516** | 3,756 | 3,883 |
| Due after 10 years | **1,934** | **2,209** | 2,147 | 2,307 |
| | **9,657** | **10,289** | 10,250 | 10,609 |
| Mortgage-backed securities | **2,188** | **2,331** | 2,331 | 2,396 |
| | **$ 11,845** | **$ 12,620** | $ 12,581 | $ 13,005 |

Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

**b) Gross unrealized loss**
Fixed maturities in an unrealized loss position at June 30, 2020 comprised both investment grade and below investment grade securities for which fair value declined primarily due to widening credit spreads since the date of purchase.

The following table presents, for AFS fixed maturities in an unrealized loss position (including securities on loan) that are not deemed to have credit losses, the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

| | 0 – 12 Months | | Over 12 Months | | Total | |
|---|---|---|---|---|---|---|
| June 30, 2020 (in millions of U.S. dollars) | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss |
| Non-U.S. | **$ 3,172** | **$ (117)** | **$ 105** | **$ (22)** | **$ 3,277** | **$ (139)** |
| Corporate and asset-backed securities | **7,985** | **(295)** | **551** | **(35)** | **8,536** | **(330)** |
| Mortgage-backed securities | **953** | **(13)** | **27** | **(2)** | **980** | **(15)** |
| Municipal | **95** | **(1)** | **65** | **(2)** | **160** | **(3)** |
| Total AFS fixed maturities | **$ 12,205** | **$ (426)** | **$ 748** | **$ (61)** | **$ 12,953** | **$ (487)** |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

The following table presents, for all securities in an unrealized loss position (including securities on loan), the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

| December 31, 2019 | 0 – 12 Months | | Over 12 Months | | Total | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss |
| U.S. Treasury / Agency | $ 234 | $ (1) | $ 339 | $ — | $ 573 | $ (1) |
| Non-U.S. | 1,846 | (34) | 802 | (28) | 2,648 | (62) |
| Corporate and asset-backed securities | 2,121 | (40) | 988 | (40) | 3,109 | (80) |
| Mortgage-backed securities | 1,174 | (6) | 932 | (8) | 2,106 | (14) |
| Municipal | 188 | — | 276 | (12) | 464 | (12) |
| Total fixed maturities | $ 5,563 | $ (81) | $ 3,337 | $ (88) | $ 8,900 | $ (169) |

**c) Net realized gains (losses)**

Management reviews credit losses and the valuation allowance for expected credit losses each quarter. When all or a portion of a fixed maturity security is identified to be uncollectible and written off, the valuation allowance for expected credit losses is reduced by the same amount. In general, a security is considered uncollectible no later than when all efforts to collect contractual cash flows have been exhausted. Below are considerations for when a security may be deemed uncollectible:

- We have sufficient information to determine that the issuer of the security is insolvent;
- We receive notice that the issuer of the security has filed for bankruptcy, and the collectability is expected to be adversely impacted by the bankruptcy;
- The issuer of a security has violated multiple debt covenants;
- Amounts have been past due for a specified period of time with no response from the issuer;
- A significant deterioration in the value of the collateral has occurred;
- We have received correspondence from the issuer of the security indicating that it doesn't intend to pay the contractual principal and interest.

Projected cash flows are driven primarily by assumptions regarding probability of default and also the timing and amount of recoveries associated with defaults. Chubb developed the projected cash flows using market data, issuer-specific information, and credit ratings. In combination with contractual cash flows and the use of historical default and recovery data by Moody's Investors Service (Moody's) rating category we generate expected cash flows using the average cumulative issuer-weighted global default rates by letter rating.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

The following table presents the components of Net realized gains (losses):

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Fixed maturities: | | | | |
| OTTI on fixed maturities, gross | **$ —** | $ (14) | **$ —** | $ (27) |
| OTTI on fixed maturities recognized in OCI (pre-tax) | **—** | 1 | **—** | 1 |
| OTTI on fixed maturities, net | **—** | (13) | **—** | (26) |
| Gross realized gains excluding OTTI | **68** | 56 | **145** | 83 |
| Gross realized losses excluding OTTI | **(174)** | (31) | **(299)** | (89) |
| Provision for expected credit losses | **104** | — | **(46)** | — |
| Impairment [1] | **(31)** | — | **(152)** | — |
| Total fixed maturities | **$ (33)** | $ 12 | **$ (352)** | $ (32) |
| Equity securities | **148** | 5 | **119** | 63 |
| Other investments | **(107)** | 30 | **(102)** | (14) |
| Foreign exchange gains (losses) | **(61)** | (11) | **(129)** | 2 |
| Investment and embedded derivative instruments | **14** | (181) | **29** | (311) |
| Fair value adjustments on insurance derivative | **213** | (65) | **(472)** | 49 |
| S&P futures | **(103)** | (20) | **22** | (83) |
| Other derivative instruments | **(1)** | 7 | **(3)** | 6 |
| Other | **(40)** | — | **(40)** | — |
| Net realized gains (losses) (pre-tax) | **$ 30** | $ (223) | **$ (928)** | $ (320) |

[1] Relates to certain securities we intended to sell and securities written to market entering default.

Realized gains and losses from Equity securities and Other investments from the table above include sales of securities and unrealized gains and losses from fair value changes as follows:

| | Three Months Ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| (in millions of U.S. dollars) | **Equity Securities** | **Other Investments** | **Total** | Equity Securities | Other Investments | Total |
| Net gains (losses) recognized during the period | **$ 148** | **$ (107)** | **$ 41** | $ 5 | $ 30 | $ 35 |
| Less: Net gains (losses) recognized from sales of securities | **187** | **—** | **187** | 32 | — | 32 |
| Unrealized gains (losses) recognized for securities still held at reporting date | **$ (39)** | **$ (107)** | **$ (146)** | $ (27) | $ 30 | $ 3 |

| | Six Months Ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| (in millions of U.S. dollars) | **Equity Securities** | **Other Investments** | **Total** | Equity Securities | Other Investments | Total |
| Net gains (losses) recognized during the period | **$ 119** | **$ (102)** | **$ 17** | $ 63 | $ (14) | $ 49 |
| Less: Net gains (losses) recognized from sales of securities | **163** | **—** | **163** | 33 | (2) | 31 |
| Unrealized gains (losses) recognized for securities still held at reporting date | **$ (44)** | **$ (102)** | **$ (146)** | $ 30 | $ (12) | $ 18 |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

The following table presents a roll-forward of valuation allowance for expected credit losses on fixed maturities:

| (in millions of U.S. dollars) | Three Months Ended June 30 2020 | Six Months Ended June 30 2020 |
|---|---|---|
| *Available for sale* | | |
| Valuation allowance for expected credit losses - beginning of period | $ 176 | $ — |
| Impact of adoption of new accounting guidance | — | 25 |
| Provision for expected credit loss | 29 | 178 |
| Initial allowance for purchased securities with credit deterioration | 3 | 5 |
| Write-offs charged against the expected credit loss | (5) | (5) |
| Recovery of expected credit loss | (134) | (134) |
| Valuation allowance for expected credit losses - end of period | $ 69 | $ 69 |
| *Held to maturity* | | |
| Valuation allowance for expected credit losses - beginning of period | $ 45 | $ — |
| Impact of adoption of new accounting guidance | — | 44 |
| Provision for expected credit loss | 6 | 7 |
| Valuation allowance for expected credit losses - end of period | $ 51 | $ 51 |

***Purchased Credit Deterioration (PCD) Securities***
During the six months ended June 30, 2020, we purchased $107 million of securities with credit deterioration, categorized as available for sale, and assessed an allowance for credit losses of $5 million at acquisition. These PCD securities had a par value at acquisition of $143 million.

***Alternative investments***
Alternative investments include partially-owned investment companies, investment funds, and limited partnerships measured at fair value using their respective net asset values or equivalent (NAV) as a practical expedient. The following table presents, by investment category, the expected liquidation period, fair value, and maximum future funding commitments of alternative investments:

| (in millions of U.S. dollars) | Expected Liquidation Period of Underlying Assets | June 30 2020 Fair Value | June 30 2020 Maximum Future Funding Commitments | December 31 2019 Fair Value | December 31 2019 Maximum Future Funding Commitments |
|---|---|---|---|---|---|
| Financial | 2 to 10 Years | $ 521 | $ 309 | $ 611 | $ 329 |
| Real Assets | 2 to 11 Years | 674 | 749 | 712 | 422 |
| Distressed | 2 to 8 Years | 220 | 158 | 263 | 80 |
| Private Credit | 3 to 8 Years | 81 | 272 | 104 | 272 |
| Traditional | 2 to 14 Years | 3,039 | 1,852 | 2,844 | 2,160 |
| Vintage | 1 to 2 Years | 90 | — | 116 | — |
| Investment funds | Not Applicable | 228 | — | 271 | — |
| | | $ 4,853 | $ 3,340 | $ 4,921 | $ 3,263 |

Included in all categories in the above table, except for Investment funds, are investments for which Chubb will never have the contractual option to redeem but receives distributions based on the liquidation of the underlying assets. Further, for all categories except for Investment funds, Chubb does not have the ability to sell or transfer the investments without the consent from the general partner of individual funds.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

| Investment Category: | Consists of investments in private equity funds: |
|---|---|
| Financial | targeting financial services companies, such as financial institutions and insurance services worldwide |
| Real Assets | targeting investments related to hard, physical assets, such as real estate, infrastructure and natural resources |
| Distressed | targeting distressed corporate debt/credit and equity opportunities in the U.S. |
| Private Credit | targeting privately originated corporate debt investments, including senior secured loans and subordinated bonds |
| Traditional | employing traditional private equity investment strategies, such as buyout and growth equity globally |
| Vintage | funds where the initial fund term has expired |

Investment funds employ various investment strategies, such as long/short equity and arbitrage/distressed. Included in this category are investments for which Chubb has the option to redeem at agreed upon value as described in each investment fund's subscription agreement. Depending on the terms of the various subscription agreements, investment fund investments may be redeemed monthly, quarterly, semi-annually, or annually. If Chubb wishes to redeem an investment fund investment, it must first determine if the investment fund is still in a lock-up period (a time when Chubb cannot redeem its investment so that the investment fund manager has time to build the portfolio). If the investment fund is no longer in its lock-up period, Chubb must then notify the investment fund manager of its intention to redeem by the notification date prescribed by the subscription agreement. Subsequent to notification, the investment fund can redeem Chubb's investment within several months of the notification. Notice periods for redemption of the investment funds range up to 270 days. Chubb can redeem its investment funds without consent from the investment fund managers.

**d) Restricted assets**
Chubb is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. Chubb is also required to restrict assets pledged under repurchase agreements, which represent Chubb's agreement to sell securities and repurchase them at a future date for a predetermined price. We use trust funds in certain large reinsurance transactions where the trust funds are set up for the benefit of the ceding companies and generally take the place of letter of credit (LOC) requirements. We have investments in segregated portfolios primarily to provide collateral or guarantees for LOC and derivative transactions. Included in restricted assets at June 30, 2020 and December 31, 2019 are investments, primarily fixed maturities, totaling $19.6 billion and $21.0 billion, respectively, and cash of $152 million and $109 million, respectively.

The following table presents the components of restricted assets:

| (in millions of U.S. dollars) | | **June 30 2020** | | December 31 2019 |
|---|---|---|---|---|
| Trust funds | **$** | **12,522** | $ | 14,004 |
| Deposits with U.S. regulatory authorities | | **2,424** | | 2,466 |
| Deposits with non-U.S. regulatory authorities | | **2,807** | | 2,709 |
| Assets pledged under repurchase agreements | | **1,460** | | 1,464 |
| Other pledged assets | | **523** | | 490 |
| Total | **$** | **19,736** | $ | 21,133 |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

**4. Fair value measurements**

**a) Fair value hierarchy**
Fair value of financial assets and financial liabilities is estimated based on the framework established in the fair value accounting guidance. The guidance defines fair value as the price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants and establishes a three-level valuation hierarchy based on the reliability of the inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data.

The three levels of the hierarchy are as follows:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Includes, among other items, inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves, quoted prices for similar assets and liabilities in active markets, and quoted prices for identical or similar assets and liabilities in markets that are not active; and
- Level 3 – Inputs that are unobservable and reflect management's judgments about assumptions that market participants would use in pricing an asset or liability.

We categorize financial instruments within the valuation hierarchy at the balance sheet date based upon the lowest level of inputs that are significant to the fair value measurement.

We use pricing services to obtain fair value measurements for the majority of our investment securities. Based on management's understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair value estimate. Based on our understanding of the market inputs used by the pricing services, all applicable investments have been valued in accordance with GAAP. We do not adjust prices obtained from pricing services. The following is a description of the valuation techniques and inputs used to determine fair values for financial instruments carried at fair value, as well as the general classification of such financial instruments pursuant to the valuation hierarchy.

**Fixed maturities**
We use pricing services to estimate fair value measurements for the majority of our fixed maturities. The pricing services use market quotations for fixed maturities that have quoted prices in active markets; such securities are classified within Level 1. For fixed maturities other than U.S. Treasury securities that generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Additional valuation factors that can be taken into account are nominal spreads, dollar basis, and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news. The market inputs used in the pricing evaluation, listed in the approximate order of priority include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. The extent of the use of each input is dependent on the asset class and the market conditions. Given the asset class, the priority of the use of inputs may change, or some market inputs may not be relevant. Additionally, fixed maturities valuation is more subjective when markets are less liquid due to the lack of market based inputs (i.e., stale pricing), which may increase the potential that an investment's estimated fair value is not reflective of the price at which an actual transaction would occur. The overwhelming majority of fixed maturities are classified within Level 2 because the most significant inputs used in the pricing techniques are observable. For a small number of fixed maturities, we obtain a single broker quote (typically from a market maker). Due to the disclaimers on the quotes that indicate that the price is indicative only, we include these fair value estimates in Level 3.

**Equity securities**
Equity securities with active markets are classified within Level 1 as fair values are based on quoted market prices. For equity securities in markets which are less active, fair values are based on market valuations and are classified within Level 2. Equity securities for which pricing is unobservable are classified within Level 3.

**Short-term investments**
Short-term investments, which comprise securities due to mature within one year of the date of purchase that are traded in active markets, are classified within Level 1 as fair values are based on quoted market prices. Securities such as commercial paper and discount notes are classified within Level 2 because these securities are typically not actively traded due to their

approaching maturity and, as such, their cost approximates fair value. Short-term investments for which pricing is unobservable are classified within Level 3.

**Other investments**
Fair values for the majority of Other investments including investments in partially-owned investment companies, investment funds, and limited partnerships are based on their respective net asset values or equivalent (NAV) and are excluded from the fair value hierarchy table below. Certain of our long-duration contracts are supported by assets that do not qualify for separate account reporting under GAAP. These assets comprise mutual funds classified within Level 1 in the valuation hierarchy on the same basis as other equity securities traded in active markets. Other investments also include equity securities classified within Level 1, and fixed maturities, classified within Level 2, held in rabbi trusts maintained by Chubb for deferred compensation plans and supplemental retirement plans and are classified within the valuation hierarchy on the same basis as other equity securities and fixed maturities. Other investments for which pricing is unobservable are classified within Level 3.

**Securities lending collateral**
The underlying assets included in Securities lending collateral in the Consolidated balance sheets are fixed maturities which are classified in the valuation hierarchy on the same basis as other fixed maturities. Excluded from the valuation hierarchy is the corresponding liability related to Chubb's obligation to return the collateral plus interest as it is reported at contract value and not fair value in the Consolidated balance sheets.

**Investment derivative instruments**
Actively traded investment derivative instruments, including futures, options, and forward contracts are classified within Level 1 as fair values are based on quoted market prices. The fair value of cross-currency swaps and interest rate swaps is based on market valuations and is classified within Level 2. Investment derivative instruments are recorded in either Other assets or Accounts payable, accrued expenses, and other liabilities in the Consolidated balance sheets.

**Other derivative instruments**
We maintain positions in exchange-traded equity futures contracts designed to limit exposure to a severe equity market decline, which would cause an increase in expected claims and, therefore, an increase in reserves for our guaranteed minimum death benefits (GMDB) and guaranteed living benefits (GLB) reinsurance business. Our positions in exchange-traded equity futures contracts are classified within Level 1. The fair value of the majority of the remaining positions in other derivative instruments is based on significant observable inputs including equity security and interest rate indices. Accordingly, these are classified within Level 2. Other derivative instruments based on unobservable inputs are classified within Level 3. Other derivative instruments are recorded in either Other assets or Accounts payable, accrued expenses, and other liabilities in the Consolidated balance sheets.

**Separate account assets**
Separate account assets represent segregated funds where investment risks are borne by the customers, except to the extent of certain guarantees made by Chubb. Separate account assets comprise mutual funds classified within Level 1 in the valuation hierarchy on the same basis as other equity securities traded in active markets. Separate account assets also include fixed maturities classified within Level 2 because the most significant inputs used in the pricing techniques are observable. Excluded from the valuation hierarchy are the corresponding liabilities as they are reported at contract value and not fair value in the Consolidated balance sheets. Separate account assets are recorded in Other assets in the Consolidated balance sheets.

**Guaranteed living benefits**
The GLB arises from life reinsurance programs covering living benefit guarantees whereby we assume the risk of guaranteed minimum income benefits (GMIB) associated with variable annuity contracts. GLB's are recorded in Accounts payable, accrued expenses, and other liabilities and Future policy benefits in the Consolidated balance sheets. For GLB reinsurance, Chubb estimates fair value using an internal valuation model which includes current market information and estimates of policyholder behavior. All of the treaties contain claim limits, which are factored into the valuation model. The fair value depends on a number of factors, including interest rates, equity markets, credit risk, current account value, market volatility, expected annuitization rates and other policyholder behavior, and changes in policyholder mortality. Because of the significant use of unobservable inputs including policyholder behavior, GLB reinsurance is classified within Level 3.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

**Financial instruments measured at fair value on a recurring basis, by valuation hierarchy**

| June 30, 2020<br>(in millions of U.S. dollars) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| *Fixed maturities available for sale* | | | | |
| U.S. Treasury / Agency | $ 2,316 | $ 559 | $ — | $ 2,875 |
| Non-U.S. | — | 24,138 | 469 | 24,607 |
| Corporate and asset-backed securities | — | 32,548 | 1,369 | 33,917 |
| Mortgage-backed securities | — | 18,138 | 60 | 18,198 |
| Municipal | — | 7,115 | — | 7,115 |
| | 2,316 | 82,498 | 1,898 | 86,712 |
| Equity securities | 2,329 | 1 | 64 | 2,394 |
| Short-term investments | 2,707 | 1,294 | 2 | 4,003 |
| Other investments [1] | 361 | 383 | 10 | 754 |
| Securities lending collateral | — | 1,832 | — | 1,832 |
| Investment derivative instruments | 19 | — | — | 19 |
| Other derivative instruments | 1 | — | — | 1 |
| Separate account assets | 3,394 | 132 | — | 3,526 |
| Total assets measured at fair value [1] | $ 11,127 | $ 86,140 | $ 1,974 | $ 99,241 |
| Liabilities: | | | | |
| Investment derivative instruments | $ 96 | $ — | $ — | $ 96 |
| GLB [2] | — | — | 928 | 928 |
| Total liabilities measured at fair value | $ 96 | $ — | $ 928 | $ 1,024 |

[1] Excluded from the table above are partially-owned investments, investment funds, and limited partnerships of $4,853 million, policy loans of $226 million and other investments of $90 million at June 30, 2020 measured using NAV as a practical expedient.

[2] Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

| December 31, 2019 (in millions of U.S. dollars) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| *Fixed maturities available for sale* | | | | |
| U.S. Treasury / Agency | $ 2,664 | $ 619 | $ — | $ 3,283 |
| Non-U.S. | — | 23,258 | 449 | 23,707 |
| Corporate and asset-backed securities | — | 30,340 | 1,451 | 31,791 |
| Mortgage-backed securities | — | 19,132 | 60 | 19,192 |
| Municipal | — | 7,515 | — | 7,515 |
| | 2,664 | 80,864 | 1,960 | 85,488 |
| Equity securities | 728 | 15 | 69 | 812 |
| Short-term investments | 2,803 | 1,482 | 6 | 4,291 |
| Other investments [1] | 412 | 377 | 10 | 799 |
| Securities lending collateral | — | 994 | — | 994 |
| Investment derivative instruments | 24 | — | — | 24 |
| Other derivative instruments | 2 | — | — | 2 |
| Separate account assets | 3,437 | 136 | — | 3,573 |
| Total assets measured at fair value [1] | $ 10,070 | $ 83,868 | $ 2,045 | $ 95,983 |
| Liabilities: | | | | |
| Investment derivative instruments | $ 93 | $ — | $ — | $ 93 |
| Other derivative instruments | 13 | — | — | 13 |
| GLB [2] | — | — | 456 | 456 |
| Total liabilities measured at fair value | $ 106 | $ — | $ 456 | $ 562 |

[1] Excluded from the table above are partially-owned investments, investment funds, and limited partnerships of $4,921 million and other investments of $95 million at December 31, 2019 measured using NAV as a practical expedient.

[2] Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets.

**Level 3 financial instruments**
The following table presents the significant unobservable inputs used in the Level 3 liability valuations. Excluded from the table below are inputs used to determine the fair value of Level 3 assets which are based on single broker quotes and contain no quantitative unobservable inputs developed by management. The majority of our fixed maturities classified as Level 3 used external pricing when markets are less liquid due to the lack of market inputs (i.e., stale pricing, broker quotes).

| (in millions of U.S. dollars, except for percentages) | Fair Value | | Valuation Technique | Significant Unobservable Inputs | Ranges | Weighted Average [1] |
|---|---|---|---|---|---|---|
| | June 30, 2020 | December 31, 2019 | | | | |
| GLB [1] | **$ 928** | $ 456 | **Actuarial model** | **Lapse rate** | **3% – 34%** | **4.6%** |
| | | | | **Annuitization rate** | **0% – 52%** | **4.1 %** |

[1] The weighted average lapse and annuitization rates are determined by weighting each treaty's rates by the GLB contracts fair value.

The most significant policyholder behavior assumptions include lapse rates and the GMIB annuitization rates. Assumptions regarding lapse rates and GMIB annuitization rates differ by treaty, but the underlying methodologies to determine rates applied to each treaty are comparable.

A lapse rate is the percentage of in-force policies surrendered in a given calendar year. All else equal, as lapse rates increase, ultimate claim payments will decrease.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

The GMIB annuitization rate is the percentage of policies for which the policyholder will elect to annuitize using the guaranteed benefit provided under the GMIB. All else equal, as GMIB annuitization rates increase, ultimate claim payments will increase, subject to treaty claim limits.

The effect of changes in key market factors on assumed lapse and annuitization rates reflect emerging trends using data available from cedants. For treaties with limited experience, rates are established in line with data received from other ceding companies adjusted, as appropriate, with industry estimates. The model and related assumptions are regularly re-evaluated by management and enhanced, as appropriate, based upon additional experience obtained related to policyholder behavior and availability of updated information such as market conditions, market participant assumptions, and demographics of in-force annuities. For the three and six months ended June 30, 2020 and 2019, no material refinements were made to the model. For detailed information on our lapse and annuitization rate assumptions, refer to Note 4 to the Consolidated Financial Statements of our 2019 Form 10-K.

The following tables present a reconciliation of the beginning and ending balances of financial instruments measured at fair value using significant unobservable inputs (Level 3):

| | Assets | | | | | | Liabilities |
|---|---|---|---|---|---|---|---|
| | Available-for-Sale Debt Securities | | | | | | |
| Three Months Ended June 30, 2020 (in millions of U.S. dollars) | Non-U.S. | Corporate and asset-backed securities | MBS | Equity securities | Short-term investments | Other investments | GLB [1] |
| Balance – beginning of period | $ 465 | $ 1,502 | $ 60 | $ 67 | $ 1 | $ 10 | $ 1,141 |
| Transfers out of Level 3 | (13) | (71) | — | — | — | — | — |
| Change in Net Unrealized Gains (Losses) in OCI | (6) | 1 | — | (1) | — | — | — |
| Net Realized Gains/Losses | (1) | (13) | — | (1) | — | — | (213) |
| Purchases | 67 | 83 | — | 8 | 1 | — | — |
| Sales | (16) | (48) | — | (9) | — | — | — |
| Settlements | (27) | (85) | — | — | — | — | — |
| Balance – end of period | $ 469 | $ 1,369 | $ 60 | $ 64 | $ 2 | $ 10 | $ 928 |
| Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date | $ — | $ 5 | $ — | $ 1 | $ — | $ — | $ (213) |
| Change in Net Unrealized Gains/Losses included in OCI at the Balance sheet date | $ (5) | $ 7 | $ — | $ — | $ — | $ — | $ — |

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets. The liability for GLB reinsurance was $1,372 million at June 30, 2020, and $1,591 million at March 31, 2020, which includes a fair value derivative adjustment of $928 million and $1,141 million, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

| Three Months Ended June 30, 2019 (in millions of U.S. dollars) | Available-for-Sale Debt Securities | | | Assets | | | Liabilities |
|---|---|---|---|---|---|---|---|
| | Non-U.S. | Corporate and asset-backed securities | MBS | Equity securities | Short-term investments | Other investments | GLB [1] |
| Balance – beginning of period | $ 360 | $ 1,342 | $ 78 | $ 55 | $ — | $ 11 | $ 338 |
| Transfers into Level 3 | — | 10 | — | — | — | — | — |
| Change in Net Unrealized Gains/Losses in OCI, including foreign exchange | — | 1 | — | 1 | — | — | — |
| Net Realized Gains/Losses | — | (1) | — | (1) | — | — | 65 |
| Purchases | 43 | 121 | — | 5 | 4 | — | — |
| Sales | (14) | (36) | (1) | (4) | — | — | — |
| Settlements | (18) | (78) | (1) | — | — | — | — |
| Balance – end of period | $ 371 | $ 1,359 | $ 76 | $ 56 | $ 4 | $ 11 | $ 403 |
| Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date | $ — | $ (1) | $ — | $ (1) | $ — | $ — | $ 65 |

[1] Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets. The liability for GLB reinsurance was $815 million at June 30, 2019, and $741 million at March 31, 2019, which includes a fair value derivative adjustment of $403 million and $338 million, respectively.

| Six Months Ended June 30, 2020 (in millions of U.S. dollars) | **Available-for-Sale Debt Securities** | | | **Assets** | | | **Liabilities** |
|---|---|---|---|---|---|---|---|
| | **Non-U.S.** | **Corporate and asset-backed securities** | **MBS** | **Equity securities** | **Short-term investments** | **Other investments** | **GLB [1]** |
| Balance – beginning of period | **$ 449** | **$ 1,451** | **$ 60** | **$ 69** | **$ 6** | **$ 10** | **$ 456** |
| Transfers into Level 3 | **—** | **91** | **—** | **—** | **—** | **—** | **—** |
| Transfers out of Level 3 | **(16)** | **(72)** | **—** | **—** | **—** | **—** | **—** |
| Change in Net Unrealized Gains (Losses) in OCI, including foreign exchange | **(20)** | **(44)** | **—** | **—** | **—** | **—** | **—** |
| Net Realized Gains/Losses | **(3)** | **(26)** | **—** | **(3)** | **—** | **—** | **472** |
| Purchases | **149** | **222** | **—** | **11** | **2** | **—** | **—** |
| Sales | **(62)** | **(67)** | **—** | **(13)** | **—** | **—** | **—** |
| Settlements | **(28)** | **(186)** | **—** | **—** | **(6)** | **—** | **—** |
| Balance – end of period | **$ 469** | **$ 1,369** | **$ 60** | **$ 64** | **$ 2** | **$ 10** | **$ 928** |
| Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date | **$ —** | **$ (9)** | **$ —** | **$ (1)** | **$ —** | **$ —** | **$ 472** |
| Change in Net Unrealized Gains/Losses included in OCI at the Balance sheet date | **$ (20)** | **$ (37)** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** |

[1] Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets. The liability for GLB reinsurance was $1,372 million at June 30, 2020, and $897 million at December 31, 2019, which includes a fair value derivative adjustment of $928 million and $456 million, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

| Six Months Ended June 30, 2019 (in millions of U.S. dollars) | Assets | | | | | | Liabilities |
|---|---|---|---|---|---|---|---|
| | Available-for-Sale Debt Securities | | | | | | |
| | Non-U.S. | Corporate and asset-backed securities | MBS | Equity securities | Short-term investments | Other investments | GLB [1] |
| Balance – beginning of period | $ 345 | $ 1,299 | $ 61 | $ 57 | $ 1 | $ 11 | $ 452 |
| Transfers into Level 3 | 3 | 15 | — | — | — | — | — |
| Transfers out of Level 3 | (15) | — | — | — | — | — | — |
| Change in Net Unrealized Gains/Losses in OCI, including foreign exchange | 6 | 5 | — | 2 | — | — | — |
| Net Realized Gains/Losses | (1) | — | — | (3) | — | — | (49) |
| Purchases | 96 | 249 | 18 | 14 | 4 | — | — |
| Sales | (19) | (73) | (1) | (14) | — | — | — |
| Settlements | (44) | (136) | (2) | — | (1) | — | — |
| Balance – end of period | $ 371 | $ 1,359 | $ 76 | $ 56 | $ 4 | $ 11 | $ 403 |
| Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date | $ — | $ (1) | $ — | $ (2) | $ — | $ — | $ (49) |

[1] Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets. The liability for GLB reinsurance was $815 million at June 30, 2019, and $861 million at December 31, 2018, which includes a fair value derivative adjustment of $403 million and $452 million, respectively.

**b) Financial instruments disclosed, but not measured, at fair value**

Chubb uses various financial instruments in the normal course of its business. Our insurance contracts are excluded from fair value of financial instruments accounting guidance, and therefore, are not included in the amounts discussed below.

The carrying values of cash, other assets, other liabilities, and other financial instruments not included below approximated their fair values. Refer to the 2019 Form 10-K for information on the fair value methods and assumptions for investments in partially-owned insurance companies, short-term and long-term debt, repurchase agreements, and trust-preferred securities.

The following tables present fair value, by valuation hierarchy, and carrying value of the financial instruments not measured at fair value:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

| June 30, 2020 (in millions of U.S. dollars) | Level 1 | Level 2 | Level 3 | Fair Value Total | Net Carrying Value |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| *Fixed maturities held to maturity* | | | | | |
| U.S. Treasury / Agency | **$ 1,257** | **$ 58** | **$ —** | **$ 1,315** | **$ 1,242** |
| Non-U.S. | **—** | **1,370** | **—** | **1,370** | **1,270** |
| Corporate and asset-backed securities | **—** | **2,428** | **—** | **2,428** | **2,191** |
| Mortgage-backed securities | **—** | **2,331** | **—** | **2,331** | **2,188** |
| Municipal | **—** | **5,176** | **—** | **5,176** | **4,954** |
| Total assets | **$ 1,257** | **$ 11,363** | **$ —** | **$ 12,620** | **$ 11,845** |
| **Liabilities:** | | | | | |
| Repurchase agreements | **$ —** | **$ 1,409** | **$ —** | **$ 1,409** | **$ 1,409** |
| Short-term debt | **—** | **1,309** | **—** | **1,309** | **1,300** |
| Long-term debt | **—** | **15,650** | **—** | **15,650** | **13,656** |
| Trust preferred securities | **—** | **453** | **—** | **453** | **308** |
| Total liabilities | **$ —** | **$ 18,821** | **$ —** | **$ 18,821** | **$ 16,673** |

| December 31, 2019 (in millions of U.S. dollars) | Level 1 | Level 2 | Level 3 | Fair Value Total | Carrying Value |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| *Fixed maturities held to maturity* | | | | | |
| U.S. Treasury / Agency | $ 1,292 | $ 55 | $ — | $ 1,347 | $ 1,318 |
| Non-U.S. | — | 1,485 | — | 1,485 | 1,423 |
| Corporate and asset-backed securities | — | 2,436 | 32 | 2,468 | 2,349 |
| Mortgage-backed securities | — | 2,396 | — | 2,396 | 2,331 |
| Municipal | — | 5,309 | — | 5,309 | 5,160 |
| Total assets | $ 1,292 | $ 11,681 | $ 32 | $ 13,005 | $ 12,581 |
| **Liabilities:** | | | | | |
| Repurchase agreements | $ — | $ 1,416 | $ — | $ 1,416 | $ 1,416 |
| Short-term debt | — | 1,307 | — | 1,307 | 1,299 |
| Long-term debt | — | 15,048 | — | 15,048 | 13,559 |
| Trust preferred securities | — | 467 | — | 467 | 308 |
| Total liabilities | $ — | $ 18,238 | $ — | $ 18,238 | $ 16,582 |

## 5. Reinsurance

### Reinsurance recoverable on ceded reinsurance

| (in millions of U.S. dollars) | June 30, 2020 Net Reinsurance Recoverable [1] | June 30, 2020 Valuation allowance | December 31, 2019 Net Reinsurance Recoverable [1] | December 31, 2019 Valuation allowance |
|---|---|---|---|---|
| Reinsurance recoverable on unpaid losses and loss expenses | **$ 14,361** | **$ 240** | $ 14,181 | $ 240 |
| Reinsurance recoverable on paid losses and loss expenses | **846** | **63** | 1,000 | 76 |
| Reinsurance recoverable on losses and loss expenses | **$ 15,207** | **$ 303** | $ 15,181 | $ 316 |
| Reinsurance recoverable on policy benefits | **$ 197** | **$ 4** | $ 197 | $ 4 |

[1] Net of valuation allowance for uncollectible reinsurance.

We evaluate the financial condition of our reinsurers and potential reinsurers on a regular basis and also monitor concentrations of credit risk with reinsurers. The valuation allowance for uncollectible reinsurance is required principally due to the potential failure of reinsurers to indemnify Chubb, primarily because of disputes under reinsurance contracts and insolvencies. We have

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

established a valuation allowance for amounts estimated to be uncollectible on both unpaid and paid losses as well as future policy benefits.

Management evaluates the need for a valuation allowance for uncollectible reinsurance recoverable using current and historical factors, and forecasts each quarter. These factors include a review of active and run-off lines of business, review of reinsurer financial strength ratings, and review of our largest reinsurers. The evaluation of the valuation allowance includes several judgments including certain aspects of the allocation of reinsurance recoverable on incurred but not reported (IBNR) claims by reinsurer and a default analysis to estimate uncollectible reinsurance. The primary components of the default analysis are reinsurance recoverable balances by reinsurer, net of collateral, and default factors used to determine the portion of a reinsurer's balance deemed uncollectible. Default factors require considerable judgment and are determined using principally the current financial strength rating, or rating equivalent, of each reinsurer. Changes in the valuation allowance for uncollectible reinsurance recoverables are recorded in Losses and loss expenses in the Consolidated statements of operations. For additional information, refer to Note 1 d) to the Consolidated Financial Statements of our 2019 Form 10-K.

The evaluation of the valuation allowance at December 31, 2019 was consistent with the new accounting guidance adopted January 1, 2020, therefore, there was no material change to the valuation allowance upon adoption.

The following table presents a roll-forward of valuation allowance for uncollectible reinsurance related to Reinsurance recoverable on loss and loss expenses:

| | | Six Months Ended June 30 |
|---|---|---|
| (in millions of U.S. dollars) | | **2020** |
| *Reinsurance recoverable* | | |
| Valuation allowance for uncollectible reinsurance - beginning of period | **$** | **316** |
| Provision for uncollectible reinsurance | | **5** |
| Write-offs charged against the valuation allowance | | **(19)** |
| Foreign exchange revaluation | | **1** |
| Valuation allowance for uncollectible reinsurance - end of period | **$** | **303** |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

**6. Unpaid losses and loss expenses**

The following table presents a reconciliation of beginning and ending Unpaid losses and loss expenses:

| | Six Months Ended June 30 | |
|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 |
| Gross unpaid losses and loss expenses – beginning of period | **$ 62,690** | $ 62,960 |
| Reinsurance recoverable on unpaid losses - beginning of period [1] | **(14,181)** | (14,689) |
| Net unpaid losses and loss expenses – beginning of period | **48,509** | 48,271 |
| Net losses and loss expenses incurred in respect of losses occurring in: | | |
| Current year | **11,111** | 9,224 |
| Prior years [2] | **(49)** | (411) |
| Total | **11,062** | 8,813 |
| Net losses and loss expenses paid in respect of losses occurring in: | | |
| Current year | **2,263** | 2,288 |
| Prior years | **5,842** | 5,823 |
| Total | **8,105** | 8,111 |
| Foreign currency revaluation and other | **(128)** | (1) |
| Net unpaid losses and loss expenses – end of period | **51,338** | 48,972 |
| Reinsurance recoverable on unpaid losses [1] | **14,361** | 14,233 |
| Gross unpaid losses and loss expenses – end of period | **$ 65,699** | $ 63,205 |

(1) Net of valuation allowance for uncollectible reinsurance.

(2) Relates to prior period loss reserve development only and excludes prior period development related to reinstatement premiums, expense adjustments and earned premiums totaling $6 million and $19 million for the six months ended June 30, 2020 and 2019, respectively.

Gross and net unpaid losses and loss expenses increased $3,009 million and $2,829 million, respectively, for the six months ended June 30, 2020, driven by catastrophe losses incurred principally related to the COVID-19 pandemic and an increase in underlying reserves, partially offset by favorable foreign exchange movement.

**Prior Period Development**
Prior period development (PPD) arises from changes to loss estimates recognized in the current year that relate to loss events that occurred in previous calendar years and excludes the effect of losses from the development of earned premium from previous accident years. Long-tail lines include lines such as workers' compensation, general liability, and professional liability; while short-tail lines include lines such as most property lines, energy, personal accident, and agriculture.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

The following table summarizes (favorable) and adverse PPD by segment.

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | **Long-tail** | **Short-tail** | **Total** | **Long-tail** | **Short-tail** | **Total** |
| **2020** | | | | | | |
| North America Commercial P&C Insurance | **$ (141)** | **$ (5)** | **$ (146)** | **$ (184)** | **$ (67)** | **$ (251)** |
| North America Personal P&C Insurance | **—** | **(1)** | **(1)** | **—** | **—** | **—** |
| North America Agricultural Insurance | **—** | **—** | **—** | **—** | **(14)** | **(14)** |
| Overseas General Insurance | **(1)** | **(35)** | **(36)** | **(1)** | **(39)** | **(40)** |
| Global Reinsurance | **(19)** | **3** | **(16)** | **(19)** | **(4)** | **(23)** |
| Corporate | **274** | **—** | **274** | **285** | **—** | **285** |
| Total | **$ 113** | **$ (38)** | **$ 75** | **$ 81** | **$ (124)** | **$ (43)** |
| 2019 | | | | | | |
| North America Commercial P&C Insurance | $ (206) | $ 21 | $ (185) | $ (271) | $ (45) | $ (316) |
| North America Personal P&C Insurance | — | (16) | (16) | — | (26) | (26) |
| North America Agricultural Insurance | — | — | — | — | (61) | (61) |
| Overseas General Insurance | — | (20) | (20) | — | (24) | (24) |
| Global Reinsurance | (33) | 33 | — | (34) | 26 | (8) |
| Corporate | 33 | — | 33 | 43 | — | 43 |
| Total | $ (206) | $ 18 | $ (188) | $ (262) | $ (130) | $ (392) |

Significant prior period movements by segment, principally driven by reserve reviews completed during each respective period, are discussed in more detail below. The remaining net development for long-tail lines and short-tail business for each segment and Corporate comprises numerous favorable and adverse movements across a number of lines and accident years, none of which is significant individually or in the aggregate.

**North America Commercial P&C Insurance**
**2020**
For the three months ended June 30, 2020, net favorable PPD was $146 million, which was the net result of several underlying favorable and adverse movements, and was driven by the following principal changes:

- Net favorable development of $141 million in long-tail business, primarily from:
  - Net favorable development of $152 million in our workers' compensation lines. This included favorable development of $62 million related to our annual assessment of multi-claimant events including industrial accidents, in the 2019 accident year. Consistent with prior years, we reviewed these potential exposures after the close of the accident year to allow for late reporting or identification of significant losses. This development in accident year 2019 was partially offset by some higher than expected activity from other claims. The remaining overall favorable development was mainly in accident years 2015 and prior, driven by lower than expected loss experience and related updates to loss development factors;
  - Net favorable development of $59 million in general liability portfolios, mainly driven by lower than expected paid and reported loss experience in accident years 2016 and prior, partly offset by some adverse emergence in accident years 2017 through 2019;
  - Net adverse development of $75 million in commercial automobile liability, mainly in high deductible and excess portfolios, driven by adverse paid and reported loss experience and related updates to loss development factors, mainly in accident years 2015 through 2019; and
  - Net adverse development of $5 million for U.S. child molestation claims, predominantly reviver statute-related.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

For the six months ended June 30, 2020, net favorable PPD was $251 million, which was the net result of several underlying favorable and adverse movements, and was driven by the following principal changes:

- Net favorable development of $184 million in long-tail business, primarily from:
  - Net favorable development of $182 million in workers' compensation lines, mainly due to the same factors experienced for the three months ended June 30, 2020, as described above;
  - Net favorable development of $66 million in professional liability (errors & omissions and cyber), in accident years 2016 and prior, due to lower than expected emergence;
  - Net favorable development of $43 million in voluntary environmental lines, in accident years 2016 and prior, due to lower than expected emergence and a favorable revision to loss development patterns;
  - Net favorable development of $36 million in general liability coverages, mainly due to the same factors experienced for the three months ended June 30, 2020, as described above, as well as adverse wholesale general liability results, driven by higher than expected reported loss emergence in accident years 2014 through 2019;
  - Net adverse development of $75 million in commercial automobile liability, due to the same factors experienced for the three months ended June 30, 2020, as described above;
  - Net adverse development of $40 million in excess and umbrella portfolios, with accident years 2015 through 2019 experiencing higher than expected reported development, partially offset by lower than expected emergence in accident years 2014 and prior; and
  - Net adverse development of $5 million for U.S. child molestation claims, predominantly reviver statute-related.
- Net favorable development of $67 million in short-tail business, primarily from:
  - Net favorable development of $37 million, in accident & health, mainly in accident years 2018 and 2019, driven by lower than expected paid loss emergence; and
  - Net favorable development of $31 million in surety, driven by accident year 2018, where loss emergence was lower than expected.

**2019**
For the three months ended June 30, 2019, net favorable PPD was $185 million, which was the net result of several underlying favorable and adverse movements, and was driven by the following principal changes:

- Net favorable development of $206 million in long-tail business, primarily from:
  - Net favorable development of $163 million in our workers' compensation lines. This included favorable development of $61 million related to our annual assessment of multi-claimant events including industrial accidents, in the 2018 accident year. Consistent with prior years, we reviewed these potential exposures after the close of the accident year to allow for late reporting or identification of significant losses. This development in accident year 2018 was partially offset by some higher than expected activity from other claims and from involuntary pools. The remaining overall favorable development was mainly in accident years 2014 and prior, driven by lower than expected loss experience and related updates to loss development factors;
  - Net favorable development of $50 million in our general liability portfolios, mainly driven by lower than expected paid and reported loss experience in accident years 2015 and prior, partly offset by adverse developments in more recent accident years; and
  - Net adverse development of $25 million in automobile liability, driven by adverse paid and reported loss experience mainly in accident years 2014 through 2018.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

- Net adverse development of $21 million in short-tail business, which was the result of several adverse movements, in lines such as automobile physical damage and involuntary pools, none of which were significant individually or in the aggregate, mainly impacting accident year 2018.

For the six months ended June 30, 2019, net favorable PPD was $316 million, which was the net result of several underlying favorable and adverse movements, and was driven by the following principal changes:

- Net favorable development of $271 million in long-tail business, primarily from:
    - Net favorable development of $200 million in our workers' compensation lines, mainly due to the same factors experienced for the three months ended June 30, 2019, as described above;
    - Net favorable development of $54 million in professional liability (errors & omissions and cyber), mainly in the 2015 and prior accident years where case activity was less than expected, partially offset by adverse development in the 2016 accident year, which was driven by several large adverse claim developments;
    - Net favorable development of $31 million in commercial excess and umbrella portfolios, driven by the 2013 and prior accident years, where case emergence was less than expected and greater weight was given to experience-based methods; this was partially offset by higher than expected claim activity in the 2015, 2016, and 2018 accident years which led to reserve strengthening in those years; and
    - Net adverse development of $31 million in automobile liability, mainly due to the same factors experienced for the three months ended June 30, 2019, as described above.
- Net favorable development of $45 million in short-tail business, primarily from favorable development of $49 million in surety business, mainly in the 2017 accident year, driven by lower than expected reported loss activity.

**North America Agricultural Insurance**
Prior period development in this segment mainly relates to our Multiple Peril Crop Insurance (MPCI) business and was favorable due to better than expected crop yield results in certain states at the prior year-end period (i.e., 2020 results based on 2019 crop year).

**Overseas General Insurance**
For the three and six months ended June 30, 2020, net favorable PPD was $36 million and $40 million, respectively, which was the net result of several underlying favorable and adverse movements, including $19 million and $22 million, respectively, in marine lines across all regions mainly in accident years 2017 and 2018 and favorable case-specific settlements in accident years 2014 and prior.

**Global Reinsurance**
For the three and six months ended June 30, 2020, net favorable PPD was $16 million and $23 million, respectively, which was the net result of several underlying favorable and adverse movements, none of which is significant individually or in the aggregate.

**Corporate**
**2020**
For the three and six months ended June 30, 2020, net adverse development was $274 million and $285 million, respectively, driven by adverse development of $254 million for U.S. child molestation claims, predominantly reviver statute-related. The remainder of the adverse development ($20 million and $31 million, respectively) was driven by increased claim costs on a limited number of non-A&E run-off casualty and workers' compensation exposures, and charges relating to unallocated loss adjustment expenses due to run-off operating expenses.

**2019**
For the three and six months ended June 30, 2019, net adverse development was $33 million and $43 million, respectively, from the non A&E run-off casualty exposures, including workers' compensation, driven by increased claim costs and net adverse settlements on a limited number of claims and charges relating to unallocated loss adjustment expenses due to run-off operating expenses.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

## 7. Commitments, contingencies, and guarantees

### a) Derivative instruments

**Foreign currency management**
As a global company, Chubb entities transact business in multiple currencies. Our policy is to generally match assets, liabilities, and required capital for each individual jurisdiction in local currency, which would include the use of derivatives discussed below. We do not hedge our net asset non-U.S. dollar capital positions; however, we do consider economic hedging for planned cross border transactions.

**Derivative instruments employed**
Chubb maintains positions in derivative instruments such as futures, options, swaps, and foreign currency forward contracts for which the primary purposes are to manage duration and foreign currency exposure, yield enhancement, or to obtain an exposure to a particular financial market. Chubb also maintains positions in convertible securities that contain embedded derivatives. Investment derivative instruments are recorded in either Other assets (OA) or Accounts payable, accrued expenses, and other liabilities (AP), convertible bonds are recorded in Fixed maturities available for sale (FM AFS), and convertible equity securities are recorded in Equity securities (ES) in the Consolidated balance sheets. These are the most numerous and frequent derivative transactions. In addition, Chubb purchases to be announced mortgage-backed securities (TBAs) as part of its investing activities.

Under reinsurance programs covering GLBs, Chubb assumes the risk of GLBs (principally GMIB) associated with variable annuity contracts. The GMIB risk is triggered if, at the time the contract holder elects to convert the accumulated account value to a periodic payment stream (annuitize), the accumulated account value is not sufficient to provide a guaranteed minimum level of monthly income. The GLB reinsurance product meets the definition of a derivative instrument. Benefit reserves in respect of GLBs are classified as Future policy benefits (FPB) while the fair value derivative adjustment is classified within AP. Chubb also generally maintains positions in exchange-traded equity futures contracts on equity market indices to limit equity exposure in the GMDB and GLB book of business.

All derivative instruments are carried at fair value with changes in fair value recorded in Net realized gains (losses) in the Consolidated statements of operations. None of the derivative instruments are designated as hedges for accounting purposes.

The following table presents the balance sheet locations, fair values of derivative instruments in an asset or (liability) position, and notional values/payment provisions of our derivative instruments:

| | | **June 30, 2020** | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|---|
| | | **Fair Value** | | | Fair Value | | |
| (in millions of U.S. dollars) | **Consolidated Balance Sheet Location** | **Derivative Asset** | **Derivative (Liability)** | **Notional Value/ Payment Provision** | Derivative Asset | Derivative (Liability) | Notional Value/ Payment Provision |
| *Investment and embedded derivative instruments:* | | | | | | | |
| Foreign currency forward contracts | **OA / (AP)** | **$ 16** | **$ (85)** | **$ 2,462** | $ 11 | $ (78) | $ 2,579 |
| Options/Futures contracts on notes, bonds, and equities | **OA / (AP)** | **3** | **(11)** | **1,398** | 13 | (15) | 1,615 |
| Convertible securities [1] | **FM AFS / ES** | **8** | **—** | **10** | 4 | — | 5 |
| | | **$ 27** | **$ (96)** | **$ 3,870** | $ 28 | $ (93) | $ 4,199 |
| *Other derivative instruments:* | | | | | | | |
| Futures contracts on equities [2] | **OA / (AP)** | **$ —** | **$ —** | **$ 598** | $ — | $ (13) | $ 613 |
| Other | **OA / (AP)** | **1** | **—** | **97** | 2 | — | 63 |
| | | **$ 1** | **$ —** | **$ 695** | $ 2 | $ (13) | $ 676 |
| GLB [3] | **(AP) / (FPB)** | **$ —** | **$ (1,372)** | **$ 2,196** | $ — | $ (897) | $ 1,510 |

(1) Includes fair value of embedded derivatives.
(2) Related to GMDB and GLB book of business.
(3) Includes both future policy benefits reserves of $444 million and $441 million and fair value derivative adjustment of $928 million and $456 million at June 30, 2020 and December 31, 2019, respectively. Note that the payment provision related to GLB is the net amount at risk. The concept of a notional value does not apply to the GLB reinsurance contracts.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

At June 30, 2020 and December 31, 2019, derivative liabilities of $71 million and $75 million, respectively, included in the table above were subject to a master netting agreement. The remaining derivatives included in the table above were not subject to a master netting agreement.

The following table presents net realized gains (losses) related to derivative instrument activity in the Consolidated statements of operations:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| *Investment and embedded derivative instruments:* | | | | |
| Foreign currency forward contracts | **$ 10** | $ (22) | **$ 53** | $ (37) |
| Interest rate swaps | **—** | (135) | **—** | (215) |
| All other futures contracts, options, and equities | **3** | (25) | **(24)** | (61) |
| Convertible securities [1] | **1** | 1 | **—** | 2 |
| Total investment and embedded derivative instruments | **$ 14** | $ (181) | **$ 29** | $ (311) |
| *GLB and other derivative instruments:* | | | | |
| GLB [2] | **$ 213** | $ (65) | **$ (472)** | $ 49 |
| Futures contracts on equities [3] | **(103)** | (20) | **22** | (83) |
| Other | **(1)** | 7 | **(3)** | 6 |
| Total GLB and other derivative instruments | **$ 109** | $ (78) | **$ (453)** | $ (28) |
| | **$ 123** | $ (259) | **$ (424)** | $ (339) |

(1) Includes embedded derivatives.
(2) Excludes foreign exchange gains (losses) related to GLB.
(3) Related to GMDB and GLB book of business.

**b) Derivative instrument objectives**
**(i) Foreign currency exposure management**
A foreign currency forward contract (forward) is an agreement between participants to exchange specific foreign currencies at a future date. Chubb uses forwards to minimize the effect of fluctuating foreign currencies as discussed above.

**(ii) Duration management and market exposure**
**Futures**
Futures contracts give the holder the right and obligation to participate in market movements, determined by the index or underlying security on which the futures contract is based. Settlement is made daily in cash by an amount equal to the change in value of the futures contract times a multiplier that scales the size of the contract. Exchange-traded futures contracts on money market instruments, notes, and bonds are used in fixed maturity portfolios to more efficiently manage duration, as substitutes for ownership of the money market instruments, bonds, and notes without significantly increasing the risk in the portfolio. Investments in futures contracts may be made only to the extent that there are assets under management not otherwise committed.

Exchange-traded equity futures contracts are used to limit exposure to a severe equity market decline, which would cause an increase in expected claims and therefore, an increase in reserves for GMDB and GLB reinsurance business.

**Options**
An option contract conveys to the holder the right, but not the obligation, to purchase or sell a specified amount or value of an underlying security at a fixed price. Option contracts are used in our investment portfolio as protection against unexpected shifts in interest rates, which would affect the duration of the fixed maturity portfolio. By using options in the portfolio, the overall interest rate sensitivity of the portfolio can be reduced. Option contracts may also be used as an alternative to futures contracts in the synthetic strategy as described above.

The price of an option is influenced by the underlying security, expected volatility, time to expiration, and supply and demand.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

The credit risk associated with the above derivative financial instruments relates to the potential for non-performance by counterparties. Although non-performance is not anticipated, in order to minimize the risk of loss, management monitors the creditworthiness of its counterparties and obtains collateral. The performance of exchange-traded instruments is guaranteed by the exchange on which they trade. For non-exchange-traded instruments, the counterparties are principally banks which must meet certain criteria according to our investment guidelines.

**Interest rate swaps**
An interest rate swap is a contract between two counterparties in which interest payments are made based on a notional principal amount, which itself is never paid or received. Under the terms of an interest rate swap, one counterparty makes interest payments based on a fixed interest rate and the other counterparty's payments are based on a floating rate. Interest rate swap contracts are used occasionally in our investment portfolio as protection against unexpected shifts in interest rates, which would affect the fair value of the fixed maturity portfolio. By using interest rate swaps in the portfolio, the overall duration or interest rate sensitivity of the portfolio can be impacted.

**Cross-currency swaps**
Cross-currency swaps are agreements under which two counterparties exchange interest payments and principal denominated in different currencies at a future date. We use cross-currency swaps to reduce the foreign currency and interest rate risk by converting cash flows back into local currency. We invest in foreign currency denominated investments to improve credit diversification and also to obtain better duration matching to our liabilities that is limited in the local currency market.

**Other**
Included within Other are derivatives intended to reduce potential losses which may arise from certain exposures in our insurance business. The economic benefit provided by these derivatives is similar to purchased reinsurance. For example, Chubb may enter into crop derivative contracts to protect underwriting results in the event of a significant decline in commodity prices.

**(iii) Convertible security investments**
A convertible security is a debt instrument or preferred stock that can be converted into a predetermined amount of the issuer's equity. The convertible option is an embedded derivative within the host instruments which are classified in the investment portfolio as either available for sale or as an equity security. Chubb purchases convertible securities for their total return and not specifically for the conversion feature.

**(iv) TBA**
By acquiring TBAs, we make a commitment to purchase a future issuance of mortgage-backed securities. For the period between purchase of the TBAs and issuance of the underlying security, we account for our position as a derivative in the consolidated financial statements. Chubb purchases TBAs both for their total return and for the flexibility they provide related to our mortgage-backed security strategy.

**(v) GLB**
Under the GLB program, as the assuming entity, Chubb is obligated to provide coverage until the expiration or maturity of the underlying deferred annuity contracts or the expiry of the reinsurance treaty. Premiums received under the reinsurance treaties are classified as premium. Expected losses allocated to premiums received are classified as Future policy benefits and valued similar to GMDB reinsurance. Other changes in fair value arise principally from changes in expected losses allocated to expected future premiums. Fair value represents management's estimate of an exit price and thus, includes a risk margin. We may recognize a realized loss for other changes in fair value due to adverse changes in the capital markets (e.g., declining interest rates and/or declining U.S. and/or international equity markets) and changes in actual or estimated future policyholder behavior (e.g., increased annuitization or decreased lapse rates) although we expect the business to be profitable.

To mitigate adverse changes in the capital markets, we maintain positions in exchange-traded equity futures contracts, as noted under section "(ii) Futures" above. These futures increase in fair value when the S&P 500 index decreases (and decrease in fair value when the S&P 500 index increases). The net impact of gains or losses related to changes in fair value of the GLB liability and the exchange-traded equity futures are included in Net realized gains (losses).

**c) Securities lending and secured borrowings**
Chubb participates in a securities lending program operated by a third-party banking institution whereby certain assets are loaned to qualified borrowers and from which we earn an incremental return. The securities lending collateral can only be drawn down by Chubb in the event that the institution borrowing the securities is in default under the lending agreement. An indemnification agreement with the lending agent protects us in the event a borrower becomes insolvent or fails to return any of

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

the securities on loan. The collateral is recorded in Securities lending collateral and the liability is recorded in Securities lending payable in the Consolidated balance sheets.

The following table presents the carrying value of collateral held under securities lending agreements by investment category and remaining contractual maturity of the underlying agreements:

| | Remaining contractual maturity | |
|---|---|---|
| | **June 30, 2020** | December 31, 2019 |
| (in millions of U.S. dollars) | | Overnight and Continuous |
| *Collateral held under securities lending agreements:* | | |
| Cash | **$ 665** | $ 346 |
| U.S. Treasury / Agency | **52** | 6 |
| Non-U.S. | **1,059** | 595 |
| Corporate and asset-backed securities | **20** | 5 |
| Mortgage-backed securities | **—** | 18 |
| Equity securities | **36** | 24 |
| | **$ 1,832** | $ 994 |
| Gross amount of recognized liability for securities lending payable | **$ 1,832** | $ 994 |

At June 30, 2020 and December 31, 2019, our repurchase agreement obligations of $1,409 million and $1,416 million, respectively, were fully collateralized. In contrast to securities lending programs, the use of cash received is not restricted for the repurchase obligations. The fair value of the underlying securities sold remains in Fixed maturities available for sale and the repurchase agreement obligation is recorded in Repurchase agreements in the Consolidated balance sheets.

The following table presents the carrying value of collateral pledged under repurchase agreements by investment category and remaining contractual maturity of the underlying agreements:

| | Remaining contractual maturity | | | | | |
|---|---|---|---|---|---|---|
| | **June 30, 2020** | | December 31, 2019 | | | |
| (in millions of U.S. dollars) | **Greater than 90 Days** | **Total** | Up to 30 Days | 30-90 Days | Greater than 90 Days | Total |
| *Collateral pledged under repurchase agreements:* | | | | | | |
| Cash | **$ 1** | **$ 1** | $ 2 | $ — | $ — | $ 2 |
| U.S. Treasury / Agency | **109** | **109** | 107 | — | — | 107 |
| Mortgage-backed securities | **1,350** | **1,350** | 399 | 476 | 480 | 1,355 |
| | **$ 1,460** | **$ 1,460** | $ 508 | $ 476 | $ 480 | $ 1,464 |
| Gross amount of recognized liabilities for repurchase agreements | | **$ 1,409** | | | | $ 1,416 |
| Difference [1] | | **$ 51** | | | | $ 48 |

[1] Per the repurchase agreements, the amount of collateral posted is required to exceed the amount of gross liability.

Potential risks exist in our secured borrowing transactions due to market conditions and counterparty exposure. With collateral that we pledge, there is a risk that the collateral may not be returned at the expiration of the agreement. If the counterparty fails to return the collateral, Chubb will have free use of the borrowed funds until our collateral is returned. In addition, we may encounter the risk that Chubb may not be able to renew outstanding borrowings with a new term or with an existing counterparty due to market conditions including a decrease in demand as well as more restrictive terms from banks due to increased regulatory and capital constraints. Should this condition occur, Chubb may seek alternative borrowing sources or reduce borrowings. Additionally, increased margins and collateral requirements due to market conditions would increase our restricted assets as we are required to provide additional collateral to support the transaction.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**
Chubb Limited and Subsidiaries

**d) Fixed maturities**
At June 30, 2020, we have commitments to purchase fixed income securities of $747 million over the next several years.

**e) Other investments**
At June 30, 2020, included in Other investments in the Consolidated balance sheet are investments in limited partnerships and partially-owned investment companies with a carrying value of $4.6 billion. In connection with these investments, we have commitments that may require funding of up to $3.3 billion over the next several years.

**f) Income taxes**
At June 30, 2020, $48 million of unrecognized tax benefits remain outstanding. It is reasonably possible that over the next twelve months, that the amount of unrecognized tax benefits may change resulting from the re-evaluation of unrecognized tax benefits arising from examinations by taxing authorities, settlements and the lapses of statutes of limitations. With few exceptions, Chubb is no longer subject to income tax examinations for years before 2010.

**g) Legal proceedings**
Our insurance subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages and, in some jurisdictions, direct actions by allegedly-injured persons seeking damages from policyholders. These lawsuits, involving claims on policies issued by our subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in our loss and loss expense reserves. In addition to claims litigation, we are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This category of business litigation typically involves, among other things, allegations of underwriting errors or misconduct, employment claims, regulatory activity, or disputes arising from our business ventures. In the opinion of management, our ultimate liability for these matters could be, but we believe is not likely to be, material to our consolidated financial condition and results of operations.

**h) Leases**
At June 30, 2020 and December 31, 2019, the right-of-use asset was $483 million and $551 million, respectively, and is recorded within Other assets on the Consolidated balance sheets. At June 30, 2020 and December 31, 2019, the lease liability was $531 million and $603 million, respectively, and is recorded within Accounts payable, accrued expenses, and other liabilities on the Consolidated balance sheets. These leases consist principally of real estate operating leases that are amortized on a straight-line basis over the term of the lease.

**8. Shareholders' equity**

All of Chubb's Common Shares are authorized under Swiss corporate law. Though the par value of Common Shares is stated in Swiss francs, Chubb continues to use U.S. dollars as its reporting currency for preparing consolidated financial statements. Under Swiss corporate law, dividends, including distributions through a reduction in par value (par value reduction) or from legal reserves, must be stated in Swiss francs though dividend payments are made by Chubb in U.S. dollars. At June 30, 2020, our Common Shares had a par value of CHF 24.15 per share.

At our May 2019 and 2018 annual general meetings, our shareholders approved annual dividends for the following year of up to $3.00 per share and $2.92 per share, respectively, which were paid in four quarterly installments of $0.75 per share and $0.73 per share, respectively, at dates determined by the Board of Directors (Board) after the annual general meetings by way of a distribution from capital contribution reserves, transferred to free reserves for payment.

At our May 2020 annual general meeting, our shareholders approved an annual dividend for the following year of up to $3.12 per share, expected to be paid in four quarterly installments of $0.78 per share after the general meeting by way of distribution from capital contribution reserves, transferred to free reserves for payment. The Board will determine the record and payment dates at which the annual dividend may be paid until the date of the 2021 annual general meeting, and is authorized to abstain from distributing a dividend at its discretion.

The following table presents dividend distributions per Common Share in Swiss francs (CHF) and U.S. dollars (USD):

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | | 2019 | | **2020** | | 2019 | |
| | CHF | USD | CHF | USD | CHF | USD | CHF | USD |
| Total dividend distributions per common share | **0.75** | **$ 0.78** | 0.75 | $ 0.75 | **1.47** | **$ 1.53** | 1.47 | $ 1.48 |

Common Shares in treasury are used principally for issuance upon the exercise of employee stock options, grants of restricted stock, and purchases under the Employee Stock Purchase Plan (ESPP). At June 30, 2020, 28,423,841 Common Shares remain in treasury after net shares redeemed under employee share-based compensation plans.

***Chubb Limited securities repurchase authorizations***

In December 2018, the Board authorized the repurchase of up to $1.5 billion of Chubb's Common Shares from December 1, 2018 through December 31, 2019. In November 2019, the Board authorized the repurchase of up to $1.5 billion of Chubb's Common Shares from November 21, 2019 through December 31, 2020. On April 22, 2020, we announced that given the current economic environment and to preserve capital for both risk and opportunity, we had suspended share repurchases. Share repurchases may be resumed at any time, at management's discretion. We did not engage in any share repurchase activity during the three months ended June 30, 2020.

The following table presents repurchases of Chubb's Common Shares conducted in a series of open market transactions under the Board authorizations:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars, except share data) | **2020** | 2019 | **2020** | 2019 |
| Number of shares repurchased | **—** | 2,584,466 | **2,266,150** | 5,338,220 |
| Cost of shares repurchased | **$ —** | $ 376 | **$ 326** | $ 743 |
| Repurchase authorization remaining at end of period | **$ 1,124** | $ 736 | **$ 1,124** | $ 736 |

**9. Share-based compensation**

The Chubb Limited 2016 Long-Term Incentive Plan (the 2016 LTIP) permits grants of both incentive and non-qualified stock options principally at an option price per share equal to the grant date fair value of Chubb's Common Shares. Stock options are generally granted with a 3-year vesting period and a 10-year term. Stock options typically vest in equal annual installments over the respective vesting period, which is also the requisite service period. On February 27, 2020, Chubb granted 1,957,505 stock options with a weighted-average grant date fair value of $19.89 each. The fair value of the options issued is estimated on the grant date using the Black-Scholes option pricing model.

The 2016 LTIP also permits grants of service-based restricted stock and restricted stock units as well as performance-based restricted stock awards. Chubb generally grants service-based restricted stock and restricted stock units with a 4-year vesting period, based on a graded vesting schedule. Beginning in 2017, the performance-based restricted stock awards granted comprise target awards and premium awards that cliff vest at the end of a 3-year performance period based on both tangible book value (shareholders' equity less goodwill and intangible assets, net of tax) per share growth and P&C combined ratio compared to a defined group of peer companies. Premium awards are subject to an additional vesting provision based on total shareholder return compared to our peer group. The restricted stock is granted at market close price on the grant date. On February 27, 2020, Chubb granted 1,002,341 service-based restricted stock awards, 344,501 service-based restricted stock units, and 203,533 performance-based stock awards to employees and officers with a grant date fair value of $150.11 each. Each restricted stock unit represents our obligation to deliver to the holder one Common Share upon vesting.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

## 10. Postretirement benefits

The components of net pension and other postretirement benefit costs (benefits) reflected in Net income (loss) in the Consolidated statements of operations were as follows:

| | Pension Benefit Plans | | | | Other Postretirement Benefit Plans | |
|---|---|---|---|---|---|---|
| | **2020** | | 2019 | | **2020** | 2019 |
| Three Months Ended June 30 (in millions of U.S. dollars) | **U.S. Plans** | **Non-U.S. Plans** | U.S. Plans | Non-U.S. Plans | | |
| Service cost | **$ —** | **$ 1** | $ 13 | $ 2 | **$ —** | $ — |
| Non-service cost: | | | | | | |
| Interest cost | **25** | **5** | 29 | 7 | **—** | 1 |
| Expected return on plan assets | **(56)** | **(11)** | (48) | (11) | **(1)** | (1) |
| Amortization of net actuarial loss | **—** | **1** | — | 1 | **—** | — |
| Amortization of prior service cost | **—** | **—** | — | — | **(20)** | (20) |
| Settlements | **1** | **—** | — | — | **—** | — |
| Total non-service (benefit) cost | **(30)** | **(5)** | (19) | (3) | **(21)** | (20) |
| Net periodic (benefit) cost | **$ (30)** | **$ (4)** | $ (6) | $ (1) | **$ (21)** | $ (20) |

| | Pension Benefit Plans | | | | Other Postretirement Benefit Plans | |
|---|---|---|---|---|---|---|
| | **2020** | | 2019 | | **2020** | 2019 |
| Six Months Ended June 30 (in millions of U.S. dollars) | **U.S. Plans** | **Non-U.S. Plans** | U.S. Plans | Non-U.S. Plans | | |
| Service cost | **$ —** | **$ 2** | $ 25 | $ 5 | **$ —** | $ — |
| Non-service cost: | | | | | | |
| Interest cost | **50** | **11** | 59 | 14 | **1** | 2 |
| Expected return on plan assets | **(112)** | **(21)** | (95) | (22) | **(2)** | (2) |
| Amortization of net actuarial loss | **—** | **1** | — | 1 | **—** | — |
| Amortization of prior service cost | **—** | **—** | — | — | **(40)** | (40) |
| Settlements | **2** | **—** | — | — | **—** | — |
| Total non-service (benefit) cost | **(60)** | **(9)** | (36) | (7) | **(41)** | (40) |
| Net periodic (benefit) cost | **$ (60)** | **$ (7)** | $ (11) | $ (2) | **$ (41)** | $ (40) |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

The line items in which the service and non-service cost components of net periodic (benefit) cost are included in the Consolidated statements of operations were as follows:

| | Pension Benefit Plans | | Other Postretirement Benefit Plans | |
|---|---|---|---|---|
| Three Months Ended June 30 (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Service cost: | | | | |
| Losses and loss expenses | **$ —** | $ 1 | **$ —** | $ — |
| Administrative expenses | **1** | 14 | **—** | — |
| Total service cost | **1** | 15 | **—** | — |
| Non-service cost: | | | | |
| Losses and loss expenses | **(3)** | (2) | **(2)** | (2) |
| Administrative expenses | **(32)** | (20) | **(19)** | (18) |
| Total non-service (benefit) cost | **(35)** | (22) | **(21)** | (20) |
| Net periodic (benefit) cost | **$ (34)** | $ (7) | **$ (21)** | $ (20) |

| | Pension Benefit Plans | | Other Postretirement Benefit Plans | |
|---|---|---|---|---|
| Six Months Ended June 30 (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Service cost: | | | | |
| Losses and loss expenses | **$ —** | $ 3 | **$ —** | $ — |
| Administrative expenses | **2** | 27 | **—** | — |
| Total service cost | **2** | 30 | **—** | — |
| Non-service cost: | | | | |
| Losses and loss expenses | **(6)** | (4) | **(4)** | (4) |
| Administrative expenses | **(63)** | (39) | **(37)** | (36) |
| Total non-service (benefit) cost | **(69)** | (43) | **(41)** | (40) |
| Net periodic (benefit) cost | **$ (67)** | $ (13) | **$ (41)** | $ (40) |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

## 11. Segment information

Chubb operates through six business segments: North America Commercial P&C Insurance, North America Personal P&C Insurance, North America Agricultural Insurance, Overseas General Insurance, Global Reinsurance, and Life Insurance.

Corporate results primarily include income and expenses not attributable to reportable segments and losses and loss expenses of asbestos and environmental (A&E) liabilities and certain other non-A&E run-off exposures.

For segment reporting purposes, certain items are presented in a different manner below than in the consolidated financial statements. Management uses underwriting income (loss) as the main measure of segment performance. Chubb calculates underwriting income (loss) by subtracting Losses and loss expenses, Policy benefits, Policy acquisition costs, and Administrative expenses from Net premiums earned. To calculate Segment income (loss), include Net investment income (loss), Other (income) expense, and Amortization expense of purchased intangibles. For the North America Agricultural Insurance segment, management includes gains and losses on crop derivatives as a component of underwriting income (loss). For example, for the three months ended June 30, 2020, underwriting income in our North America Agricultural Insurance segment was $31 million. This amount includes $1 million of realized losses related to crop derivatives which are reported in Net realized gains (losses) in the Corporate column below.

For the Life Insurance segment, management includes Net investment income (loss) and (Gains) losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP as components of Life Insurance underwriting income (loss). For example, for the three months ended June 30, 2020, Life Insurance underwriting income of $71 million includes Net investment income of $95 million and gains from fair value changes in separate account assets of $40 million. The gains from fair value changes in separate account assets are reported in Other (income) expense in the table below.

The following tables present the Statement of Operations by segment:

| For the Three Months Ended June 30, 2020 (in millions of U.S. dollars) | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Life Insurance | Corporate | Chubb Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net premiums written | $ 3,720 | $ 1,327 | $ 461 | $ 2,021 | $ 207 | $ 619 | $ — | $ 8,355 |
| Net premiums earned | 3,595 | 1,192 | 376 | 2,194 | 163 | 608 | — | 8,128 |
| Losses and loss expenses | 3,498 | 762 | 312 | 1,485 | 73 | 171 | 276 | 6,577 |
| Policy benefits | — | — | — | — | — | 223 | — | 223 |
| Policy acquisition costs | 471 | 231 | 29 | 624 | 42 | 196 | — | 1,593 |
| Administrative expenses | 249 | 66 | 3 | 241 | 9 | 82 | 77 | 727 |
| Underwriting income (loss) | (623) | 133 | 32 | (156) | 39 | (64) | (353) | (992) |
| Net investment income (loss) | 507 | 65 | 7 | 124 | 51 | 95 | (22) | 827 |
| Other (income) expense | 4 | 1 | 1 | 8 | (8) | (57) | 109 | 58 |
| Amortization expense of purchased intangibles | — | 3 | 6 | 11 | — | 1 | 51 | 72 |
| Segment income (loss) | $ (120) | $ 194 | $ 32 | $ (51) | $ 98 | $ 87 | $ (535) | $ (295) |
| Net realized gains (losses) | | | | | | | 30 | 30 |
| Interest expense | | | | | | | 128 | 128 |
| Income tax benefit | | | | | | | (62) | (62) |
| Net loss | | | | | | | $ (571) | $ (331) |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

| For the Three Months Ended June 30, 2019 (in millions of U.S. dollars) | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Life Insurance | Corporate | Chubb Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net premiums written | $ 3,534 | $ 1,309 | $ 466 | $ 2,258 | $ 197 | $ 579 | $ — | $ 8,343 |
| Net premiums earned | 3,390 | 1,168 | 378 | 2,225 | 159 | 571 | — | 7,891 |
| Losses and loss expenses | 2,214 | 747 | 316 | 1,125 | 90 | 189 | 34 | 4,715 |
| Policy benefits | — | — | — | — | — | 161 | — | 161 |
| Policy acquisition costs | 459 | 237 | 27 | 629 | 42 | 150 | — | 1,544 |
| Administrative expenses | 259 | 71 | 4 | 265 | 7 | 78 | 74 | 758 |
| Underwriting income (loss) | 458 | 113 | 31 | 206 | 20 | (7) | (108) | 713 |
| Net investment income (loss) | 521 | 64 | 4 | 151 | 55 | 97 | (33) | 859 |
| Other (income) expense | 2 | 1 | 1 | 3 | (15) | (7) | (215) | (230) |
| Amortization expense of purchased intangibles | — | 3 | 7 | 12 | — | 1 | 54 | 77 |
| Segment income | $ 977 | $ 173 | $ 27 | $ 342 | $ 90 | $ 96 | $ 20 | $ 1,725 |
| Net realized gains (losses) including OTTI | | | | | | | (223) | (223) |
| Interest expense | | | | | | | 140 | 140 |
| Chubb integration expenses | | | | | | | 4 | 4 |
| Income tax expense | | | | | | | 208 | 208 |
| Net income (loss) | | | | | | | $ (555) | $ 1,150 |

| For the Six Months Ended June 30, 2020 (in millions of U.S. dollars) | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Life Insurance | Corporate | Chubb Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net premiums written | **$ 6,972** | **$ 2,434** | **$ 618** | **$ 4,619** | **$ 425** | **$ 1,264** | **$ —** | **$ 16,332** |
| Net premiums earned | **6,971** | **2,392** | **470** | **4,501** | **349** | **1,239** | **—** | **15,922** |
| Losses and loss expenses | **5,679** | **1,445** | **375** | **2,743** | **160** | **373** | **287** | **11,062** |
| Policy benefits | **—** | **—** | **—** | **—** | **—** | **352** | **—** | **352** |
| Policy acquisition costs | **963** | **476** | **40** | **1,266** | **87** | **376** | **—** | **3,208** |
| Administrative expenses | **508** | **134** | **7** | **499** | **19** | **158** | **143** | **1,468** |
| Underwriting income (loss) | **(179)** | **337** | **48** | **(7)** | **83** | **(20)** | **(430)** | **(168)** |
| Net investment income (loss) | **1,023** | **131** | **16** | **269** | **105** | **190** | **(46)** | **1,688** |
| Other (income) expense | **1** | **3** | **1** | **12** | **(23)** | **(13)** | **132** | **113** |
| Amortization expense of purchased intangibles | **—** | **6** | **13** | **23** | **—** | **2** | **101** | **145** |
| Segment income (loss) | **$ 843** | **$ 459** | **$ 50** | **$ 227** | **$ 211** | **$ 181** | **$ (709)** | **$ 1,262** |
| Net realized gains (losses) | | | | | | | **(928)** | **(928)** |
| Interest expense | | | | | | | **260** | **260** |
| Income tax expense | | | | | | | **153** | **153** |
| Net loss | | | | | | | **$ (2,050)** | **$ (79)** |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

| For the Six Months Ended June 30, 2019 (in millions of U.S. dollars) | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Life Insurance | Corporate | Chubb Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net premiums written | $ 6,485 | $ 2,365 | $ 596 | $ 4,653 | $ 399 | $ 1,158 | $ — | $ 15,656 |
| Net premiums earned | 6,475 | 2,322 | 433 | 4,339 | 327 | 1,132 | — | 15,028 |
| Losses and loss expenses | 4,187 | 1,504 | 289 | 2,231 | 166 | 391 | 45 | 8,813 |
| Policy benefits | — | — | — | — | — | 357 | — | 357 |
| Policy acquisition costs | 918 | 468 | 34 | 1,225 | 85 | 278 | — | 3,008 |
| Administrative expenses | 499 | 139 | 5 | 514 | 17 | 157 | 137 | 1,468 |
| Underwriting income (loss) | 871 | 211 | 105 | 369 | 59 | (51) | (182) | 1,382 |
| Net investment income (loss) | 1,031 | 128 | 14 | 295 | 111 | 186 | (70) | 1,695 |
| Other (income) expense | (3) | 1 | 1 | 7 | (24) | (47) | (204) | (269) |
| Amortization expense of purchased intangibles | — | 6 | 14 | 23 | — | 1 | 109 | 153 |
| Segment income (loss) | $ 1,905 | $ 332 | $ 104 | $ 634 | $ 194 | $ 181 | $ (157) | $ 3,193 |
| Net realized gains (losses) including OTTI | | | | | | | (320) | (320) |
| Interest expense | | | | | | | 280 | 280 |
| Chubb integration expenses | | | | | | | 7 | 7 |
| Income tax expense | | | | | | | 396 | 396 |
| Net income (loss) | | | | | | | $ (1,160) | $ 2,190 |

Underwriting assets are reviewed in total by management for purposes of decision-making. Other than Unpaid losses and loss expenses, Reinsurance recoverables, Goodwill and Other intangible assets, Chubb does not allocate assets to its segments.

## 12. Earnings per share

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars, except share and per share data) | **2020** | 2019 | **2020** | 2019 |
| Numerator: | | | | |
| Net income (loss) | **$ (331)** | $ 1,150 | **$ (79)** | $ 2,190 |
| Denominator: | | | | |
| Denominator for basic earnings per share: | | | | |
| Weighted-average shares outstanding | **451,402,807** | 457,224,455 | **451,635,733** | 458,010,447 |
| Denominator for diluted earnings per share: | | | | |
| Share-based compensation plans [1] | **—** | 2,945,237 | **—** | 2,863,109 |
| Weighted-average shares outstanding and assumed conversions | **451,402,807** | 460,169,692 | **451,635,733** | 460,873,556 |
| Basic earnings (loss) per share | **$ (0.73)** | $ 2.52 | **$ (0.17)** | $ 4.78 |
| Diluted earnings (loss) per share | **$ (0.73)** | $ 2.50 | **$ (0.17)** | $ 4.75 |
| Potential anti-dilutive share conversions | **8,378,447** | 2,660,925 | **6,583,319** | 5,037,959 |

[1] For the three and six months ended June 30, 2020, weighted-average shares outstanding used in calculating diluted loss per share excludes the effect of dilutive securities of 1,395,951 and 2,044,144 shares, respectively. In periods where a net loss is recognized, inclusion of incremental dilution is antidilutive.

Excluded from weighted-average shares outstanding and assumed conversions is the impact of securities that would have been anti-dilutive during the respective periods.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

## 13. Information provided in connection with outstanding debt of subsidiaries

The following tables present condensed consolidating financial information at June 30, 2020 and December 31, 2019, and for the three and six months ended June 30, 2020 and 2019 for Chubb Limited (Parent Guarantor) and Chubb INA Holdings Inc. (Subsidiary Issuer). The Subsidiary Issuer is an indirect 100 percent-owned subsidiary of the Parent Guarantor. The Parent Guarantor fully and unconditionally guarantees certain of the debt of the Subsidiary Issuer. Condensed consolidating financial information of the Parent Guarantor and Subsidiary Issuer are presented on the equity method of accounting. The revenues and expenses and cash flows of the subsidiaries of the Subsidiary Issuer are presented in the Other Chubb Limited Subsidiaries column on a combined basis.

### Condensed Consolidating Balance Sheet at June 30, 2020

| (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investments | $ — | $ 195 | $ 110,682 | $ — | $ 110,877 |
| Cash [1] | 1 | — | 2,624 | (1,068) | 1,557 |
| Restricted cash | — | — | 152 | — | 152 |
| Insurance and reinsurance balances receivable | — | — | 13,637 | (2,784) | 10,853 |
| Reinsurance recoverable on losses and loss expenses | — | — | 24,804 | (9,597) | 15,207 |
| Reinsurance recoverable on policy benefits | — | — | 292 | (95) | 197 |
| Value of business acquired | — | — | 290 | — | 290 |
| Goodwill and other intangible assets | — | — | 21,093 | — | 21,093 |
| Investments in subsidiaries | 52,339 | 52,752 | — | (105,091) | — |
| Due from subsidiaries and affiliates, net | 3,636 | — | — | (3,636) | — |
| Other assets | 8 | 336 | 22,858 | (1,954) | 21,248 |
| Total assets | $ 55,984 | $ 53,283 | $ 196,432 | $ (124,225) | $ 181,474 |
| **Liabilities** | | | | | |
| Unpaid losses and loss expenses | $ — | $ — | $ 75,013 | $ (9,314) | $ 65,699 |
| Unearned premiums | — | — | 18,301 | (1,220) | 17,081 |
| Future policy benefits | — | — | 5,990 | (95) | 5,895 |
| Due to subsidiaries and affiliates, net | — | 3,365 | 271 | (3,636) | — |
| Affiliated notional cash pooling programs [1] | 882 | 186 | — | (1,068) | — |
| Repurchase agreements | — | — | 1,409 | — | 1,409 |
| Short-term debt | — | 1,300 | — | — | 1,300 |
| Long-term debt | — | 13,656 | — | — | 13,656 |
| Trust preferred securities | — | 308 | — | — | 308 |
| Other liabilities | 342 | 1,415 | 23,410 | (3,801) | 21,366 |
| Total liabilities | 1,224 | 20,230 | 124,394 | (19,134) | 126,714 |
| Total shareholders' equity | 54,760 | 33,053 | 72,038 | (105,091) | 54,760 |
| Total liabilities and shareholders' equity | $ 55,984 | $ 53,283 | $ 196,432 | $ (124,225) | $ 181,474 |

[1] Chubb maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various Chubb entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual Chubb accounts are translated daily into a single currency and pooled on a notional basis. Individual Chubb entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At June 30, 2020, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

**Condensed Consolidating Balance Sheet at December 31, 2019**

| (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investments | $ — | $ 1,013 | $ 108,221 | $ — | $ 109,234 |
| Cash [1] | 2 | 442 | 1,093 | — | 1,537 |
| Restricted cash | — | — | 109 | — | 109 |
| Insurance and reinsurance balances receivable | — | — | 12,920 | (2,563) | 10,357 |
| Reinsurance recoverable on losses and loss expenses | — | — | 24,780 | (9,599) | 15,181 |
| Reinsurance recoverable on policy benefits | — | — | 292 | (95) | 197 |
| Value of business acquired | — | — | 306 | — | 306 |
| Goodwill and other intangible assets | — | — | 21,359 | — | 21,359 |
| Investments in subsidiaries | 50,853 | 52,076 | — | (102,929) | — |
| Due from subsidiaries and affiliates, net | 4,776 | — | — | (4,776) | — |
| Other assets | 12 | 408 | 20,072 | (1,829) | 18,663 |
| Total assets | $ 55,643 | $ 53,939 | $ 189,152 | $ (121,791) | $ 176,943 |
| **Liabilities** | | | | | |
| Unpaid losses and loss expenses | $ — | $ — | $ 71,916 | $ (9,226) | $ 62,690 |
| Unearned premiums | — | — | 17,978 | (1,207) | 16,771 |
| Future policy benefits | — | — | 5,909 | (95) | 5,814 |
| Due to subsidiaries and affiliates, net | — | 4,446 | 330 | (4,776) | — |
| Repurchase agreements | — | — | 1,416 | — | 1,416 |
| Short-term debt | — | 1,298 | 1 | — | 1,299 |
| Long-term debt | — | 13,559 | — | — | 13,559 |
| Trust preferred securities | — | 308 | — | — | 308 |
| Other liabilities | 312 | 1,649 | 21,352 | (3,558) | 19,755 |
| Total liabilities | 312 | 21,260 | 118,902 | (18,862) | 121,612 |
| Total shareholders' equity | 55,331 | 32,679 | 70,250 | (102,929) | 55,331 |
| Total liabilities and shareholders' equity | $ 55,643 | $ 53,939 | $ 189,152 | $ (121,791) | $ 176,943 |

[1] Chubb maintains two notional multicurrency cash pools (Pools) with a third-party bank. Refer to the 2019 Form 10-K for additional information.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

**Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)**

| For the Three Months Ended June 30, 2020 (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| Net premiums written | **$ —** | **$ —** | **$ 8,355** | **$ —** | **$ 8,355** |
| Net premiums earned | **—** | **—** | **8,128** | **—** | **8,128** |
| Net investment income | **—** | **1** | **826** | **—** | **827** |
| Equity in earnings of subsidiaries | **(366)** | **(271)** | **—** | **637** | **—** |
| Net realized gains (losses) | **23** | **(192)** | **199** | **—** | **30** |
| Losses and loss expenses | **—** | **—** | **6,577** | **—** | **6,577** |
| Policy benefits | **—** | **—** | **223** | **—** | **223** |
| Policy acquisition costs and administrative expenses | **21** | **(30)** | **2,329** | **—** | **2,320** |
| Interest (income) expense | **(35)** | **149** | **14** | **—** | **128** |
| Other (income) expense | **(8)** | **(5)** | **71** | **—** | **58** |
| Amortization of purchased intangibles | **—** | **—** | **72** | **—** | **72** |
| Income tax expense (benefit) | **10** | **(66)** | **(6)** | **—** | **(62)** |
| Net loss | **$ (331)** | **$ (510)** | **$ (127)** | **$ 637** | **$ (331)** |
| Comprehensive income | **$ 2,860** | **$ 1,872** | **$ 3,078** | **$ (4,950)** | **$ 2,860** |

**Condensed Consolidating Statements of Operations and Comprehensive Income**

| For the Three Months Ended June 30, 2019 (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| Net premiums written | $ — | $ — | $ 8,343 | $ — | $ 8,343 |
| Net premiums earned | — | — | 7,891 | — | 7,891 |
| Net investment income | 1 | (6) | 864 | — | 859 |
| Equity in earnings of subsidiaries | 1,104 | 762 | — | (1,866) | — |
| Net realized gains (losses) including OTTI | 4 | (21) | (206) | — | (223) |
| Losses and loss expenses | — | — | 4,715 | — | 4,715 |
| Policy benefits | — | — | 161 | — | 161 |
| Policy acquisition costs and administrative expenses | 22 | (5) | 2,285 | — | 2,302 |
| Interest (income) expense | (62) | 180 | 22 | — | 140 |
| Other (income) expense | (6) | 1 | (225) | — | (230) |
| Amortization of purchased intangibles | — | — | 77 | — | 77 |
| Chubb integration expenses | — | — | 4 | — | 4 |
| Income tax expense (benefit) | 5 | (45) | 248 | — | 208 |
| Net income | $ 1,150 | $ 604 | $ 1,262 | $ (1,866) | $ 1,150 |
| Comprehensive income | $ 2,059 | $ 1,397 | $ 2,181 | $ (3,578) | $ 2,059 |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)**

Chubb Limited and Subsidiaries

**Condensed Consolidating Statements of Operations and Comprehensive Income**

| For the Six Months Ended June 30, 2020 (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| Net premiums written | **$ —** | **$ —** | **$ 16,332** | **$ —** | **$ 16,332** |
| Net premiums earned | **—** | **—** | **15,922** | **—** | **15,922** |
| Net investment income | **(2)** | **5** | **1,685** | **—** | **1,688** |
| Equity in earnings of subsidiaries | **(110)** | **322** | **—** | **(212)** | **—** |
| Net realized gains (losses) | **2** | **(79)** | **(851)** | **—** | **(928)** |
| Losses and loss expenses | **—** | **—** | **11,062** | **—** | **11,062** |
| Policy benefits | **—** | **—** | **352** | **—** | **352** |
| Policy acquisition costs and administrative expenses | **45** | **(68)** | **4,699** | **—** | **4,676** |
| Interest (income) expense | **(69)** | **297** | **32** | **—** | **260** |
| Other (income) expense | **(17)** | **3** | **127** | **—** | **113** |
| Amortization of purchased intangibles | **—** | **—** | **145** | **—** | **145** |
| Income tax expense (benefit) | **10** | **(59)** | **202** | **—** | **153** |
| Net income (loss) | **$ (79)** | **$ 75** | **$ 137** | **$ (212)** | **$ (79)** |
| Comprehensive income | **$ 400** | **$ 672** | **$ 660** | **$ (1,332)** | **$ 400** |

**Condensed Consolidating Statements of Operations and Comprehensive Income**

| For the Six Months Ended June 30, 2019 (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| Net premiums written | $ — | $ — | $ 15,656 | $ — | $ 15,656 |
| Net premiums earned | — | — | 15,028 | — | 15,028 |
| Net investment income | 2 | (10) | 1,703 | — | 1,695 |
| Equity in earnings of subsidiaries | 2,094 | 1,521 | — | (3,615) | — |
| Net realized gains (losses) including OTTI | 5 | (34) | (291) | — | (320) |
| Losses and loss expenses | — | — | 8,813 | — | 8,813 |
| Policy benefits | — | — | 357 | — | 357 |
| Policy acquisition costs and administrative expenses | 42 | (20) | 4,454 | — | 4,476 |
| Interest (income) expense | (128) | 365 | 43 | — | 280 |
| Other (income) expense | (12) | 4 | (261) | — | (269) |
| Amortization of purchased intangibles | — | — | 153 | — | 153 |
| Chubb integration expenses | — | 2 | 5 | — | 7 |
| Income tax expense (benefit) | 9 | (87) | 474 | — | 396 |
| Net income | $ 2,190 | $ 1,213 | $ 2,402 | $ (3,615) | $ 2,190 |
| Comprehensive income | $ 4,777 | $ 3,338 | $ 4,969 | $ (8,307) | $ 4,777 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)

Chubb Limited and Subsidiaries

### Condensed Consolidating Statement of Cash Flows

| Six Months Ended June 30, 2020 (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| **Net cash flows from (used for) operating activities** | **$ 181** | **$ (307)** | **$ 3,933** | **$ (110)** | **$ 3,697** |
| **Cash flows from investing activities** | | | | | |
| Purchases of fixed maturities available for sale | — | (13) | (13,045) | — | (13,058) |
| Purchases of fixed maturities held to maturity | — | — | (42) | — | (42) |
| Purchases of equity securities | — | — | (2,824) | — | (2,824) |
| Sales of fixed maturities available for sale | — | 7 | 7,727 | — | 7,734 |
| Sales of equity securities | — | — | 1,353 | — | 1,353 |
| Maturities and redemptions of fixed maturities available for sale | — | 29 | 5,191 | — | 5,220 |
| Maturities and redemptions of fixed maturities held to maturity | — | — | 642 | — | 642 |
| Net change in short-term investments | — | 761 | (588) | — | 173 |
| Net derivative instruments settlements | — | 69 | (87) | — | (18) |
| Private equity contributions | — | — | (546) | — | (546) |
| Private equity distributions | — | — | 443 | — | 443 |
| Deposit paid on share acquisition | — | — | (1,550) | — | (1,550) |
| Capital contribution | (1,200) | — | — | 1,200 | — |
| Other | (1) | (3) | (217) | — | (221) |
| Net cash flows from (used for) investing activities | (1,201) | 850 | (3,543) | 1,200 | (2,694) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid on Common Shares | (678) | — | — | — | (678) |
| Common Shares repurchased | (333) | — | — | — | (333) |
| Proceeds from issuance of repurchase agreements | — | — | 1,402 | — | 1,402 |
| Repayment of repurchase agreements | — | — | (1,402) | — | (1,402) |
| Proceeds from share-based compensation plans | — | — | 74 | — | 74 |
| Dividend to parent company | — | — | (110) | 110 | — |
| Advances (to) from affiliates | 1,149 | (1,168) | 19 | — | — |
| Capital contribution | — | — | 1,200 | (1,200) | — |
| Net proceeds from (payments to) affiliated notional cash pooling programs [1] | 882 | 186 | — | (1,068) | — |
| Policyholder contract deposits | — | — | 215 | — | 215 |
| Policyholder contract withdrawals | — | — | (173) | — | (173) |
| Other | — | (3) | — | — | (3) |
| Net cash flows from (used for) financing activities | 1,020 | (985) | 1,225 | (2,158) | (898) |
| **Effect of foreign currency rate changes on cash and restricted cash** | (1) | — | (41) | — | (42) |
| Net increase (decrease) in cash and restricted cash | (1) | (442) | 1,574 | (1,068) | 63 |
| Cash and restricted cash – beginning of period [1] | 2 | 442 | 1,202 | — | 1,646 |
| Cash and restricted cash – end of period [1] | $ 1 | $ — | $ 2,776 | $ (1,068) | $ 1,709 |

[1] Chubb maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various Chubb entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual Chubb accounts are translated daily into a single currency and pooled on a notional basis. Individual Chubb entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At June 30, 2020 and December 31, 2019, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued (Unaudited)

Chubb Limited and Subsidiaries

### Condensed Consolidating Statement of Cash Flows

| Six Months Ended June 30, 2019 (in millions of U.S. dollars) | Chubb Limited (Parent Guarantor) | Chubb INA Holdings Inc. (Subsidiary Issuer) | Other Chubb Limited Subsidiaries | Consolidating Adjustments and Eliminations | Chubb Limited Consolidated |
|---|---|---|---|---|---|
| **Net cash flows from operating activities** | $ 323 | $ 1,302 | $ 2,943 | $ (1,860) | $ 2,708 |
| **Cash flows from investing activities** | | | | | |
| Purchases of fixed maturities available for sale | — | (5) | (12,561) | — | (12,566) |
| Purchases of fixed maturities held to maturity | — | — | (73) | — | (73) |
| Purchases of equity securities | — | — | (147) | — | (147) |
| Sales of fixed maturities available for sale | — | — | 7,838 | — | 7,838 |
| Sales of equity securities | — | — | 266 | — | 266 |
| Maturities and redemptions of fixed maturities available for sale | — | 16 | 3,947 | — | 3,963 |
| Maturities and redemptions of fixed maturities held to maturity | — | — | 598 | — | 598 |
| Net change in short-term investments | — | (11) | (752) | — | (763) |
| Net derivative instruments settlements | — | (35) | (501) | — | (536) |
| Private equity contributions | — | — | (920) | — | (920) |
| Private equity distributions | — | — | 780 | — | 780 |
| Capital contribution | (600) | (110) | — | 710 | — |
| Other | — | (12) | (715) | — | (727) |
| Net cash flows used for investing activities | (600) | (157) | (2,240) | 710 | (2,287) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid on Common Shares | (671) | — | — | — | (671) |
| Common Shares repurchased | — | — | (741) | — | (741) |
| Proceeds from issuance of long-term debt | — | 1,289 | — | — | 1,289 |
| Repayment of long-term debt | — | (500) | — | — | (500) |
| Proceeds from issuance of repurchase agreements | — | — | 1,984 | — | 1,984 |
| Repayment of repurchase agreements | — | — | (1,986) | — | (1,986) |
| Proceeds from share-based compensation plans | — | — | 95 | — | 95 |
| Dividend to parent company | — | — | (1,860) | 1,860 | — |
| Advances (to) from affiliates | 801 | (1,498) | 697 | — | — |
| Capital contribution | — | — | 710 | (710) | — |
| Net proceeds from (payments to) affiliated notional cash pooling programs [1] | 142 | (437) | — | 295 | — |
| Policyholder contract deposits | — | — | 237 | — | 237 |
| Policyholder contract withdrawals | — | — | (138) | — | (138) |
| Other | — | — | — | — | — |
| Net cash flows from (used for) financing activities | 272 | (1,146) | (1,002) | 1,445 | (431) |
| **Effect of foreign currency rate changes on cash and restricted cash** | 5 | — | 33 | — | 38 |
| Net increase (decrease) in cash and restricted cash | — | (1) | (266) | 295 | 28 |
| Cash and restricted cash – beginning of period [1] | 1 | 2 | 1,989 | (652) | 1,340 |
| Cash and restricted cash – end of period [1] | $ 1 | $ 1 | $ 1,723 | $ (357) | $ 1,368 |

[1] Chubb maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various Chubb entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual Chubb accounts are translated daily into a single currency and pooled on a notional basis. Individual Chubb entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At June 30, 2019 and December 31, 2018, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of our results of operations, financial condition, and liquidity and capital resources as of and for the three and six months ended June 30, 2020.

All comparisons in this discussion are to the corresponding prior year period unless otherwise indicated. All dollar amounts are rounded. However, percent changes and ratios are calculated using whole dollars. Accordingly, calculations using rounded dollars may differ.

Our results of operations and cash flows for any interim period are not necessarily indicative of our results for the full year. This discussion should be read in conjunction with our consolidated financial statements and related notes and our Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K).

**Other Information**
We routinely post important information for investors on our website (investors.chubb.com). We use this website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Securities and Exchange Commission (SEC) Regulation FD (Fair Disclosure). Accordingly, investors should monitor the Investor Information portion of our website, in addition to following our press releases, SEC filings, public conference calls, and webcasts. The information contained on, or that may be accessed through, our website is not incorporated by reference into, and is not a part of, this report.


| MD&A Index | Page |
|---|---|
| Forward-Looking Statements | 47 |
| Overview | 49 |
| Financial Highlights | 49 |
| Consolidated Operating Results | 50 |
| Segment Operating Results | 56 |
| Net Realized and Unrealized Gains (Losses) | 67 |
| Effective Income Tax Rate | 69 |
| Non-GAAP Reconciliation | 69 |
| Other Income and Expense | 76 |
| Amortization of Purchased Intangibles and Other Amortization | 76 |
| Net Investment Income | 78 |
| Investments | 78 |
| Critical Accounting Estimates | 82 |
| Unpaid Losses and Loss Expenses | 82 |
| Asbestos and Environmental (A&E) | 82 |
| Fair Value Measurements | 82 |
| Catastrophe Management | 83 |
| Natural Catastrophe Property Reinsurance Program | 84 |
| Liquidity | 85 |
| Capital Resources | 86 |

**Forward-Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Any written or oral statements made by us or on our behalf may include forward-looking statements that reflect our current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks, uncertainties, and other factors that could, should potential events occur, cause actual results to differ materially from such statements. These risks, uncertainties, and other factors, which are described in more detail elsewhere herein and in other documents we file with the U.S. Securities and Exchange Commission (SEC), include but are not limited to:

- losses arising out of natural or man-made catastrophes such as hurricanes, typhoons, earthquakes, floods, climate change (including effects on weather patterns; greenhouse gases; sea, land and air temperatures; sea levels; and rain and snow), nuclear accidents, pandemics (including COVID-19), or terrorism which could be affected by:
    - the number of insureds and ceding companies affected;
    - the amount and timing of losses actually incurred and reported by insureds;
    - the impact of these losses on our reinsurers and the amount and timing of reinsurance recoverable actually received;
    - the cost of building materials and labor to reconstruct properties or to perform environmental remediation following a catastrophic event; and
    - complex coverage and regulatory issues such as whether losses occurred from storm surge or flooding and related lawsuits;
- actions that rating agencies may take from time to time, such as financial strength or credit ratings downgrades or placing these ratings on credit watch negative or the equivalent;
- the ability to collect reinsurance recoverable, credit developments of reinsurers, and any delays with respect thereto and changes in the cost, quality, or availability of reinsurance;
- actual loss experience from insured or reinsured events and the timing of claim payments;
- actual claims may exceed our best estimate of ultimate insurance losses incurred through June 30, 2020 resulting directly from the COVID-19 pandemic and consequent economic crises; our COVID-19 related reserve at June 30, 2020 could change including as a result of, among other things, the impact of legislative or regulatory actions taken in response to COVID-19;
- the continued impact of COVID-19 and related risks, including from shelter-in-place orders, unemployment, and the financial market volatility, could continue to adversely impact our results, including premiums written and investment income;
- the uncertainties of the loss-reserving and claims-settlement processes, including the difficulties associated with assessing environmental damage and asbestos-related latent injuries, the impact of aggregate-policy-coverage limits, the impact of bankruptcy protection sought by various asbestos producers and other related businesses, and the timing of loss payments;
- changes to our assessment as to whether it is more likely than not that we will be required to sell, or have the intent to sell, available for sale fixed maturity investments before their anticipated recovery;
- infection rates and severity of pandemics, including COVID-19, and their effects on our business operations and claims activity, and any adverse impact to our insureds, brokers, agents, and employees;
- developments in global financial markets, including changes in interest rates, stock markets, and other financial markets, increased government involvement or intervention in the financial services industry, the cost and availability of financing, and foreign currency exchange rate fluctuations (which we refer to in this report as foreign exchange and foreign currency exchange), which could affect our statement of operations, investment portfolio, financial condition, and financing plans;
- general economic and business conditions resulting from volatility in the stock and credit markets and the depth and duration of potential recession;
- global political conditions, the occurrence of any terrorist attacks, including any nuclear, radiological, biological, or chemical events, or the outbreak and effects of war, and possible business disruption or economic contraction that may result from such events;
- the potential impact of the United Kingdom's vote to withdraw from the European Union, including political, regulatory, social, and economic uncertainty and market and exchange rate volatility;

- judicial decisions and rulings, new theories of liability, legal tactics, and settlement terms;
- the effects of public company bankruptcies and/or accounting restatements, as well as disclosures by and investigations of public companies relating to possible accounting irregularities, and other corporate governance issues, including the effects of such events on:
    - the capital markets;
    - the markets for directors and officers (D&O) and errors and omissions (E&O) insurance; and
    - claims and litigation arising out of such disclosures or practices by other companies;
- uncertainties relating to governmental, legislative and regulatory policies, developments, actions, investigations, and treaties, which, among other things, could subject us to insurance regulation or taxation in additional jurisdictions or affect our current operations;
- the effects of data privacy or cyber laws or regulation on our current or future business;
- the actual amount of new and renewal business, market acceptance of our products, and risks associated with the introduction of new products and services and entering new markets, including regulatory constraints on exit strategies;
- the competitive environment in which we operate, including trends in pricing or in policy terms and conditions, which may differ from our projections and changes in market conditions that could render our business strategies ineffective or obsolete;
- acquisitions made by us performing differently than expected, our failure to realize anticipated expense-related efficiencies or growth from acquisitions, the impact of acquisitions on our pre-existing organization, or announced acquisitions not closing;
- risks and uncertainties relating to our planned purchases of additional interests in Huatai Insurance Group Company Limited (Huatai Group), including our ability to receive Chinese insurance regulatory approval and complete the purchases;
- risks associated with being a Swiss corporation, including reduced flexibility with respect to certain aspects of capital management and the potential for additional regulatory burdens;
- the potential impact from government-mandated insurance coverage for acts of terrorism;
- the availability of borrowings and letters of credit under our credit facilities;
- the adequacy of collateral supporting funded high deductible programs;
- changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers;
- material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements;
- the effects of investigations into market practices in the property and casualty (P&C) industry;
- changing rates of inflation and other economic conditions, for example, recession;
- the amount of dividends received from subsidiaries;
- loss of the services of any of our executive officers without suitable replacements being recruited in a reasonable time frame;
- the ability of our technology resources, including information systems and security, to perform as anticipated such as with respect to preventing material information technology failures or third-party infiltrations or hacking resulting in consequences adverse to Chubb or its customers or partners;
- the ability of our company to increase use of data analytics and technology as part of our business strategy and adapt to new technologies; and
- management's response to these factors and actual events (including, but not limited to, those described above).

*The words "believe," "anticipate," "estimate," "project," "should," "plan," "expect," "intend," "hope," "feel," "foresee," "will likely result," or "will continue," and variations thereof and similar expressions, identify forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future events or otherwise.*

## Overview

Chubb Limited is the Swiss-incorporated holding company of the Chubb Group of Companies. Chubb Limited, which is headquartered in Zurich, Switzerland, and its direct and indirect subsidiaries (collectively, the Chubb Group of Companies, Chubb, we, us, or our) are a global insurance and reinsurance organization, serving the needs of a diverse group of clients worldwide. At June 30, 2020, we had total assets of $181 billion and shareholders' equity of $55 billion. Chubb was incorporated in 1985 at which time it opened its first business office in Bermuda and continues to maintain operations in Bermuda. We operate through six business segments: North America Commercial P&C Insurance, North America Personal P&C Insurance, North America Agricultural Insurance, Overseas General Insurance, Global Reinsurance, and Life Insurance. For more information on our segments refer to "Segment Information" under Item 1 in our 2019 Form 10-K.

## Financial Highlights for the Three Months Ended June 30, 2020

- The COVID-19 global pandemic and related economic conditions adversely impacted our results of operations and growth this quarter, including:
    - Net premiums written in the quarter were reduced by adjustments on in-force policies of $160 million in the North America Commercial P&C Insurance and $24 million in the Overseas General Insurance segments, principally impacting our workers' compensation and commercial casualty lines. In addition, there were automobile return premiums of $7 million in the North America Personal P&C Insurance segment. These items reduced consolidated and P&C net premiums written growth by 2.3 and 2.5 percentage points, respectively.
    - Net catastrophe losses included a COVID-19 charge of $1,365 million pre-tax, with $723 million in short-tail lines, and $642 million in long-tail lines. The short-tail losses were generated primarily from entertainment and commercial property-related business interruption, surety, and accident and health (A&H) products including travel insurance products. The long-tail losses were related to liability insurance products (directors and officers, employment practices, professional liability, etc.), workers' compensation, political risk and trade credits. Substantially all of the charges for liability and credit-related insurance products are included in the incurred but not reported reserves. These COVID-19 losses added 18.2 percentage points to the P&C combined ratio.
    - Net investment income was adversely impacted by lower reinvestment rates on new and reinvested assets, and lower rates on floating rate obligations.
    - Net loss was $(331) million and included $1,157 million after tax of COVID-19 losses.
- Pre-tax net catastrophe losses included $1,365 million related to COVID-19 global pandemic described above, $312 million of natural catastrophe losses, primarily attributable to severe weather-related events in the U.S., as well as civil unrest-related losses in the U.S. of $130 million.
- Total pre-tax and after-tax unfavorable prior period development were $75 million (1.0 percentage point of the combined ratio) and $52 million, respectively, compared with favorable prior period development of $188 million (2.6 percentage points of the combined ratio) and $152 million, respectively, in the prior year period. The current quarter included $259 million pre-tax, or $205 million after tax, for U.S. child molestation claims, predominantly reviver statute-related.
- Consolidated net premiums written were $8.4 billion, up 0.1 percent, or 1.9 percent in constant dollars. P&C net premiums written were $7.7 billion, down 0.4 percent, or up 1.4 percent in constant dollars. Excluding the impact of COVID-19, P&C net premiums written were up 3.9 percent in constant dollars. This comprises 9.1 percent positive growth globally in commercial P&C lines and 6.3 percent negative growth in consumer lines, which includes A&H, travel and personal lines.
- The P&C combined ratio was 112.3% compared with 90.1% prior year, including catastrophe losses of 23.9 percentage points compared with 3.8 percentage points prior year. The P&C current accident year combined ratio excluding catastrophe losses was 87.4% compared with 88.9% prior year.
- Operating cash flow was $1,985 million compared with $1,386 million in the prior year period. Refer to the Liquidity section for additional information on our cash flows.

**Outlook**

During the quarter, we recognized a pre-tax COVID-19 charge of $1.4 billion, representing our best estimate of the ultimate insurance losses incurred through June 30, 2020 that are directly attributable to the pandemic and the related economic crises. The use of historical experience and current activity resulted in our best estimate of losses we believe have been incurred as of June 30, 2020. Actual claims and other legislative and other economic factors, including changes in our regulatory environment, could change this estimate in future quarters.

Additionally, the contraction in the economy resulted in the recognition of a charge of $191 million in net premiums written from lower exposure and return premiums. The current economic environment, including a decline in interest rates among other things, also adversely impacted our net investment income for the quarter. The economic contraction may continue to have an impact in future quarters.

**Consolidated Operating Results – Three and Six Months Ended June 30, 2020 and 2019**

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | | June 30 | % Change | | June 30 | % Change |
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 8,355** | $ 8,343 | 0.1 % | **$ 16,332** | $ 15,656 | 4.3 % |
| Net premiums earned | **8,128** | 7,891 | 3.0 % | **15,922** | 15,028 | 5.9 % |
| Net investment income | **827** | 859 | (3.8)% | **1,688** | 1,695 | (0.4)% |
| Net realized gains (losses) | **30** | (223) | NM | **(928)** | (320) | 190.2 % |
| Total revenues | **8,985** | 8,527 | 5.4 % | **16,682** | 16,403 | 1.7 % |
| Losses and loss expenses | **6,577** | 4,715 | 39.5 % | **11,062** | 8,813 | 25.5 % |
| Policy benefits | **223** | 161 | 38.7 % | **352** | 357 | (1.5)% |
| Policy acquisition costs | **1,593** | 1,544 | 3.2 % | **3,208** | 3,008 | 6.6 % |
| Administrative expenses | **727** | 758 | (4.0)% | **1,468** | 1,468 | — |
| Interest expense | **128** | 140 | (8.8)% | **260** | 280 | (7.0)% |
| Other (income) expense | **58** | (230) | NM | **113** | (269) | NM |
| Amortization of purchased intangibles | **72** | 77 | (6.6)% | **145** | 153 | (5.3)% |
| Chubb integration expenses | **—** | 4 | NM | **—** | 7 | NM |
| Total expenses | **9,378** | 7,169 | 30.8 % | **16,608** | 13,817 | 20.2 % |
| Income (loss) before income tax | **(393)** | 1,358 | NM | **74** | 2,586 | (97.1)% |
| Income tax expense (benefit) | **(62)** | 208 | NM | **153** | 396 | (61.4)% |
| Net income (loss) | **$ (331)** | $ 1,150 | NM | **$ (79)** | $ 2,190 | NM |
| Net premiums written - constant dollars [1] | | | 1.9 % | | | 5.5 % |

NM – not meaningful

[1] On a constant-dollar basis. Amounts are calculated by translating prior period results using the same local currency exchange rates as the comparable current period.

**Net Premiums Written**

Net premiums written reflect the premiums we retain after purchasing reinsurance protection. For the three and six months ended June 30, 2020, consolidated net premiums written increased $12 million and $676 million, or $155 million and $844 million, respectively, on a constant-dollar basis, reflecting growth across most segments. The growth in net premiums written was depressed by economic contraction resulting from the COVID-19 pandemic including $184 million of exposure adjustments on in-force policies and $7 million of premium returned to insureds.

- Net premiums written in our North America Commercial P&C Insurance segment increased $186 million, or 5.3 percent, and $487 million, or 7.5 percent, for the three and six months ended June 30, 2020, respectively. Growth in net premiums written reflected positive rate increases, strong renewal retention and new business written across a number of

retail and wholesale lines, including property, financial lines, excess casualty, and commercial multiple peril. Net premiums written also benefited from new business written in large risk casualty, which included a year-over-year increase of $68 million and $82 million in large structured transactions written for the three and six months ended June 30, 2020, respectively. The growth in net premiums written described above was depressed by economic contraction resulting from the COVID-19 pandemic, including $160 million of exposure adjustments on in-force policies, which reduced net premiums written by 4.5 percentage points and 2.5 percentage points for the three and six months ended June 30, 2020, respectively, and lower renewal exposures and new business market limitations that impacted several lines of business, including A&H, surety, large corporate accounts, entertainment, hospitality, retail, and construction.

- Net premiums written in our North America Personal P&C Insurance segment increased $18 million, or 1.4 percent, and $69 million, or 2.9 percent, for the three and six months ended June 30, 2020, respectively, primarily due to rate increases and high account retention across most lines. This growth was partially offset by $7 million in automobile premium returned to insureds as a result of reduced exposure related to the conditions caused by the COVID-19 pandemic, which impacted growth by 0.6 percentage points and 0.5 percentage points, respectively.

- Net premiums written in our North America Agricultural Insurance segment decreased $5 million, or 1.1 percent, for the three months ended June 30, 2020 primarily due to MPCI premiums reflecting lower rates that were impacted by year-over-year commodity price declines, partially offset by growth in our Chubb Agribusiness unit. Net premiums written increased $22 million, or 3.8 percent, for the six months ended June 30, 2020 due to the year-over-year increase in MPCI premiums reflecting less premiums returned to the U.S. government under the premium-sharing formulas and the factors noted above. Under the MPCI premium-sharing formulas, we retained more premiums on the 2019 crop year due to higher than expected losses for that year. Net premiums written in the first half of 2019 was lower due to higher cessions to the U.S. government reflecting the more profitable 2018 crop year.

- Net premiums written in our Overseas General Insurance segment decreased $237 million, or $109 million on a constant dollar basis, for the three months ended June 30, 2020, due to the impact of the COVID-19 pandemic which negatively impacted several lines, mainly in personal lines and A&H, resulting from less travel volume and lower exposures. Net premiums written were depressed by economic contraction resulting from the COVID-19 pandemic including $24 million of exposure adjustments on in-force policies and a lower percentage of net premiums written in Latin America. For the six months ended June 30, 2020, net premiums written decreased $34 million, or increased $122 million on a constant dollar basis, as the decrease during the quarter was offset by P&C lines growth due to new business, retention, and positive rate increases.

- Net premiums written in our Global Reinsurance segment increased $10 million and $26 million, or $11 million and $26 million on a constant-dollar basis, for the three and six months ended June 30, 2020, respectively, primarily due to positive rate increases in catastrophe lines and new business written in casualty lines, partially offset by increased ceded retrocessions. In addition, the prior year had unfavorable premium adjustments which lowered premium in 2019.

- Net premiums written in our Life Insurance segment increased $40 million and $106 million, or $49 million and $114 million on a constant-dollar basis, for the three and six months ended June 30, 2020, respectively, primarily reflecting growth in Latin America, principally driven by our expanded presence in Chile, and Asian international life operations, partially offset by a decline in our North America Combined Insurance business.

**Net Premiums Written By Line of Business**

| (in millions of U.S. dollars, except for percentages) | Three Months Ended June 30 | | | | | Six Months Ended June 30 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | % Change Q-20 vs. Q-19 | C$ [1] 2019 | C$ [1] % Change Q-20 vs. Q-19 | **2020** | 2019 | % Change YTD-20 vs. YTD-19 | C$ [1] 2019 | C$ [1] % Change YTD-20 vs. YTD-19 |
| Commercial casualty | **$ 1,478** | $ 1,472 | 0.4 % | $ 1,461 | 1.2 % | **$ 2,819** | $ 2,672 | 5.5 % | $ 2,659 | 6.0 % |
| Workers' compensation [2] | **467** | 482 | (3.1)% | 482 | (3.1)% | **1,053** | 1,075 | (2.1)% | 1,075 | (2.1)% |
| Professional liability | **997** | 909 | 9.7 % | 895 | 11.4 % | **1,909** | 1,695 | 12.6 % | 1,678 | 13.7 % |
| Surety | **117** | 156 | (25.2)% | 149 | (21.5)% | **267** | 308 | (13.5)% | 300 | (11.0)% |
| Commercial multiple peril [3] | **267** | 254 | 5.3 % | 254 | 5.3 % | **508** | 473 | 7.5 % | 473 | 7.5 % |
| Property and other short-tail lines | **1,344** | 1,186 | 13.4 % | 1,160 | 16.0 % | **2,678** | 2,343 | 14.3 % | 2,304 | 16.3 % |
| Total Commercial P&C | **4,670** | 4,459 | 4.7 % | 4,401 | 6.2 % | **9,234** | 8,566 | 7.8 % | 8,489 | 8.8 % |
| Agriculture | **461** | 466 | (1.1)% | 466 | (1.1)% | **618** | 596 | 3.8 % | 596 | 3.8 % |
| Personal automobile | **353** | 473 | (25.3)% | 440 | (19.7)% | **794** | 894 | (11.2)% | 868 | (8.5)% |
| Personal homeowners | **980** | 968 | 1.3 % | 963 | 1.7 % | **1,753** | 1,711 | 2.5 % | 1,706 | 2.7 % |
| Personal other | **402** | 383 | 4.8 % | 374 | 7.6 % | **820** | 751 | 9.2 % | 737 | 11.3 % |
| Total Personal lines | **1,735** | 1,824 | (4.9)% | 1,777 | (2.3)% | **3,367** | 3,356 | 0.4 % | 3,311 | 1.7 % |
| Total Property and Casualty lines | **6,866** | 6,749 | 1.7 % | 6,644 | 3.4 % | **13,219** | 12,518 | 5.6 % | 12,396 | 6.6 % |
| Global A&H lines [4] | **951** | 1,130 | (15.9)% | 1,099 | (13.5)% | **2,018** | 2,203 | (8.4)% | 2,163 | (6.7)% |
| Reinsurance lines | **207** | 197 | 4.6 % | 196 | 4.9 % | **425** | 399 | 6.5 % | 399 | 6.4 % |
| Life | **331** | 267 | 24.2 % | 261 | 27.0 % | **670** | 536 | 25.1 % | 530 | 26.5 % |
| Total consolidated | **$ 8,355** | $ 8,343 | 0.1 % | $ 8,200 | 1.9 % | **$16,332** | $15,656 | 4.3 % | $15,488 | 5.5 % |

(1) On a constant-dollar basis. Amounts are calculated by translating prior period results using the same local currency exchange rates as the comparable current period.
(2) The three and six months ended June 30, 2020 includes $116 million related to a structured transaction written in the quarter, that covers previously incurred losses. This contributed 23.9% to the second quarter growth.
(3) Commercial multiple peril represents retail package business (property and general liability).
(4) For purposes of this schedule only, A&H results from our Combined North America and International businesses, normally included in the Life Insurance and Overseas General Insurance segments, respectively, as well as the A&H results of our North America Commercial P&C segment, are included in Global A&H lines above.

The increase in net premiums written for the three and six months ended June 30, 2020 reflects growth across most lines of business, partially offset by the adverse impact of the economic contraction resulting from the COVID-19 pandemic.

- The growth in commercial casualty was due to new business, positive rate increases, and the year-over-year increase in large structured transactions in North America, as well as growth in Asia, partially offset by the adverse impact of the COVID-19 pandemic, including $58 million of exposure adjustments on in-force policies which depressed growth by 4.0 percentage points and 2.2 percentage points, respectively.
- Workers' compensation was adversely impacted by market conditions and by the adverse impact of the economic contraction resulting from COVID-19 pandemic, including $121 million of exposure adjustments on in-force policies which depressed growth by 25.1 percentage points and 11.3 percentage points, respectively.
- The increase in professional liability was due to new business and positive rate increases primarily in North America and Europe.
- Surety decreased primarily in North America as well as Latin America due to the COVID-19 pandemic.
- Commercial multiple peril increased due to new business, higher renewal retention, and positive rate increases in North America, partially offset by the adverse impact of the economic contraction resulting from the COVID-19 pandemic, including $5 million of exposure adjustments on in-force policies which depressed growth by 2.0 percentage points and 1.1 percentage points, respectively.
- Property and other short-tail lines increased due to new business and positive rate increases primarily in North America and Europe.

- Personal lines decreased for the three months ended June 30, 2020 primarily due to the impact of the COVID-19 pandemic, which caused declines in automobile business in Latin America, as well as automobile premium returned to insureds as a result of reduced exposure in North America. The decrease was partially offset by positive rate increases in North America and growth in Europe, which contributed to the increase for the six months ended June 30, 2020.
- Global A&H lines decreased due to declines in Asia and Latin America, principally from less travel volume due to COVID-19 pandemic, and in our North American Combined Insurance supplemental A&H program.
- The increase in Life was primarily driven by growth in Latin America, principally driven by our expanded presence in Chile, and Asian international life operations.

For additional information on net premiums written, refer to the segment results discussions.

**Net Premiums Earned**

Net premiums earned for short-duration contracts, typically P&C contracts, generally reflect the portion of net premiums written that was recorded as revenues for the period as the exposure periods expire. Net premiums earned for long-duration contracts, typically traditional life contracts, generally are recognized as earned when due from policyholders. For the three and six months ended June 30, 2020, net premiums earned increased $237 million and $894 million, reflecting the growth in net premiums written described above, including the impact of premiums that were fully earned when written (e.g., large structured transactions and audit and retrospective premium adjustments). On a constant-dollar basis, for the three and six months ended June 30, 2020, net premiums earned increased $374 million and $1,054 million, respectively.

**P&C Combined Ratio**

In evaluating our segments excluding Life Insurance financial performance, we use the P&C combined ratio, the loss and loss expense ratio, the policy acquisition cost ratio, and the administrative expense ratio. We calculate these ratios by dividing the respective expense amounts by net premiums earned. We do not calculate these ratios for the Life Insurance segment as we do not use these measures to monitor or manage that segment. The P&C combined ratio is determined by adding the loss and loss expense ratio, the policy acquisition cost ratio, and the administrative expense ratio. A P&C combined ratio under 100 percent indicates underwriting income, and a combined ratio exceeding 100 percent indicates underwriting loss.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **85.2 %** | 61.7 % | **72.8 %** | 60.6 % |
| Policy acquisition cost ratio | **18.5 %** | 19.1 % | **19.3 %** | 19.6 % |
| Administrative expense ratio | **8.6 %** | 9.3 % | **8.9 %** | 9.4 % |
| P&C Combined ratio | **112.3 %** | 90.1 % | **101.0 %** | 89.6 % |

The loss and loss expense ratio increased 23.5 percentage points and 12.2 percentage points for the three and six months ended June 30, 2020, respectively, principally due to higher catastrophe losses primarily related to COVID-19 pandemic claims of $1,349 million. In addition, the quarter-to-date period increased due to unfavorable prior period development in the current year quarter compared to favorable prior period development in the prior year quarter, while the year-to-date period increased due to lower favorable prior period development.

The policy acquisition cost ratio decreased 0.6 percentage points and 0.3 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to a change in mix of business towards lower acquisition cost ratio lines and the favorable impact of structured transactions of 0.2 percentage points and 0.1 percentage points, respectively, that generated minimal acquisition costs.

The administrative expense ratio decreased 0.7 percentage points and 0.5 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to lower business expenses, including travel-related costs, due to strong expense management control during the COVID-19 pandemic and the favorable impact of higher net premiums earned.

**Catastrophe Losses and Prior Period Development**

Catastrophe losses exclude reinstatement premiums which are additional premiums paid on certain reinsurance agreements in order to reinstate coverage that had been exhausted by loss occurrences. The reinstatement premium amount is typically a pro rata portion of the original ceded premium paid based on how much of the reinsurance limit had been exhausted. Prior period development is net of related adjustments which typically relate to either profit commission reserves or policyholder dividend reserves based on actual claim experience that develops after the policy period ends. The expense adjustments correlate to the

prior period loss development on these same policies. Refer to the Non-GAAP Reconciliation section for further information on reinstatement premiums on catastrophe losses and adjustments to prior period development.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Catastrophe losses (excludes reinstatement premiums) [1] | **$ 1,787** | $ 275 | **$ 2,024** | $ 525 |
| (Unfavorable) Favorable prior period development | **$ (75)** | $ 188 | **$ 43** | $ 392 |

(1) Three and six months ended June 30, 2020 excludes reinstatement premiums of $20 million.

We generally define catastrophe loss events consistent with the definition of the Property Claims Service (PCS) for events in the U.S. and Canada. PCS defines a catastrophe as an event that causes damage of $25 million or more in insured losses and affects a significant number of insureds. For events outside of the U.S. and Canada, we generally use a similar definition. We also define losses from certain pandemics, such as COVID-19, as a catastrophe loss.

| | Catastrophe Loss Charge by Event | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Three Months Ended June 30, 2020 (in millions of U.S. dollars) | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Life Insurance | Total excluding RIPs | RIPs expensed | Total including RIPs |
| **Net losses** | | | | | | | | | |
| COVID-19 | $ 973 | $ — | $ — | $ 360 | $ 10 | $ 6 | $ 1,349 | $ (16) | $ 1,365 |
| U.S. Flooding, Hail, Tornadoes and Wind Events | 179 | 109 | 6 | 2 | 3 | — | 299 | (4) | 303 |
| Civil unrest | 118 | — | — | 12 | — | — | 130 | — | 130 |
| Other | — | — | — | 9 | — | — | 9 | — | 9 |
| Total | $ 1,270 | $ 109 | $ 6 | $ 383 | $ 13 | $ 6 | $ 1,787 | | |
| RIPs expensed | (3) | (1) | — | (16) | — | — | | (20) | |
| Total before income tax | $ 1,273 | $ 110 | $ 6 | $ 399 | $ 13 | $ 6 | | | $ 1,807 |
| Income tax benefit | | | | | | | | | 297 |
| Total after income tax | | | | | | | | | $ 1,510 |

Catastrophe losses through June 30, 2019 were primarily due to severe weather-related events in the U.S., including winter-related storms, and storms in Australia.

Pre-tax net adverse prior period development for the three months ended June 30, 2020 was $75 million, including adverse development of $259 million for U.S. child molestation claims, predominantly reviver statute-related. Excluding the adverse development, we had favorable development of $184 million split approximately 79 percent long-tail lines, principally from accident years 2016 and prior, and 21 percent short-tail lines.

Pre-tax net favorable prior period development for the six months ended June 30, 2020 was $43 million, including adverse development of $259 million for U.S. child molestation claims as noted above. Excluding the adverse development, we had favorable development of $302 million split approximately 59 percent long-tail lines, principally from accident years 2016 and prior, and 41 percent short-tail lines.

Pre-tax net favorable prior period development for the three months ended June 30, 2019 was $188 million, including adverse development of $48 million related to the 2017 and 2018 catastrophe events and $25 million of adverse development related to our run-off non-A&E casualty exposures. The remaining net favorable development of $261 million comprises approximately 90 percent long-tail lines, including workers' compensation lines and from accident years 2015 and prior, and approximately 10 percent short-tail lines.

Pre-tax net favorable prior period development for the six months ended June 30, 2019 was $392 million, including $61 million favorable development related to the 2018 crop year loss estimates, $76 million favorable development related to the 2017 and 2018 catastrophe events, adverse development of $122 million principally in homeowners due to elevated non-catastrophe activity, and adverse development of $25 million of related to our run-off non-A&E casualty exposures. The remaining net favorable development of $402 million comprises approximately 70 percent long-tail lines, including workers' compensation lines and from accident years 2015 and prior, and approximately 30 percent short-tail lines.

Refer to the prior period development discussion in Footnote 6 to the Consolidated Financial Statements for additional information.

**Current Accident Year (CAY) Loss Ratio excluding CATs and CAY P&C Combined Ratio excluding CATs**
The following table presents the impact of catastrophe losses and prior period development on our loss and loss expense ratio. Refer to the Non-GAAP Reconciliation section for additional information.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **85.2 %** | 61.7 % | **72.8 %** | 60.6 % |
| Catastrophe losses | **(23.9)%** | (3.8)% | **(13.8)%** | (3.8)% |
| Prior period development | **(0.9)%** | 2.6 % | **0.3 %** | 2.8 % |
| CAY loss ratio excluding catastrophe losses | **60.4 %** | 60.5 % | **59.3 %** | 59.6 % |

The CAY loss ratio excluding CATs decreased 0.1 percentage points and 0.3 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to a decrease in the underlying loss ratio from earned price changes modestly above loss trends, offset by the year-over-year increase in structured transactions of 0.4 percentage points and 0.2 percentage points, respectively.

**CAY P&C Combined Ratio excluding Catastrophe Losses**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| CAY Loss and loss expense ratio ex CATs | **60.4 %** | 60.5 % | **59.3 %** | 59.6 % |
| CAY Policy acquisition cost ratio ex CATs | **18.4 %** | 19.1 % | **19.3 %** | 19.6 % |
| CAY Administrative expense ratio ex CATs | **8.6 %** | 9.3 % | **8.9 %** | 9.5 % |
| CAY P&C combined ratio ex CATs | **87.4 %** | 88.9 % | **87.5 %** | 88.7 % |

**Policy benefits**
Policy benefits represent losses on contracts classified as long-duration and generally include accident and supplemental health products, term and whole life products, endowment products, and annuities. Refer to the Life Insurance segment operating results section for further discussion.

For the three months ended June 30, 2020 and 2019, Policy benefits were $223 million, and $161 million, respectively, which included separate account liabilities (gains) losses of $40 million and $(3) million, respectively. The offsetting movements of these liabilities are recorded in Other (income) expense on the Consolidated statements of operations. Excluding the separate account gains and losses, Policy benefits were $183 million and $164 million for the three months ended June 30, 2020 and 2019, respectively, reflecting growth in new business as described above and our expanded presence in Chile.

For the six months ended June 30, 2020 and 2019, Policy benefits were $352 million, and $357 million, respectively, which included separate account liabilities (gains) losses of $(16) million and $27 million, respectively. The offsetting movements of these liabilities are recorded in Other (income) expense on the Consolidated statements of operations. Excluding the separate account gains and losses, Policy benefits were $368 million and $330 million for the six months ended June 30, 2020 and 2019, respectively, reflecting growth in new business as described above and our expanded presence in Chile.

Refer to the respective sections for a discussion of Net investment income, Other (income) expense, Net realized gains and losses, Amortization of purchased intangibles, and Income tax expense.

**Segment Operating Results – Three and Six Months Ended June 30, 2020 and 2019**

We operate through six business segments: North America Commercial P&C Insurance, North America Personal P&C Insurance, North America Agricultural Insurance, Overseas General Insurance, Global Reinsurance, and Life Insurance. For more information on our segments refer to "Segment Information" under Item 1 in our 2019 Form 10-K.

For segment reporting purposes, certain items are presented in a different manner than in the consolidated financial statements. Management uses underwriting income (loss) as the main measures of segment performance. For the North America Agricultural Insurance segment, management includes gains and losses on crop derivatives as a component of adjusted losses and loss expenses within underwriting income. For the Life Insurance segment, management includes the gains and losses on separate account assets that do not qualify for separate account reporting under GAAP as a component of Life Insurance underwriting income.

**North America Commercial P&C Insurance**

The North America Commercial P&C Insurance segment comprises operations that provide property and casualty (P&C) insurance and services to large, middle market, and small commercial businesses in the U.S., Canada, and Bermuda. This segment includes our North America Major Accounts and Specialty Insurance division (large corporate accounts and wholesale business), and the North America Commercial Insurance division (principally middle market and small commercial accounts).

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | | June 30 | % Change | | June 30 | % Change |
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 3,720** | $ 3,534 | 5.3 % | **$ 6,972** | $ 6,485 | 7.5 % |
| Net premiums earned | **3,595** | 3,390 | 6.1 % | **6,971** | 6,475 | 7.7 % |
| Losses and loss expenses | **3,498** | 2,214 | 58.0 % | **5,679** | 4,187 | 35.6 % |
| Policy acquisition costs | **471** | 459 | 2.6 % | **963** | 918 | 4.9 % |
| Administrative expenses | **249** | 259 | (3.3)% | **508** | 499 | 1.9 % |
| Underwriting income (loss) | **(623)** | 458 | NM | **(179)** | 871 | NM |
| Net investment income | **507** | 521 | (2.9)% | **1,023** | 1,031 | (0.8)% |
| Other (income) expense | **4** | 2 | 47.3 % | **1** | (3) | NM |
| Segment income (loss) | **$ (120)** | $ 977 | NM | **$ 843** | $ 1,905 | (55.8)% |
| Loss and loss expense ratio | **97.3 %** | 65.3 % | 32.0 pts | **81.5 %** | 64.7 % | 16.8 pts |
| Policy acquisition cost ratio | **13.1 %** | 13.6 % | (0.5) pts | **13.8 %** | 14.1 % | (0.3) pts |
| Administrative expense ratio | **6.9 %** | 7.6 % | (0.7) pts | **7.3 %** | 7.7 % | (0.4) pts |
| Combined ratio | **117.3 %** | 86.5 % | 30.8 pts | **102.6 %** | 86.5 % | 16.1 pts |

NM – not meaningful

**Premiums**

Net premiums written increased $186 million, or 5.3 percent, and $487 million, or 7.5 percent, for the three and six months ended June 30, 2020, respectively. Growth in net premiums written reflected positive rate increases, strong renewal retention and new business written across a number of retail and wholesale lines, including property, financial lines, excess casualty, and commercial multiple peril. Net premiums written also benefited from new business written in large risk casualty, which included a year-over-year increase of $68 million and $82 million in large structured transactions written for the three and six months ended June 30, 2020, respectively. The growth in net premiums written described above was depressed by economic contraction resulting from the COVID-19 pandemic, including $160 million of exposure adjustments on in-force policies, which reduced net premiums written by 4.5 percentage points and 2.5 percentage points for the three and six months ended June 30, 2020, respectively, and lower renewal exposures and new business market limitations that impacted several lines of business, including A&H, surety, large corporate accounts, entertainment, hospitality, retail, and construction.

Net premiums earned increased $205 million, or 6.1 percent, and $496 million, or 7.7 percent, for the three and six months ended June 30, 2020, respectively, reflecting the growth in net premiums written, partially offset by $95 million of exposure adjustments on in-force policies from the COVID-19 pandemic described above.

The table below shows the impact of large structured transactions as well as other transactions that are fully earned when written (e.g., audit and retrospective premium adjustments).

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Net premiums fully earned when written | **$ 316** | $ 290 | **$ 383** | $ 347 |

**Combined Ratio**

The loss and loss expense ratio increased 32.0 percentage points and 16.8 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to higher catastrophe losses, including losses related to COVID-19 pandemic claims, civil unrest in the U.S., and higher natural catastrophes. These items were partially offset by a decrease in the underlying loss ratio from earned price changes modestly above loss trends.

The policy acquisition cost ratio decreased 0.5 percentage points and 0.3 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to a change in mix of business towards lower acquisition cost ratio lines and the favorable impact of the year-over-year increase in structured transactions of 0.4 percentage points and 0.2 percentage points, respectively, that generated minimal acquisition costs.

The administrative expense ratio decreased 0.7 percentage points and 0.4 percentage points for the three and six months ended June 30, 2020, respectively, due to lower business expenses, including travel-related costs, due to strong expense management control during the COVID-19 pandemic. Lower employee benefit-related expenses and the year-over-year increase in structured transactions of 0.1 percentage points for both periods, added to the decrease. This decrease is partially offset by lower net profit from our third-party claims administration business, ESIS, and normal inflationary increases.

**Catastrophe Losses and Prior Period Development**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Catastrophe losses (excludes reinstatement premiums) | **$ 1,270** | $ 137 | **$ 1,388** | $ 231 |
| Favorable prior period development | **$ 146** | $ 185 | **$ 251** | $ 316 |

Catastrophe losses through June 30, 2020 and 2019 were primarily from the following events:

- 2020: COVID-19 pandemic claims of $973 million, civil unrest in the U.S. of $118 million, and natural catastrophes including Nashville, Tennessee tornado and other severe weather-related events in the U.S.
- 2019: Winter-related storms and other severe weather-related events in the U.S.

Refer to the prior period development discussion in Note 6 to the Consolidated Financial Statements for additional information.

**CAY Loss Ratio excluding Catastrophe Losses**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **97.3 %** | 65.3 % | **81.5 %** | 64.7 % |
| Catastrophe losses | **(35.4)%** | (4.0)% | **(20.0)%** | (3.6)% |
| Prior period development | **4.2 %** | 5.4 % | **3.7 %** | 4.8 % |
| CAY loss ratio excluding catastrophe losses | **66.1 %** | 66.7 % | **65.2 %** | 65.9 % |

The CAY loss ratio excluding catastrophe losses decreased 0.6 percentage points and 0.7 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to a decrease in the underlying loss ratio from earned price changes modestly above loss trends. This decrease was partially offset by the year-over-year increase in large structured transactions which adversely impacted the current year loss ratio by 0.7 percentage points and 0.4 percentage points, respectively.

**North America Personal P&C Insurance**

The North America Personal P&C Insurance segment comprises operations that provide high net worth personal lines products, including homeowners and complementary products such as valuable articles, excess liability, automobile, and recreational marine insurance and services in the U.S. and Canada.

| | Three Months Ended June 30 | | % Change | Six Months Ended June 30 | | % Change |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 1,327** | $ 1,309 | 1.4 % | **$ 2,434** | $ 2,365 | 2.9 % |
| Net premiums earned | **1,192** | 1,168 | 2.1 % | **2,392** | 2,322 | 3.0 % |
| Losses and loss expenses | **762** | 747 | 1.8 % | **1,445** | 1,504 | (4.0)% |
| Policy acquisition costs | **231** | 237 | (2.2)% | **476** | 468 | 1.7 % |
| Administrative expenses | **66** | 71 | (6.8)% | **134** | 139 | (3.7)% |
| Underwriting income | **133** | 113 | 18.5 % | **337** | 211 | 59.6 % |
| Net investment income | **65** | 64 | 1.3 % | **131** | 128 | 2.5 % |
| Other (income) expense | **1** | 1 | — | **3** | 1 | 253.5 % |
| Amortization of purchased intangibles | **3** | 3 | — | **6** | 6 | — |
| Segment income | **$ 194** | $ 173 | 12.3 % | **$ 459** | $ 332 | 38.3 % |
| Loss and loss expense ratio | **63.8 %** | 64.0 % | (0.2) pts | **60.4 %** | 64.7 % | (4.3) pts |
| Policy acquisition cost ratio | **19.4 %** | 20.2 % | (0.8) pts | **19.9 %** | 20.2 % | (0.3) pts |
| Administrative expense ratio | **5.6 %** | 6.1 % | (0.5) pts | **5.6 %** | 6.0 % | (0.4) pts |
| Combined ratio | **88.8 %** | 90.3 % | (1.5) pts | **85.9 %** | 90.9 % | (5.0) pts |

**Premiums**

Net premiums written increased $18 million, or 1.4 percent, and $69 million, or 2.9 percent, for the three and six months ended June 30, 2020, respectively, primarily due to rate increases and high account retention across most lines. This growth was partially offset by $7 million in automobile premium returned to insureds as a result of reduced exposure related to the conditions caused by the COVID-19 pandemic, which impacted growth by 0.6 percentage points and 0.5 percentage points, respectively.

Net premiums earned increased $24 million, or 2.1 percent, and $70 million, or 3.0 percent, for the three and six months ended June 30, 2020, respectively, reflecting the growth in net premiums written described above.

**Combined Ratio**

The loss and loss expense ratio decreased 0.2 percentage points and 4.3 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to lower catastrophe losses and a decrease in the underlying loss ratio driven by earned price changes modestly above loss trends, partially offset by lower favorable prior period development.

The policy acquisition cost ratio decreased 0.8 percentage points for the three months ended June 30, 2020 primarily due to a favorable commission accrual adjustment in the current year. In 2019, a similar favorable accrual adjustment was recorded in the first quarter. Therefore, on a year-to-date basis, the policy acquisition cost ratio modestly decreased 0.3 percentage points.

The administrative expense ratio decreased 0.5 percentage points and 0.4 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to lower business expenses, including travel-related costs, due to strong expense management control during the COVID-19 pandemic, and lower employee benefit-related expenses, partially offset by normal inflationary increases.

**Catastrophe Losses and Prior Period Development**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Catastrophe losses (excludes reinstatement premiums) | **$ 109** | $ 117 | **$ 130** | $ 246 |
| Favorable prior period development | **$ 1** | $ 16 | **$ —** | $ 26 |

Catastrophe losses through June 30, 2020 and 2019 were primarily from the following events:

- 2020: Severe weather-related events in the U.S.
- 2019: Winter-related storms and other severe weather-related events in the U.S.

Refer to the prior period development discussion in Note 6 to the Consolidated Financial Statements for additional information.

**CAY Loss Ratio excluding Catastrophe Losses**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **63.8 %** | 64.0 % | **60.4 %** | 64.7 % |
| Catastrophe losses | **(9.2)%** | (10.1)% | **(5.5)%** | (10.6)% |
| Prior period development | **0.1 %** | 1.4 % | **—** | 1.1 % |
| CAY loss ratio excluding catastrophe losses | **54.7 %** | 55.3 % | **54.9 %** | 55.2 % |

The CAY loss ratio excluding catastrophe losses decreased 0.6 percentage points and 0.3 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to a decrease in the underlying loss ratio driven by earned price changes modestly above loss trends.

## North America Agricultural Insurance

The North America Agricultural Insurance segment comprises our North American based businesses that provide a variety of coverages in the U.S. and Canada including crop insurance, primarily Multiple Peril Crop Insurance (MPCI) and crop-hail through Rain and Hail Insurance Service, Inc. (Rain and Hail) as well as farm and ranch and specialty P&C commercial insurance products and services through our Chubb Agribusiness unit.

| | Three Months Ended June 30 | | % Change | Six Months Ended June 30 | | % Change |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 461** | $ 466 | (1.1)% | **$ 618** | $ 596 | 3.8 % |
| Net premiums earned | **376** | 378 | (0.5)% | **470** | 433 | 8.6 % |
| Adjusted losses and loss expenses | **313** | 309 | 0.9 % | **378** | 283 | 33.3 % |
| Policy acquisition costs | **29** | 27 | 6.7 % | **40** | 34 | 16.5 % |
| Administrative expenses | **3** | 4 | 4.9 % | **7** | 5 | 55.8 % |
| Underwriting income | **31** | 38 | (17.9)% | **45** | 111 | (59.2)% |
| Net investment income | **7** | 4 | 78.6 % | **16** | 14 | 17.8 % |
| Other (income) expense | **1** | 1 | — | **1** | 1 | — |
| Amortization of purchased intangibles | **6** | 7 | (1.5)% | **13** | 14 | (2.1)% |
| Segment income | **$ 31** | $ 34 | (9.3)% | **$ 47** | $ 110 | (57.0)% |
| Loss and loss expense ratio | **83.1 %** | 81.9 % | 1.2 pts | **80.4 %** | 65.5 % | 14.9 pts |
| Policy acquisition cost ratio | **7.8 %** | 7.3 % | 0.5 pts | **8.5 %** | 7.9 % | 0.6 pts |
| Administrative expense ratio | **0.9 %** | 0.9 % | — pts | **1.5 %** | 1.1 % | 0.4 pts |
| Combined ratio | **91.8 %** | 90.1 % | 1.7 pts | **90.4 %** | 74.5 % | 15.9 pts |

**Premiums**

Net premiums written decreased $5 million, or 1.1 percent, for the three months ended June 30, 2020 primarily due to MPCI premiums reflecting lower rates that were impacted by year-over-year commodity price declines, partially offset by growth in our Chubb Agribusiness unit. Net premiums written increased $22 million, or 3.8 percent, for the six months ended June 30, 2020 due to the year-over-year increase in MPCI premiums reflecting less premiums returned to the U.S. government under the premium-sharing formulas and the factors noted above. Under the MPCI premium-sharing formulas, we retained more premiums on the 2019 crop year due to higher than expected losses for that year. Net premiums written in the first half of 2019 was lower due to higher cessions to the U.S. government reflecting the more profitable 2018 crop year.

Net premiums earned decreased $2 million, or 0.5 percent, for the three months ended June 30, 2020. For the six months ended June 30, 2020, net premiums earned increased $37 million, or 8.6 percent, reflecting the growth in net premiums written described above.

**Combined Ratio**

The loss and loss expense ratio increased 1.2 percentage points for the three months ended June 30, 2020 primarily due to higher catastrophe losses and higher underlying losses in our Chubb Agribusiness unit, and the year-over-year impact of crop derivative losses, partially offset by lower MPCI underwriting losses in the current year. For the six months ended June 30, 2020, the loss and loss expense ratio increased 14.9 percentage points primarily due to our MPCI business, reflecting lower favorable prior period development and the year-over-year impact of crop derivative losses, which were partially offset by lower MPCI underwriting losses in the current year; as well as in our Chubb Agribusiness unit reflecting higher catastrophe losses and higher underlying losses.

The policy acquisition cost ratio increased 0.5 percentage points for the three months ended June 30, 2020 primarily due to a modest shift in the mix of business towards our Agribusiness unit that has a higher policy acquisition cost ratio. The policy acquisition cost ratio increased 0.6 percentage points for the six months ended June 30, 2020 primarily due to the year-over-year impact of higher earned premium retention as a result of the premium sharing formula under the U.S. government, which does not impact acquisition costs.

The administrative expense ratio increased 0.4 percentage points for the six months ended June 30, 2020 primarily due to normal operating expense and inflationary increases and a reduction in the current year Administrative and Operating (A&O) reimbursements related to the MPCI business we earned under the government program.

**Catastrophe Losses and Prior Period Development**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Catastrophe losses (excludes reinstatement premiums) | **$ 6** | $ 2 | **$ 14** | $ 4 |
| Favorable prior period development | **$ —** | $ — | **$ 14** | $ 61 |

Catastrophe losses through June 30, 2020 and 2019 were primarily from severe weather-related events in the U.S. in our farm, ranch, and specialty P&C businesses.

Refer to the prior period development discussion in Note 6 to the Consolidated Financial Statements for additional information.

There was no prior period development for the three months ended June 30, 2020 and 2019. For the six months ended June 30, 2020, net favorable prior period development was $14 million which included $17 million of favorable incurred losses due to lower than expected MPCI losses for the 2019 crop year, partially offset by a $3 million decrease in net premiums earned related to the MPCI profit and loss calculation formula. For the six months ended June 30, 2019, net favorable prior period development was $61 million which included $90 million of favorable incurred losses and $3 million of lower acquisition costs due to lower than expected MPCI losses for the 2018 crop year, partially offset by a $32 million decrease in net premiums earned related to the MPCI profit and loss calculation formula.

**CAY Loss Ratio excluding Catastrophe Losses**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **83.1 %** | 81.9 % | **80.4 %** | 65.5 % |
| Catastrophe losses | **(1.6)%** | (0.5)% | **(3.0)%** | (0.9)% |
| Prior period development | **—** | — | **3.0 %** | 14.9 % |
| CAY loss ratio excluding catastrophe losses | **81.5 %** | 81.4 % | **80.4 %** | 79.5 % |

The CAY loss ratio excluding catastrophe losses increased 0.9 percentage points for the six months ended June 30, 2020 principally due to higher underlying losses in our Chubb Agribusiness unit and the year-over-year impact of crop derivative losses, partially offset by lower MPCI underwriting losses in the current year.

**Overseas General Insurance**

Overseas General Insurance segment comprises Chubb International and Chubb Global Markets (CGM). Chubb International comprises our international commercial P&C traditional and specialty lines serving large corporations, middle market and small customers; A&H and traditional and specialty personal lines business serving local territories outside the U.S., Bermuda, and Canada. CGM, our London-based international commercial P&C excess and surplus lines business, includes Lloyd's of London (Lloyd's) Syndicate 2488. Chubb provides funds at Lloyd's to support underwriting by Syndicate 2488 which is managed by Chubb Underwriting Agencies Limited.

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | | June 30 | % Change | | June 30 | % Change |
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 2,021** | $ 2,258 | (10.5)% | **$ 4,619** | $ 4,653 | (0.7)% |
| Net premiums earned | **2,194** | 2,225 | (1.5)% | **4,501** | 4,339 | 3.7 % |
| Losses and loss expenses | **1,485** | 1,125 | 31.9 % | **2,743** | 2,231 | 22.9 % |
| Policy acquisition costs | **624** | 629 | (0.9)% | **1,266** | 1,225 | 3.3 % |
| Administrative expenses | **241** | 265 | (9.3)% | **499** | 514 | (3.0)% |
| Underwriting income (loss) | **(156)** | 206 | NM | **(7)** | 369 | NM |
| Net investment income | **124** | 151 | (17.2)% | **269** | 295 | (8.7)% |
| Other (income) expense | **8** | 3 | 196.6 % | **12** | 7 | 84.6 % |
| Amortization of purchased intangibles | **11** | 12 | (10.4)% | **23** | 23 | — |
| Segment income (loss) | **$ (51)** | $ 342 | NM | **$ 227** | $ 634 | (64.1)% |
| Net premiums written - constant dollars [1] | | | (5.1)% | | | 2.7 % |
| Loss and loss expense ratio | **67.7 %** | 50.6 % | 17.1 pts | **61.0 %** | 51.4 % | 9.6 pts |
| Policy acquisition cost ratio | **28.4 %** | 28.3 % | 0.1 pts | **28.1 %** | 28.2 % | (0.1) pts |
| Administrative expense ratio | **11.0 %** | 11.9 % | (0.9) pts | **11.1 %** | 11.9 % | (0.8) pts |
| Combined ratio | **107.1 %** | 90.8 % | 16.3 pts | **100.2 %** | 91.5 % | 8.7 pts |

NM - not meaningful

**Net Premiums Written by Region**

Three months ended June 30

| (in millions of U.S. dollars, except for percentages) *Region* | **2020** | **2020 % of Total** | 2019 | 2019 % of Total | C$ [1] 2019 | Q-20 vs. Q-19 | C$ [1] Q-20 vs. Q-19 |
|---|---|---|---|---|---|---|---|
| Europe | **$ 851** | **42 %** | $ 810 | 36 % | $ 790 | 5.0 % | 7.7 % |
| Latin America | **389** | **19 %** | 573 | 25 % | 490 | (32.2)% | (20.8)% |
| Asia | **721** | **36 %** | 792 | 35 % | 770 | (9.0)% | (6.3)% |
| Other [2] | **60** | **3 %** | 83 | 4 % | 80 | (27.1)% | (24.6)% |
| Net premiums written | **$ 2,021** | **100 %** | $ 2,258 | 100 % | $ 2,130 | (10.5)% | (5.1)% |

Six months ended June 30

| (in millions of U.S. dollars, except for percentages) *Region* | **2020** | **2020 % of Total** | 2019 | 2019 % of Total | C$ [1] 2019 | Y-20 vs. Y-19 | C$ [1] Y-20 vs. Y-19 |
|---|---|---|---|---|---|---|---|
| Europe | **$ 2,079** | **45 %** | $ 1,916 | 41 % | $ 1,885 | 8.5 % | 10.3 % |
| Latin America | **972** | **21 %** | 1,106 | 24 % | 1,012 | (12.1)% | (4.0)% |
| Asia | **1,409** | **31 %** | 1,461 | 31 % | 1,433 | (3.6)% | (1.7)% |
| Other [2] | **159** | **3 %** | 170 | 4 % | 167 | (6.6)% | (4.8)% |
| Net premiums written | **$ 4,619** | **100 %** | $ 4,653 | 100 % | $ 4,497 | (0.7)% | 2.7 % |

[1] On a constant-dollar basis, amounts are calculated by translating prior period results using the same local currency exchange rates as the comparable current period.

[2] Comprises Combined International, Eurasia and Africa region, and other international.

**Premiums**

For the three months ended June 30, 2020, net premiums written decreased $237 million, or $109 million on a constant dollar basis, due to the impact of the COVID-19 pandemic which negatively impacted several lines, mainly in personal lines and A&H, resulting from less travel volume and lower exposures. Net premiums written were depressed by economic contraction resulting from the COVID-19 pandemic including $24 million of exposure adjustments on in-force policies and a lower percentage of net premiums written in Latin America. For the six months ended June 30, 2020, net premiums written decreased $34 million, or increased $122 million on a constant dollar basis, as the decrease during the quarter was offset by P&C lines growth due to new business, retention, and positive rate increases.

For the three and six months ended June 30, 2020 net premiums earned decreased $31 million, and increased $162 million, respectively. On a constant dollar basis, net premiums earned increased $89 million and $309 million, respectively, reflecting higher net premiums written in prior periods along with the increase premiums written for the six months ended June 30, 2020 as described above.

**Combined Ratio**

The loss and loss expense ratio increased 17.1 percentage points and 9.6 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to higher catastrophe losses, primarily related to the COVID-19 pandemic, along with lower premiums earned from A&H lines in Latin America and Asia, which carry a higher margin. These increases were partially offset by higher favorable prior period development.

The administrative expense ratio decreased 0.9 percentage points and 0.8 percentage points for the three and six months ended June 30, 2020, respectively, primarily driven by lower employee-related expenses and travel expenses due to strong expense management and controls during the COVID-19 pandemic. Additionally, the six months ended June 30, 2020 decreased due to the favorable impact of higher net premiums earned in the current year.

**Catastrophe Losses and Prior Period Development**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Catastrophe losses (excludes reinstatement premiums) | **$ 383** | $ 9 | **$ 473** | $ 34 |
| Favorable prior period development | **$ 36** | $ 20 | **$ 40** | $ 24 |

Catastrophe losses through June 30, 2020 and 2019 were primarily from the following events:

- 2020: COVID-19 pandemic claims of $373 million, storms in Australia, Australia wildfires, and other international weather-related events
- 2019: Storms in Australia and other international weather-related events

Refer to the prior period development discussion in Note 6 to the Consolidated Financial Statements for additional information.

**CAY Loss Ratio excluding Catastrophe Losses**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **67.7 %** | 50.6 % | **61.0 %** | 51.4 % |
| Catastrophe losses | **(17.8)%** | (0.4)% | **(10.7)%** | (0.8)% |
| Prior period development | **1.7 %** | 0.9 % | **0.9 %** | 0.6 % |
| CAY loss ratio excluding catastrophe losses | **51.6 %** | 51.1 % | **51.2 %** | 51.2 % |

The CAY loss ratio excluding catastrophe losses increased 0.5 percentage points for the three months ended June 30, 2020 due to lower premiums earned from A&H lines in Latin America and Asia, which carry a higher margin.

## Global Reinsurance

The Global Reinsurance segment represents our reinsurance operations comprising Chubb Tempest Re Bermuda, Chubb Tempest Re USA, Chubb Tempest Re International, and Chubb Tempest Re Canada. Global Reinsurance markets its reinsurance products worldwide under the Chubb Tempest Re brand name and provides a broad range of traditional reinsurance coverage to a diverse array of primary P&C companies.

| | Three Months Ended June 30 | | % Change | Six Months Ended June 30 | | % Change |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 207** | $ 197 | 4.6 % | **$ 425** | $ 399 | 6.5 % |
| Net premiums earned | **163** | 159 | 2.9 % | **349** | 327 | 6.8 % |
| Losses and loss expenses | **73** | 90 | (16.2)% | **160** | 166 | (3.0)% |
| Policy acquisition costs | **42** | 42 | (2.3)% | **87** | 85 | 2.1 % |
| Administrative expenses | **9** | 7 | 17.7 % | **19** | 17 | 7.7 % |
| Underwriting income | **39** | 20 | 95.5 % | **83** | 59 | 41.0 % |
| Net investment income | **51** | 55 | (6.2)% | **105** | 111 | (5.6)% |
| Other (income) expense | **(8)** | (15) | (43.3)% | **(23)** | (24) | (2.2)% |
| Segment income | **$ 98** | $ 90 | 9.6 % | **$ 211** | $ 194 | 8.9 % |
| Net premiums written - constant dollars [1] | | | 4.9 % | | | 6.4 % |
| Loss and loss expense ratio | **45.5 %** | 55.9 % | (10.4) pts | **46.0 %** | 50.6 % | (4.6) pts |
| Policy acquisition cost ratio | **25.5 %** | 26.9 % | (1.4) pts | **25.0 %** | 26.1 % | (1.1) pts |
| Administrative expense ratio | **5.6 %** | 4.9 % | 0.7 pts | **5.3 %** | 5.4 % | (0.1) pts |
| Combined ratio | **76.6 %** | 87.7 % | (11.1) pts | **76.3 %** | 82.1 % | (5.8) pts |

[1] On a constant-dollar basis. Amounts are calculated by translating prior period results using the same local currency rates as the comparable current period.

### Premiums

For the three and six months ended June 30, 2020 net premiums written increased $10 million and $26 million, respectively, or $11 million and $26 million on a constant-dollar basis, respectively, primarily due to positive rate increases in catastrophe lines and new business written in casualty lines, partially offset by increased ceded retrocessions. In addition, the prior year had unfavorable premium adjustments which lowered premium in 2019.

For the three and six months ended June 30, 2020 net premiums earned increased $4 million and $22 million, respectively, or $6 million and $23 million on a constant-dollar basis, principally reflecting the increase in net premiums written described above.

### Combined Ratio

The loss and loss expense ratio decreased 10.4 percentage points and 4.6 percentage points for the three and six months ended June 30, 2020, respectively, primarily from higher favorable prior period development.

The policy acquisition cost ratio decreased 1.4 percentage points and 1.1 percentage points for the three and six months ended June 30, 2020, respectively, primarily due to favorable commission benefits on increased ceded retrocessions.

**Catastrophe Losses and Prior Period Development**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S dollars) | **2020** | 2019 | **2020** | 2019 |
| Catastrophe losses (excludes reinstatement premiums) | **$ 13** | $ 10 | **$ 13** | $ 10 |
| Favorable prior period development | **$ 16** | $ — | **$ 23** | $ 8 |

Catastrophe losses through June 30, 2020 and 2019 were primarily from the following events:
- 2020: COVID-19 pandemic claims of $10 million and severe weather-related events in the U.S.
- 2019: Severe weather-related events in the U.S.

Refer to the prior period development discussion in Note 6 to the Consolidated Financial Statements for additional information.

**CAY Loss Ratio excluding Catastrophe Losses**

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Loss and loss expense ratio | **45.5 %** | 55.9 % | **46.0 %** | 50.6 % |
| Catastrophe losses | **(7.9)%** | (6.2)% | **(3.7)%** | (3.0)% |
| Prior period development | **9.2 %** | — | **6.4 %** | 2.5 % |
| CAY loss ratio excluding catastrophe losses | **46.8 %** | 49.7 % | **48.7 %** | 50.1 % |

The CAY loss ratio excluding catastrophe losses decreased 2.9 percentage points and 1.4 percentage points for the three and six months ended June 30, 2020, respectively, primarily from a change in mix of business towards catastrophe lines which have a higher margin.

## Life Insurance

The Life Insurance segment comprises Chubb's international life operations, Chubb Tempest Life Re (Chubb Life Re), and the North American supplemental A&H and life business of Combined Insurance. We assess the performance of our life business based on Life Insurance underwriting income, which includes Net investment income and (Gains) losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP.

| | Three Months Ended | | | Six Months Ended | | |
|---|---|---|---|---|---|---|
| | | June 30 | % Change | | June 30 | % Change |
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Net premiums written | **$ 619** | $ 579 | 7.0 % | **$ 1,264** | $ 1,158 | 9.2 % |
| Net premiums earned | **608** | 571 | 6.5 % | **1,239** | 1,132 | 9.5 % |
| Losses and loss expenses | **171** | 189 | (9.6)% | **373** | 391 | (4.6)% |
| Adjusted policy benefits | **183** | 164 | 12.0 % | **368** | 330 | 11.8 % |
| Policy acquisition costs | **196** | 150 | 30.9 % | **376** | 278 | 35.4 % |
| Administrative expenses | **82** | 78 | 4.4 % | **158** | 157 | 0.7 % |
| Net investment income | **95** | 97 | (1.4)% | **190** | 186 | 2.4 % |
| Life Insurance underwriting income | **71** | 87 | (18.5)% | **154** | 162 | (5.3)% |
| Other (income) expense | **(17)** | (10) | 63.8 % | **(29)** | (20) | 45.3 % |
| Amortization of purchased intangibles | **1** | 1 | — | **2** | 1 | 97.9 % |
| Segment income | **$ 87** | $ 96 | (9.8)% | **$ 181** | $ 181 | — |
| Net premiums written - constant dollars [1] | | | 8.5 % | | | 9.9 % |

[1] On a constant-dollar basis. Amounts are calculated by translating prior period results using the same local currency rates as the comparable current period.

### Premiums

For the three and six months ended June 30, 2020, net premiums written increased $40 million and $106 million, respectively or $49 million and $114 million on a constant-dollar basis, primarily reflecting growth in Latin America, principally driven by our expanded presence in Chile, and Asian international life operations, partially offset by a decline in our North America Combined Insurance business.

### Deposits

The following table presents deposits collected on universal life and investment contracts:

| | Three Months Ended | | | | | Six Months Ended | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | June 30 | | | % Change | | June 30 | | | % Change |
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | C$ [1] 2019 | Q-20 vs. Q-19 | C$ [1] Q-20 vs. Q-19 | **2020** | 2019 | C$ [1] 2019 | Y-20 vs. Y-19 | C$ [1] Y-20 vs. Y-19 |
| Deposits collected on Universal life and investment contracts | **$ 309** | $ 369 | $ 372 | (16.1)% | (16.9)% | **$ 752** | $ 690 | $ 697 | 9.1 % | 8.0 % |

[1] On a constant-dollar basis. Amounts are calculated by translating prior period results using the same local currency exchange rates as the comparable current period.

Deposits collected on universal life and investment contracts (life deposits) are not reflected as revenues in our Consolidated statements of operations in accordance with GAAP. New life deposits are an important component of production, and although they do not significantly affect current period income from operations, they are key to our efforts to grow our business. Life deposits collected decreased for the three months ended June 30, 2020 due to a decline in Taiwan driven by temporary bank branch closures because of the COVID-19 pandemic and competitive market conditions. Life deposits collected increased for the six months ended June 30, 2020 as growth in Taiwan during the first quarter more than offset the decline in the second quarter.

**Life Insurance underwriting income and Segment income**

Life Insurance underwriting income decreased $16 million and $8 million for the three and six months ended June 30, 2020, respectively, primarily due to the impact of COVID-19 related catastrophe losses of $6 million and a decrease in underwriting income in our variable annuity business, which continues to decline as no new life reinsurance business is currently being written. Additionally, segment income included other income of $17 million and $29 million for the three and six months ended June 30, 2020, respectively, principally due to our share of net income from Huatai Life, our partially-owned life insurance entity in China.

**Corporate**

Corporate results primarily include the results of our non-insurance companies, income and expenses not attributable to reportable segments and loss and loss expenses of asbestos and environmental (A&E) liabilities and certain other non-A&E run-off exposures.

| | Three Months Ended June 30 | | % Change | Six Months Ended June 30 | | % Change |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars, except for percentages) | **2020** | 2019 | Q-20 vs. Q-19 | **2020** | 2019 | YTD-20 vs. YTD-19 |
| Losses and loss expenses | **$ 276** | $ 34 | NM | **$ 287** | $ 45 | NM |
| Administrative expenses | **77** | 74 | 3.6 % | **143** | 137 | 4.5 % |
| Underwriting loss | **353** | 108 | 228.6 % | **430** | 182 | 136.8 % |
| Net investment income (loss) | **(22)** | (33) | (29.1)% | **(46)** | (70) | (33.6)% |
| Interest expense | **128** | 140 | (8.8)% | **260** | 280 | (7.0)% |
| Net realized gains (losses) | **31** | (230) | NM | **(925)** | (326) | 183.4 % |
| Other (income) expense | **109** | (215) | NM | **132** | (204) | NM |
| Amortization of purchased intangibles | **51** | 54 | (7.5)% | **101** | 109 | (7.2)% |
| Chubb integration expenses | **—** | 4 | (100.0)% | **—** | 7 | (100.0)% |
| Income tax expense (benefit) | **(62)** | 208 | NM | **153** | 396 | (61.4)% |
| Net loss | **$ (570)** | $ (562) | 1.4 % | **$ (2,047)** | $ (1,166) | 75.6 % |

NM - not meaningful

Losses and loss expenses increased $242 million for both the three and six months ended June 30, 2020 reflecting unfavorable prior period development in the current quarter for U.S. child molestation claims, predominantly reviver statute-related. Losses in 2019 were primarily from unfavorable development related to non-A&E run-off casualty exposures, including workers' compensation, as well as unallocated loss adjustment expenses of the A&E claim operations.

Administrative expenses increased $3 million and $6 million for the three and six months ended June 30, 2020, respectively, primarily due to the impact of the COVID-19 pandemic and higher legal expenses.

Refer to the respective sections for a discussion of Net investment income, Net realized gains and losses, Other (income) expense, Amortization of purchased intangibles, and Income tax expense.

**Net Realized and Unrealized Gains (Losses)**

We take a long-term view with our investment strategy, and our investment managers manage our investment portfolio to maximize total return within certain specific guidelines designed to minimize risk. The majority of our investment portfolio is available for sale and reported at fair value. Our held to maturity investment portfolio is reported at amortized cost, net of valuation allowance.

The effect of market movements on our fixed maturities portfolio impacts Net income (through Net realized gains (losses)) when securities are sold, when we write down an asset because we intend to sell the security, or when we record a change to the allowance for expected credit losses. For a further discussion related to how we assess the allowance for expected credit losses and the related impact on Net income, refer to Note 3 c) to the Consolidated Financial Statements. Additionally, Net income is

impacted through the reporting of changes in the fair value of equity securities and private equity securities where we own less than three percent and derivatives, including financial futures, options, swaps, and GLB reinsurance. Changes in unrealized appreciation and depreciation on available for sale securities, resulting from the revaluation of securities held, changes in cumulative foreign currency translation adjustment, and unrealized postretirement benefit liability adjustment, are reported as separate components of Accumulated other comprehensive income (loss) in Shareholders' equity in the Consolidated balance sheets.

The following table presents our net realized and unrealized gains (losses):

| | **Three Months Ended June 30, 2020** | | | Three Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | **Net Realized Gains (Losses)** | **Net Unrealized Gains (Losses)** | **Net Impact** | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Net Impact |
| Fixed maturities | **$ (33)** | **$ 3,281** | **$ 3,248** | $ 12 | $ 1,240 | $ 1,252 |
| Fixed income and equity derivatives | **14** | **—** | **14** | (181) | — | (181) |
| Public equity | | | | | | |
| Sales | **187** | **—** | **187** | 32 | — | 32 |
| Mark-to-market | **(39)** | **—** | **(39)** | (27) | — | (27) |
| Private equity (less than 3 percent ownership) | | | | | | |
| Mark-to-market | **(107)** | **—** | **(107)** | 30 | — | 30 |
| Total investment portfolio | **22** | **3,281** | **3,303** | (134) | 1,240 | 1,106 |
| Variable annuity reinsurance derivative transactions, net of applicable hedges | **110** | **—** | **110** | (85) | — | (85) |
| Other derivatives | **(1)** | **—** | **(1)** | 7 | — | 7 |
| Foreign exchange | **(61)** | **445** | **384** | (11) | (97) | (108) |
| Other | **(40)** | **(22)** | **(62)** | — | (18) | (18) |
| Net gains (losses), pre-tax | **$ 30** | **$ 3,704** | **$ 3,734** | $ (223) | $ 1,125 | $ 902 |

| | **Six Months Ended June 30, 2020** | | | Six Months Ended June 30, 2019 | | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | **Net Realized Gains (Losses)** | **Net Unrealized Gains (Losses)** | **Net Impact** | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Net Impact |
| Fixed maturities | **$ (352)** | **$ 1,121** | **$ 769** | $ (32) | $ 3,129 | $ 3,097 |
| Fixed income and equity derivatives | **29** | **—** | **29** | (311) | — | (311) |
| Public equity | | | | | | |
| Sales | **163** | **—** | **163** | 33 | — | 33 |
| Mark-to-market | **(44)** | **—** | **(44)** | 30 | — | 30 |
| Private equity (less than 3 percent ownership) | | | | | | |
| Sales | **—** | **—** | **—** | (2) | — | (2) |
| Mark-to-market | **(102)** | **—** | **(102)** | (12) | — | (12) |
| Total investment portfolio | **(306)** | **1,121** | **815** | (294) | 3,129 | 2,835 |
| Variable annuity reinsurance derivative transactions, net of applicable hedges | **(450)** | **—** | **(450)** | (34) | — | (34) |
| Other derivatives | **(3)** | **—** | **(3)** | 6 | — | 6 |
| Foreign exchange | **(129)** | **(414)** | **(543)** | 2 | 50 | 52 |
| Other | **(40)** | **(36)** | **(76)** | — | (45) | (45) |
| Net gains (losses), pre-tax | **$ (928)** | **$ 671** | **$ (257)** | $ (320) | $ 3,134 | $ 2,814 |

Pre-tax net losses of $257 million for the six months ended June 30, 2020 reflected the financial market volatility in the credit, equity and foreign exchange markets, driven by the impact of the COVID-19 global pandemic. The $815 million gain in our investment portfolio was principally a result of a decline in interest rates and a narrowing of credit spreads in the second quarter, partially offset by a $46 million realized loss related to expected credit losses of certain securities and $152 million of impairments for securities we intended to sell, and securities written to market entering default. The $543 million foreign exchange loss reflected the strengthening of the U.S. dollar against most major currencies. The $450 million realized loss in our variable annuity reinsurance portfolio was principally driven by lower interest rates and lower global equities markets, as discussed below.

The variable annuity reinsurance derivative transactions consist of changes in the fair value of GLB liabilities and gain or losses on other derivative instruments we maintain that decrease in fair value when the S&P 500 index increases. The variable annuity reinsurance derivative transactions resulted in realized gains of $110 million for the three months ended June 30, 2020 reflecting a net decrease in the fair value of the GLB liabilities of $213 million due to higher global equity markets, partially offset by a net realized loss of $103 million related to these other derivatives. For the six months ended June 30, 2020, the variable annuity reinsurance derivative transactions resulted in realized losses of $450 million reflecting a net increase in the fair value of the GLB liabilities of $472 million due to lower interest rates and lower global equity markets, partially offset by a net realized gain of $22 million related to these other derivatives.

For the three months ended June 30, 2019, the variable annuity reinsurance derivative transactions resulted in realized losses of $85 million reflecting a net increase in the fair value of GLB liabilities of $65 million and a net realized loss of $20 million related to these other derivative instruments. The net increase in the fair value of GLB liabilities is due to lower interest rates, partially offset by higher global equity market levels. For the six months ended June 30, 2019, the variable annuity reinsurance derivative transactions resulted in realized losses of $34 million, reflecting a net realized loss of $83 million related to these other derivative instruments partially offset by a decrease in the fair value of GLB liabilities of $49 million. The net decrease in the fair value of GLB liabilities is due to higher global equity market levels partially offset by lower interest rates.

**Effective Income Tax Rate**

Our effective income tax rate reflects a mix of income or losses in jurisdictions with a wide range of tax rates, permanent differences between US GAAP and local tax laws, and the timing of recording discrete items. A change in the geographic mix of earnings could impact our effective tax rate.

Our effective tax rate (ETR) for the three and six months ended June 30, 2020, was impacted by the high level of catastrophe losses, principally COVID-19, which resulted in an ETR for our tax benefit of 15.8 percent for the quarter and a year-to-date ETR on our tax expense of 206.8 percent. In addition the ETR for the six months ended June 30, 2020 was impacted by a higher percentage of realized losses generated in lower tax jurisdictions. This compares to an ETR on our tax expense of 15.3 percent in both the prior year periods.

**Non-GAAP Reconciliation**

In presenting our results, we included and discussed certain non-GAAP measures. These non-GAAP measures, which may be defined differently by other companies, are important for an understanding of our overall results of operations and financial condition. However, they should not be viewed as a substitute for measures determined in accordance with generally accepted accounting principles (GAAP).

We provide financial measures, including net premiums written, net premiums earned, and underwriting income on a constant-dollar basis. We believe it is useful to evaluate the trends in our results exclusive of the effect of fluctuations in exchange rates between the U.S. dollar and the currencies in which our international business is transacted, as these exchange rates could fluctuate significantly between periods and distort the analysis of trends. The impact is determined by assuming constant foreign exchange rates between periods by translating prior period results using the same local currency exchange rates as the comparable current period.

Adjusted policy benefits include gains and losses from fair value changes in separate account assets, as well as the offsetting movement in separate account liabilities, for purposes of reporting Life Insurance underwriting income. The gains and losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP have been reclassified from Other (income) expense. We view gains and losses from fair value changes in both separate account assets and

liabilities as part of the results of our underwriting operations, and therefore these gains and losses are reclassified to adjusted policy benefits.

The following table presents a reconciliation of Policy benefits to Adjusted policy benefits:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **2020** | 2019 | **2020** | 2019 |
| Policy benefits | **$ 223** | $ 161 | **$ 352** | $ 357 |
| Add: (Gains) losses from fair value changes in separate account assets | **(40)** | 3 | **16** | (27) |
| Adjusted policy benefits | **$ 183** | $ 164 | **$ 368** | $ 330 |

P&C performance metrics comprise consolidated operating results (including Corporate) and exclude the operating results of the Life Insurance segment. We believe that these measures are useful and meaningful to investors as they are used by management to assess the company's P&C operations which are the most economically similar. We exclude the Life Insurance segment because the results of this business do not always correlate with the results of our P&C operations.

P&C combined ratio is the sum of the loss and loss expense ratio, policy acquisition cost ratio and the administrative expense ratio excluding the life business and including the realized gains and losses on the crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing impacts underwriting results. We view gains and losses on these derivatives as part of the results of our underwriting operations.

CAY P&C combined ratio excluding catastrophe losses (CATs) excludes CATs and prior period development (PPD) from the P&C combined ratio. We exclude CATs as they are not predictable as to timing and amount and PPD as these unexpected loss developments on historical reserves are not indicative of our current underwriting performance. The combined ratio numerator is adjusted to exclude CATs, net premiums earned adjustments on PPD, prior period expense adjustments and reinstatement premiums on PPD, and the denominator is adjusted to exclude net premiums earned adjustments on PPD and reinstatement premiums on CATs and PPD. In periods where there are adjustments on loss sensitive policies, these adjustments are excluded from PPD and net premiums earned when calculating the ratios. We believe this measure provides a better evaluation of our underwriting performance and enhances the understanding of the trends in our P&C business that may be obscured by these items. This measure is commonly reported among our peer companies and allows for a better comparison.

Reinstatement premiums are additional premiums paid on certain reinsurance agreements in order to reinstate coverage that had been exhausted by loss occurrences. The reinstatement premium amount is typically a pro rata portion of the original ceded premium paid based on how much of the reinsurance limit had been exhausted.

Net premiums earned adjustments within PPD are adjustments to the initial premium earned on retrospectively rated policies based on actual claim experience that develops after the policy period ends. The premium adjustments correlate to the prior period loss development on these same policies and are fully earned in the period the adjustments are recorded.

Prior period expense adjustments typically relate to adjustable commission reserves or policyholder dividend reserves based on actual claim experience that develops after the policy period ends. The expense adjustments correlate to the prior period loss development on these same policies.

For this disclosure purpose, the normalized level of CATs, or expected level of CATs, is not intended to represent a probability weighted expectation for the company but rather to represent management's view of what might be more typical for a given period, based on various factors, including historical experience, seasonal patterns, and consideration of both modeled CATs (e.g., windstorm and earthquake) as well as non-modeled CATs (e.g., wildfires, floods and freeze). The following table presents CATs above (below) expected level and the impact on the combined ratio:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of U.S. dollars, except for percentage points) | **2020** | 2019 | **2020** | 2019 |
| Actual level of CATs - pre-tax | **$ 1,807** | $ 275 | **$ 2,044** | $ 525 |
| Less: Expected level of CATs - pre-tax | **284** | 241 | **508** | 447 |
| CATs above expected level - pre-tax | **$ 1,523** | $ 34 | **$ 1,536** | $ 78 |
| Adverse impact of CATs above an expected level on combined ratio | **20.1 %** | 0.5 % | **10.4 %** | 0.6 % |

The following tables present the calculation of combined ratio, as reported for each segment to P&C combined ratio, adjusted for catastrophe losses (CATs) and PPD:

| Three Months Ended June 30, 2020 (in millions of U.S. dollars except for ratios) | | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Corporate | Total P&C |
|---|---|---|---|---|---|---|---|---|
| **Numerator** | | | | | | | | |
| **Losses and loss expenses** | | | | | | | | |
| Losses and loss expenses | | $ 3,498 | $ 762 | $ 312 | $ 1,485 | $ 73 | $ 276 | $ 6,406 |
| Realized (gains) losses on crop derivatives | | — | — | 1 | — | — | — | 1 |
| Adjusted losses and loss expenses | A | $ 3,498 | $ 762 | $ 313 | $ 1,485 | $ 73 | $ 276 | $ 6,407 |
| Catastrophe losses and related adjustments | | | | | | | | |
| Catastrophe losses, net of related adjustments | | (1,273) | (110) | (6) | (399) | (13) | — | (1,801) |
| Reinstatement premiums collected (expensed) on catastrophe losses | | (3) | (1) | — | (16) | — | — | (20) |
| Catastrophe losses, gross of related adjustments | | (1,270) | (109) | (6) | (383) | (13) | — | (1,781) |
| PPD and related adjustments | | | | | | | | |
| PPD, net of related adjustments - favorable (unfavorable) | | 146 | 1 | — | 36 | 16 | (274) | (75) |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | 4 | — | — | — | — | — | 4 |
| Expense adjustments - unfavorable (favorable) | | 1 | — | — | — | — | — | 1 |
| PPD reinstatement premiums - unfavorable (favorable) | | — | — | — | — | (1) | — | (1) |
| PPD, gross of related adjustments - favorable (unfavorable) | | 151 | 1 | — | 36 | 15 | (274) | (71) |
| **CAY loss and loss expense ex CATs** | B | $ 2,379 | $ 654 | $ 307 | $ 1,138 | $ 75 | $ 2 | $ 4,555 |
| **Policy acquisition costs and administrative expenses** | | | | | | | | |
| Policy acquisition costs and administrative expenses | C | $ 720 | $ 297 | $ 32 | $ 865 | $ 51 | $ 77 | $ 2,042 |
| Expense adjustments - favorable (unfavorable) | | (1) | — | — | — | — | — | (1) |
| Policy acquisition costs and administrative expenses, adjusted | D | $ 719 | $ 297 | $ 32 | $ 865 | $ 51 | $ 77 | $ 2,041 |
| **Denominator** | | | | | | | | |
| **Net premiums earned** | E | $ 3,595 | $ 1,192 | $ 376 | $ 2,194 | $ 163 | | $ 7,520 |
| Reinstatement premiums (collected) expensed on catastrophe losses | | 3 | 1 | — | 16 | — | | 20 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | 4 | — | — | — | — | | 4 |
| PPD reinstatement premiums - unfavorable (favorable) | | — | — | — | — | (1) | | (1) |
| **Net premiums earned excluding adjustments** | F | $ 3,602 | $ 1,193 | $ 376 | $ 2,210 | $ 162 | | $ 7,543 |
| **P&C Combined ratio** | | | | | | | | |
| Loss and loss expense ratio | A/E | 97.3 % | 63.8 % | 83.1 % | 67.7 % | 45.5 % | | 85.2 % |
| Policy acquisition cost and administrative expense ratio | C/E | 20.0 % | 25.0 % | 8.7 % | 39.4 % | 31.1 % | | 27.1 % |
| P&C Combined ratio | | 117.3 % | 88.8 % | 91.8 % | 107.1 % | 76.6 % | | 112.3 % |
| **CAY P&C Combined ratio ex CATs** | | | | | | | | |
| Loss and loss expense ratio, adjusted | B/F | 66.1 % | 54.7 % | 81.5 % | 51.6 % | 46.8 % | | 60.4 % |
| Policy acquisition cost and administrative expense ratio, adjusted | D/F | 19.9 % | 24.9 % | 8.7 % | 39.1 % | 31.4 % | | 27.0 % |
| CAY P&C Combined ratio ex CATs | | 86.0 % | 79.6 % | 90.2 % | 90.7 % | 78.2 % | | 87.4 % |
| **Combined ratio** | | | | | | | | |
| Combined ratio | | | | | | | | 112.3 % |
| Add: impact of gains and losses on crop derivatives | | | | | | | | — |
| P&C Combined ratio | | | | | | | | 112.3 % |

Note: The ratios above are calculated using whole U.S. dollars. Accordingly, calculations using rounded amounts may differ. Letters A, B, C, D, E, and F included in the table are references for calculating the ratios above.

| Three Months Ended June 30, 2019 (in millions of U.S. dollars except for ratios) | | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Corporate | Total P&C |
|---|---|---|---|---|---|---|---|---|
| **Numerator** | | | | | | | | |
| **Losses and loss expenses** | | | | | | | | |
| Losses and loss expenses | | $ 2,214 | $ 747 | $ 316 | $ 1,125 | $ 90 | $ 34 | $ 4,526 |
| Realized (gains) losses on crop derivatives | | — | — | (7) | — | — | — | (7) |
| Adjusted losses and loss expenses | **A** | $ 2,214 | $ 747 | $ 309 | $ 1,125 | $ 90 | $ 34 | $ 4,519 |
| Catastrophe losses and related adjustments | | | | | | | | |
| Catastrophe losses, net of related adjustments | | (137) | (117) | (2) | (9) | (10) | — | (275) |
| Reinstatement premiums collected (expensed) on catastrophe losses | | — | — | — | — | — | — | — |
| Catastrophe losses, gross of related adjustments | | (137) | (117) | (2) | (9) | (10) | — | (275) |
| PPD and related adjustments | | | | | | | | |
| PPD, net of related adjustments - favorable (unfavorable) | | 185 | 16 | — | 20 | — | (33) | 188 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | (3) | — | — | — | — | — | (3) |
| Expense adjustments - unfavorable (favorable) | | (2) | — | — | — | — | — | (2) |
| PPD, gross of related adjustments - favorable (unfavorable) | | 180 | 16 | — | 20 | — | (33) | 183 |
| **CAY loss and loss expense ex CATs** | **B** | $ 2,257 | $ 646 | $ 307 | $ 1,136 | $ 80 | $ 1 | $ 4,427 |
| **Policy acquisition costs and administrative expenses** | | | | | | | | |
| Policy acquisition costs and administrative expenses | **C** | $ 718 | $ 308 | $ 31 | $ 894 | $ 49 | $ 74 | $ 2,074 |
| Expense adjustments - favorable (unfavorable) | | 2 | — | — | — | — | — | 2 |
| Policy acquisition costs and administrative expenses, adjusted | **D** | $ 720 | $ 308 | $ 31 | $ 894 | $ 49 | $ 74 | $ 2,076 |
| **Denominator** | | | | | | | | |
| **Net premiums earned** | **E** | $ 3,390 | $ 1,168 | $ 378 | $ 2,225 | $ 159 | | $ 7,320 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | (3) | — | — | — | — | | (3) |
| **Net premiums earned excluding adjustments** | **F** | $ 3,387 | $ 1,168 | $ 378 | $ 2,225 | $ 159 | | $ 7,317 |
| **P&C Combined ratio** | | | | | | | | |
| Loss and loss expense ratio | **A/E** | 65.3 % | 64.0 % | 81.9 % | 50.6 % | 55.9 % | | 61.7 % |
| Policy acquisition cost and administrative expense ratio | **C/E** | 21.2 % | 26.3 % | 8.2 % | 40.2 % | 31.8 % | | 28.4 % |
| P&C Combined ratio | | 86.5 % | 90.3 % | 90.1 % | 90.8 % | 87.7 % | | 90.1 % |
| **CAY P&C Combined ratio ex CATs** | | | | | | | | |
| Loss and loss expense ratio, adjusted | **B/F** | 66.7 % | 55.3 % | 81.4 % | 51.1 % | 49.7 % | | 60.5 % |
| Policy acquisition cost and administrative expense ratio, adjusted | **D/F** | 21.2 % | 26.4 % | 8.2 % | 40.1 % | 32.0 % | | 28.4 % |
| CAY P&C Combined ratio ex CATs | | 87.9 % | 81.7 % | 89.6 % | 91.2 % | 81.7 % | | 88.9 % |
| **Combined ratio** | | | | | | | | |
| Combined ratio | | | | | | | | 90.2 % |
| Add: impact of gains and losses on crop derivatives | | | | | | | | (0.1)% |
| P&C Combined ratio | | | | | | | | 90.1 % |

Note: The ratios above are calculated using whole U.S. dollars. Accordingly, calculations using rounded amounts may differ. Letters A, B, C, D, E, and F included in the table are references for calculating the ratios above.

| Six Months Ended June 30, 2020 (in millions of U.S. dollars except for ratios) | | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Corporate | Total P&C |
|---|---|---|---|---|---|---|---|---|
| **Numerator** | | | | | | | | |
| **Losses and loss expenses** | | | | | | | | |
| Losses and loss expenses | | $ 5,679 | $ 1,445 | $ 375 | $ 2,743 | $ 160 | $ 287 | $ 10,689 |
| Realized (gains) losses on crop derivatives | | — | — | 3 | — | — | — | 3 |
| Adjusted losses and loss expenses | A | $ 5,679 | $ 1,445 | $ 378 | $ 2,743 | $ 160 | $ 287 | $ 10,692 |
| Catastrophe losses and related adjustments | | | | | | | | |
| Catastrophe losses, net of related adjustments | | (1,391) | (131) | (14) | (489) | (13) | — | (2,038) |
| Reinstatement premiums collected (expensed) on catastrophe losses | | (3) | (1) | — | (16) | — | — | (20) |
| Catastrophe losses, gross of related adjustments | | (1,388) | (130) | (14) | (473) | (13) | — | (2,018) |
| PPD and related adjustments | | | | | | | | |
| PPD, net of related adjustments - favorable (unfavorable) | | 251 | — | 14 | 40 | 23 | (285) | 43 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | 4 | — | 3 | — | — | — | 7 |
| PPD reinstatement premiums - unfavorable (favorable) | | — | — | — | — | (1) | — | (1) |
| PPD, gross of related adjustments - favorable (unfavorable) | | 255 | — | 17 | 40 | 22 | (285) | 49 |
| **CAY loss and loss expense ex CATs** | B | $ 4,546 | $ 1,315 | $ 381 | $ 2,310 | $ 169 | $ 2 | $ 8,723 |
| **Policy acquisition costs and administrative expenses** | | | | | | | | |
| Policy acquisition costs and administrative expenses | C | $ 1,471 | $ 610 | $ 47 | $ 1,765 | $ 106 | $ 143 | $ 4,142 |
| Expense adjustments - favorable (unfavorable) | | — | — | — | — | — | — | — |
| Policy acquisition costs and administrative expenses, adjusted | D | $ 1,471 | $ 610 | $ 47 | $ 1,765 | $ 106 | $ 143 | $ 4,142 |
| **Denominator** | | | | | | | | |
| **Net premiums earned** | E | $ 6,971 | $ 2,392 | $ 470 | $ 4,501 | $ 349 | | $ 14,683 |
| Reinstatement premiums (collected) expensed on catastrophe losses | | 3 | 1 | — | 16 | — | | 20 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | 4 | — | 3 | — | — | | 7 |
| PPD reinstatement premiums - unfavorable (favorable) | | — | — | — | — | (1) | | (1) |
| **Net premiums earned excluding adjustments** | F | $ 6,978 | $ 2,393 | $ 473 | $ 4,517 | $ 348 | | $ 14,709 |
| **P&C Combined ratio** | | | | | | | | |
| Loss and loss expense ratio | A/E | 81.5 % | 60.4 % | 80.4 % | 61.0 % | 46.0 % | | 72.8 % |
| Policy acquisition cost and administrative expense ratio | C/E | 21.1 % | 25.5 % | 10.0 % | 39.2 % | 30.3 % | | 28.2 % |
| P&C Combined ratio | | 102.6 % | 85.9 % | 90.4 % | 100.2 % | 76.3 % | | 101.0 % |
| **CAY P&C Combined ratio ex CATs** | | | | | | | | |
| Loss and loss expense ratio, adjusted | B/F | 65.2 % | 54.9 % | 80.4 % | 51.2 % | 48.7 % | | 59.3 % |
| Policy acquisition cost and administrative expense ratio, adjusted | D/F | 21.0 % | 25.5 % | 10.0 % | 39.0 % | 30.5 % | | 28.2 % |
| CAY P&C Combined ratio ex CATs | | 86.2 % | 80.4 % | 90.4 % | 90.2 % | 79.2 % | | 87.5 % |
| **Combined ratio** | | | | | | | | |
| Combined ratio | | | | | | | | 101.0 % |
| Add: impact of gains and losses on crop derivatives | | | | | | | | — |
| P&C Combined ratio | | | | | | | | 101.0 % |

Note: The ratios above are calculated using whole U.S. dollars. Accordingly, calculations using rounded amounts may differ. Letters A, B, C, D, E, and F included in the table are references for calculating the ratios above.

| Six Months Ended June 30, 2019 (in millions of U.S. dollars except for ratios) | | North America Commercial P&C Insurance | North America Personal P&C Insurance | North America Agricultural Insurance | Overseas General Insurance | Global Reinsurance | Corporate | Total P&C |
|---|---|---|---|---|---|---|---|---|
| **Numerator** | | | | | | | | |
| **Losses and loss expenses** | | | | | | | | |
| Losses and loss expenses | | $ 4,187 | $ 1,504 | $ 289 | $ 2,231 | $ 166 | $ 45 | $ 8,422 |
| Realized (gains) losses on crop derivatives | | — | — | (6) | — | — | — | (6) |
| Adjusted losses and loss expenses | **A** | $ 4,187 | $ 1,504 | $ 283 | $ 2,231 | $ 166 | $ 45 | $ 8,416 |
| Catastrophe losses and related adjustments | | | | | | | | |
| Catastrophe losses, net of related adjustments | | (231) | (246) | (4) | (34) | (10) | — | (525) |
| Reinstatement premiums collected (expensed) on catastrophe losses | | — | — | — | — | — | — | — |
| Catastrophe losses, gross of related adjustments | | (231) | (246) | (4) | (34) | (10) | — | (525) |
| PPD and related adjustments | | | | | | | | |
| PPD, net of related adjustments - favorable (unfavorable) | | 316 | 26 | 61 | 24 | 8 | (43) | 392 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | (1) | — | 32 | — | — | — | 31 |
| Expense adjustments - unfavorable (favorable) | | (6) | — | (3) | — | — | — | (9) |
| PPD reinstatement premiums - unfavorable (favorable) | | — | (3) | — | — | — | — | (3) |
| PPD, gross of related adjustments - favorable (unfavorable) | | 309 | 23 | 90 | 24 | 8 | (43) | 411 |
| **CAY loss and loss expense ex CATs** | **B** | $ 4,265 | $ 1,281 | $ 369 | $ 2,221 | $ 164 | $ 2 | $ 8,302 |
| **Policy acquisition costs and administrative expenses** | | | | | | | | |
| Policy acquisition costs and administrative expenses | **C** | $ 1,417 | $ 607 | $ 39 | $ 1,739 | $ 102 | $ 137 | $ 4,041 |
| Expense adjustments - favorable (unfavorable) | | 6 | — | 3 | — | — | — | 9 |
| Policy acquisition costs and administrative expenses, adjusted | **D** | $ 1,423 | $ 607 | $ 42 | $ 1,739 | $ 102 | $ 137 | $ 4,050 |
| **Denominator** | | | | | | | | |
| **Net premiums earned** | **E** | $ 6,475 | $ 2,322 | $ 433 | $ 4,339 | $ 327 | | $ 13,896 |
| Net premiums earned adjustments on PPD - unfavorable (favorable) | | (1) | — | 32 | — | — | | 31 |
| PPD reinstatement premiums - unfavorable (favorable) | | — | (3) | — | — | — | | (3) |
| **Net premiums earned excluding adjustments** | **F** | $ 6,474 | $ 2,319 | $ 465 | $ 4,339 | $ 327 | | $ 13,924 |
| **P&C Combined ratio** | | | | | | | | |
| Loss and loss expense ratio | **A/E** | 64.7 % | 64.7 % | 65.5 % | 51.4 % | 50.6 % | | 60.6 % |
| Policy acquisition cost and administrative expense ratio | **C/E** | 21.8 % | 26.2 % | 9.0 % | 40.1 % | 31.5 % | | 29.0 % |
| P&C Combined ratio | | 86.5 % | 90.9 % | 74.5 % | 91.5 % | 82.1 % | | 89.6 % |
| **CAY P&C Combined ratio ex CATs** | | | | | | | | |
| Loss and loss expense ratio, adjusted | **B/F** | 65.9 % | 55.2 % | 79.5 % | 51.2 % | 50.1 % | | 59.6 % |
| Policy acquisition cost and administrative expense ratio, adjusted | **D/F** | 21.9 % | 26.2 % | 9.0 % | 40.1 % | 31.5 % | | 29.1 % |
| CAY P&C Combined ratio ex CATs | | 87.8 % | 81.4 % | 88.5 % | 91.3 % | 81.6 % | | 88.7 % |
| **Combined ratio** | | | | | | | | |
| Combined ratio | | | | | | | | 89.6 % |
| Add: impact of gains and losses on crop derivatives | | | | | | | | — |
| P&C Combined ratio | | | | | | | | 89.6 % |

Note: The ratios above are calculated using whole U.S. dollars. Accordingly, calculations using rounded amounts may differ. Letters A, B, C, D, E, and F included in the table are references for calculating the ratios above.

## Other Income and Expense

| (in millions of U.S. dollars) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Equity in net income (loss) of partially-owned entities [1] | **$ (73)** | $ 250 | **$ (44)** | $ 272 |
| Gains (losses) from fair value changes in separate account assets [2] | **40** | (3) | **(16)** | 27 |
| Federal excise and capital taxes | **(6)** | (6) | **(12)** | (12) |
| Other | **(19)** | (11) | **(41)** | (18) |
| Total | **$ (58)** | $ 230 | **$ (113)** | $ 269 |

[1] Equity in net income (loss) of partially-owned entities includes $31 million and $49 million attributable to our investments in Huatai (Huatai Group, Huatai P&C, and Huatai Life) for the three and six months ended June 30, 2020, respectively, compared to $18 million and $29 million, respectively, for the prior year periods.

[2] Related to gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP.

Other income and expense includes equity in net income of partially-owned entities, which includes our share of net income or loss related to partially-owned investment companies (private equity) and partially-owned insurance companies. Also included in Other income and expense are gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP. The offsetting movement in the separate account liabilities is included in Policy benefits in the Consolidated statements of operations. Certain federal excise and capital taxes incurred as a result of capital management initiatives are included in Other income and expense as these are considered capital transactions and are excluded from underwriting results.

## Amortization of purchased intangibles and Other amortization

Amortization expense related to purchased intangibles was $72 million and $145 million for the three and six months ended June 30, 2020, respectively, compared with $77 million and $153 million, respectively, in the prior year periods and principally relates to the Chubb Corp acquisition. The decrease in amortization expense of purchased intangibles reflects lower intangible amortization expense related to agency distribution relationships and renewal rights.

Amortization expense for the remainder of 2020 is expected to be $144 million, or $72 million each quarter.

The following table presents, as of June 30, 2020, the estimated pre-tax amortization expense (benefit) of purchased intangibles, at current foreign currency exchange rates, for the third and fourth quarters of 2020 and the next five years:

| | Associated with the Chubb Corp Acquisition | | | | |
|---|---|---|---|---|---|
| For the Years Ending December 31 (in millions of U.S. dollars) | Agency distribution relationships and renewal rights | Fair value adjustment on Unpaid losses and loss expenses | Total [1] | Other intangible assets [2] | Total Amortization of purchased intangibles |
| Third quarter of 2020 | $ 59 | $ (9) | $ 50 | $ 22 | $ 72 |
| Fourth quarter of 2020 | 59 | (9) | 50 | 22 | 72 |
| 2021 | 214 | (20) | 194 | 86 | 280 |
| 2022 | 195 | (14) | 181 | 98 | 279 |
| 2023 | 176 | (6) | 170 | 92 | 262 |
| 2024 | 158 | (5) | 153 | 86 | 239 |
| 2025 | 144 | (5) | 139 | 85 | 224 |
| Total | $ 1,005 | $ (68) | $ 937 | $ 491 | $ 1,428 |

[1] Recorded in Corporate.

[2] Recorded in applicable segment(s) that acquired the intangible assets.

***Reduction of deferred tax liability associated with intangible assets related to Other intangible assets (excluding the fair value adjustment on Unpaid losses and loss expense)***

At June 30, 2020, the deferred tax liability associated with Other intangible assets (excluding the fair value adjustment on Unpaid losses and loss expense) was $1,310 million.

The following table presents, as of June 30, 2020, the expected reduction of the deferred tax liability associated with Other intangible assets (which reduces as agency distribution relationships and renewal rights and other intangible assets amortize), at current foreign currency exchange rates, for the third and fourth quarters of 2020 and for the next five years:

| For the Years Ending December 31 (in millions of U.S. dollars) | Reduction to deferred tax liability associated with intangible assets |
|---|---|
| Third quarter of 2020 | $ 18 |
| Fourth quarter of 2020 | 18 |
| 2021 | 67 |
| 2022 | 65 |
| 2023 | 60 |
| 2024 | 54 |
| 2025 | 50 |
| Total | $ 332 |

***Amortization of the fair value adjustment on acquired invested assets and assumed long-term debt***

The following table presents at June 30, 2020, the expected amortization expense of the fair value adjustment on acquired invested assets, at current foreign currency exchange rates, and the expected amortization benefit from the amortization of the fair value adjustment on assumed long-term debt for the third and fourth quarters of 2020 and for the next five years:

| | Amortization (expense) benefit of the fair value adjustment on | |
|---|---|---|
| For the Years Ending December 31 (in millions of U.S. dollars) | Acquired invested assets [1] | Assumed long-term debt [2] |
| Third quarter of 2020 | $ (30) | $ 5 |
| Fourth quarter of 2020 | (30) | 6 |
| 2021 | (110) | 21 |
| 2022 | (96) | 21 |
| 2023 | — | 21 |
| 2024 | — | 21 |
| 2025 | — | 21 |
| Total | $ (266) | $ 116 |

[1] Recorded as a reduction to Net investment income in the Consolidated statements of operations.

[2] Recorded as a reduction to Interest expense in the Consolidated statements of operations.

The estimate of amortization expense of the fair value adjustment on acquired invested assets could vary materially based on current market conditions, bond calls, overall duration of the acquired investment portfolio, and foreign exchange.

**Net Investment Income**

| (in millions of U.S. dollars) | Three Months Ended June 30 2020 | 2019 | Six Months Ended June 30 2020 | 2019 |
|---|---|---|---|---|
| Fixed maturities [1] | **$ 810** | $ 851 | **$ 1,661** | $ 1,671 |
| Short-term investments | **11** | 22 | **28** | 46 |
| Other interest income | **3** | 6 | **12** | 12 |
| Equity securities | **24** | 9 | **33** | 16 |
| Other investments | **21** | 15 | **41** | 37 |
| Gross investment income | **869** | 903 | **1,775** | 1,782 |
| Investment expenses | **(42)** | (44) | **(87)** | (87) |
| Net investment income | **$ 827** | $ 859 | **$ 1,688** | $ 1,695 |
| [1] Includes amortization expense related to fair value adjustment on acquired invested assets related to the Chubb Corp acquisition | **$ (30)** | $ (43) | **$ (62)** | $ (89) |

Net investment income is influenced by a number of factors including the amounts and timing of inward and outward cash flows, the level of interest rates, and changes in overall asset allocation. Net investment income decreased 3.8 percent and 0.4 percent for the three and six months ended June 30, 2020, respectively, primarily due to lower reinvestment rates on new and reinvested assets, lower rates on floating rate obligations, and foreign exchange. The decrease for the six months ended June 30, 2020 was partially offset by higher average invested assets.

For private equities where we own less than three percent, investment income is included within Net investment income in the table above. For private equities where we own more than three percent, investment income is included within Other income (expense) in the Consolidated statements of operations. Excluded from Net investment income is the mark-to-market movement for private equities, which is recorded within either Other income (expense) or Net realized gains (losses) based on our percentage of ownership. The total mark-to-market movement for private equities excluded from Net investment income was as follows:

| (in millions of U.S. dollars) | Three Months Ended June 30 2020 | 2019 | Six Months Ended June30 2020 | 2019 |
|---|---|---|---|---|
| Total mark-to-market gain (loss) on private equity, pre-tax | **$ (200)** | $ 240 | **$ (207)** | $ 193 |

**Investments**

Our investment portfolio is invested primarily in publicly traded, investment grade, fixed income securities with an average credit quality of A/Aa as rated by the independent investment rating services Standard and Poor's (S&P)/Moody's Investors Service (Moody's). The portfolio is externally managed by independent, professional investment managers and is broadly diversified across geographies, sectors, and issuers. Other investments principally comprise direct investments, investment funds, and limited partnerships. We hold no collateralized debt obligations in our investment portfolio, and we provide no credit default protection. We have long-standing global credit limits for our entire portfolio across the organization. Exposures are aggregated, monitored, and actively managed by our Global Credit Committee, comprising senior executives, including our Chief Financial Officer, our Chief Risk Officer, our Chief Investment Officer, and our Treasurer. We also have well-established, strict contractual investment rules requiring managers to maintain highly diversified exposures to individual issuers and closely monitor investment manager compliance with portfolio guidelines.

The average duration of our fixed income securities, including the effect of options and swaps, was 4.0 years and 3.8 years at June 30, 2020 and December 31, 2019, respectively. We estimate that a 100 basis point (bps) increase in interest rates would reduce the valuation of our fixed income portfolio by approximately $4.1 billion at June 30, 2020.

We established credit loss valuation allowances as a result of our adoption of guidance on Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (CECL) on January 1, 2020 and established a valuation allowance of

$69 million. The COVID-19 global pandemic and related economic conditions adversely impacted our investment portfolio and resulted in an increase in our valuation allowance. This adverse impact was mitigated by the overall high credit quality of the portfolio and the stabilization of the valuation of investment grade securities due to measures announced by the U.S. Federal Reserve, including programs to support corporate and asset backed securities. Overall, the valuation allowance increased by $53 million for the six months ended June 30, 2020. Refer to Note 3 to the Consolidated Financial Statements for additional information on expected credit losses.

The following table shows the fair value and cost/amortized cost, net of valuation allowance, of our invested assets:

| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | **Fair Value** | **Cost/ Amortized Cost, Net** | Fair Value | Cost/ Amortized Cost |
| Fixed maturities available for sale | **$ 86,712** | **$ 82,671** | $ 85,488 | $ 82,580 |
| Fixed maturities held to maturity | **12,620** | **11,845** | 13,005 | 12,581 |
| Short-term investments | **4,003** | **4,002** | 4,291 | 4,291 |
| | **103,335** | **98,518** | 102,784 | 99,452 |
| Equity securities | **2,394** | **2,394** | 812 | 812 |
| Other investments | **5,923** | **5,923** | 6,062 | 6,062 |
| Total investments | **$ 111,652** | **$ 106,835** | $ 109,658 | $ 106,326 |

The fair value of our total investments increased $2.0 billion during the six months ended June 30, 2020, primarily due to the investing of operating cash flows and unrealized appreciation. This increase was partially offset by the payment of collateralized deposits for the purchase of additional ownership in Huatai Group and unfavorable foreign exchange movement.

The following tables present the fair value of our fixed maturities and short-term investments at June 30, 2020 and December 31, 2019. The first table lists investments according to type and second according to S&P credit rating:

| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| (in millions of U.S. dollars, except for percentages) | **Fair Value** | **% of Total** | Fair Value | % of Total |
| U.S. Treasury / Agency | **$ 4,190** | **4 %** | $ 4,630 | 5 % |
| Corporate and asset-backed securities | **36,345** | **35 %** | 34,259 | 33 % |
| Mortgage-backed securities | **20,529** | **20 %** | 21,588 | 21 % |
| Municipal | **12,291** | **12 %** | 12,824 | 12 % |
| Non-U.S. | **25,977** | **25 %** | 25,192 | 25 % |
| Short-term investments | **4,003** | **4 %** | 4,291 | 4 % |
| Total | **$ 103,335** | **100 %** | $ 102,784 | 100 % |
| AAA | **$ 15,411** | **15 %** | $ 15,714 | 15 % |
| AA | **35,600** | **35 %** | 37,504 | 37 % |
| A | **19,703** | **19 %** | 19,236 | 19 % |
| BBB | **15,690** | **15 %** | 13,650 | 13 % |
| BB | **9,302** | **9 %** | 9,474 | 9 % |
| B | **7,124** | **7 %** | 6,897 | 7 % |
| Other | **505** | **—** | 309 | — |
| Total | **$ 103,335** | **100 %** | $ 102,784 | 100 % |

**Corporate and asset-backed securities**
The following table presents our 10 largest global exposures to corporate bonds by fair value at June 30, 2020:

| (in millions of U.S. dollars) | Fair Value |
|---|---|
| Wells Fargo & Co | $ 765 |
| Bank of America Corp | 656 |
| JP Morgan Chase & Co | 639 |
| Comcast Corp | 485 |
| Morgan Stanley | 451 |
| Citigroup Inc | 440 |
| HSBC Holdings Plc | 406 |
| Verizon Communications Inc | 393 |
| AT&T Inc | 378 |
| Goldman Sachs Group Inc | 351 |

**Mortgage-backed securities**

The following table shows the fair value and amortized cost, net of valuation allowance, of our mortgage-backed securities:

| | S&P Credit Rating | | | | | Fair Value | Amortized Cost, Net |
|---|---|---|---|---|---|---|---|
| June 30, 2020<br>(in millions of U.S. dollars) | AAA | AA | A | BBB | BB and below | Total | Total |
| Agency residential mortgage-backed (RMBS) | $ 127 | $ 16,748 | $ — | $ — | $ — | $ 16,875 | $ 15,825 |
| Non-agency RMBS | 155 | 34 | 73 | 13 | 9 | 284 | 283 |
| Commercial mortgage-backed | 2,935 | 287 | 135 | 11 | 2 | 3,370 | 3,245 |
| Total mortgage-backed securities | $ 3,217 | $ 17,069 | $ 208 | $ 24 | $ 11 | $ 20,529 | $ 19,353 |

**Municipal**
As part of our overall investment strategy, we may invest in states, municipalities, and other political subdivisions fixed maturity securities (Municipal). We apply the same investment selection process described previously to our Municipal investments. The portfolio is highly diversified primarily in state general obligation bonds and essential service revenue bonds including education and utilities (water, power, and sewers).

**Non-U.S.**
Our exposure to the Euro results primarily from Chubb European Group SE which is headquartered in France and offers a broad range of coverages throughout the European Union, Central, and Eastern Europe. Chubb primarily invests in Euro denominated investments to support its local currency insurance obligations and required capital levels. Chubb's local currency investment portfolios have strict contractual investment guidelines requiring managers to maintain a high quality and diversified portfolio to both sector and individual issuers. Investment portfolios are monitored daily to ensure investment manager compliance with portfolio guidelines.

Our non-U.S. investment grade fixed income portfolios are currency-matched with the insurance liabilities of our non-U.S. operations. The average credit quality of our non-U.S. fixed income securities is A and 48 percent of our holdings are rated AAA or guaranteed by governments or quasi-government agencies. Within the context of these investment portfolios, our government and corporate bond holdings are highly diversified across industries and geographies. Issuer limits are based on credit rating (AA—two percent, A—one percent, BBB—0.5 percent of the total portfolio) and are monitored daily via an internal compliance system. We manage our indirect exposure using the same credit rating based investment approach. Accordingly, we do not believe our indirect exposure is material.

The following table summarizes the fair value and amortized cost, net of valuation allowance, of our non-U.S. fixed income portfolio by country/sovereign for non-U.S. government securities at June 30, 2020:

| (in millions of U.S. dollars) | Fair Value | Amortized Cost, Net |
|---|---|---|
| Republic of Korea | $ 1,082 | $ 954 |
| Canada | 876 | 831 |
| United Kingdom | 872 | 832 |
| Province of Ontario | 659 | 618 |
| Kingdom of Thailand | 616 | 527 |
| Federative Republic of Brazil | 569 | 550 |
| Province of Quebec | 525 | 487 |
| United Mexican States | 431 | 411 |
| Commonwealth of Australia | 402 | 351 |
| Socialist Republic of Vietnam | 373 | 264 |
| Other Non-U.S. Government Securities | 5,335 | 5,076 |
| Total | $ 11,740 | $ 10,901 |

The following table summarizes the fair value and amortized cost, net of valuation allowance, of our non-U.S. fixed income portfolio by country/sovereign for non-U.S. corporate securities at June 30, 2020:

| (in millions of U.S. dollars) | Fair Value | Amortized Cost, Net |
|---|---|---|
| United Kingdom | $ 2,265 | $ 2,171 |
| Canada | 1,807 | 1,739 |
| France | 1,149 | 1,097 |
| United States [1] | 1,047 | 1,026 |
| Australia | 875 | 834 |
| Netherlands | 625 | 595 |
| Japan | 606 | 583 |
| Germany | 538 | 518 |
| Switzerland | 536 | 498 |
| China | 430 | 412 |
| Other Non-U.S. Corporate Securities | 4,359 | 4,249 |
| Total | $ 14,237 | $ 13,722 |

[1] The countries that are listed in the non-U.S. corporate fixed income portfolio above represent the ultimate parent company's country of risk. Non-U.S. corporate securities could be issued by foreign subsidiaries of U.S. corporations.

**Below-investment grade corporate fixed income portfolio**

Below-investment grade securities have different characteristics than investment grade corporate debt securities. Risk of loss from default by the borrower is greater with below-investment grade securities. Below-investment grade securities are generally unsecured and are often subordinated to other creditors of the issuer. Also, issuers of below-investment grade securities usually have higher levels of debt and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than investment grade issuers. At June 30, 2020, our corporate fixed income investment portfolio included below-investment grade and non-rated securities which, in total, comprised approximately 14 percent of our fixed income portfolio. Our below-investment grade and non-rated portfolio includes over 1,300 issuers, with the greatest single exposure being $162 million.

We manage high-yield bonds as a distinct and separate asset class from investment grade bonds. The allocation to high-yield bonds is explicitly set by internal management and is targeted to securities in the upper tier of credit quality (BB/B). Our minimum rating for initial purchase is BB/B. Fourteen external investment managers are responsible for high-yield security selection and portfolio construction. Our high-yield managers have a conservative approach to credit selection and very low historical default experience. Holdings are highly diversified across industries and generally subject to a 1.5 percent issuer limit

as a percentage of high-yield allocation. We monitor position limits daily through an internal compliance system. Derivative and structured securities (e.g., credit default swaps and collateralized loan obligations) are not permitted in the high-yield portfolio.

## Critical Accounting Estimates

As of June 30, 2020, there were no material changes to our critical accounting estimates. For a full discussion of our critical accounting estimates, refer to Item 7 in our 2019 Form 10-K.

**Unpaid losses and loss expenses**

As an insurance and reinsurance company, we are required by applicable laws and regulations and GAAP to establish loss and loss expense reserves for the estimated unpaid portion of the ultimate liability for losses and loss expenses under the terms of our policies and agreements with our insured and reinsured customers. With the exception of certain structured settlements, for which the timing and amount of future claim payments are reliably determinable, and certain reserves for unsettled claims, our loss reserves are not discounted for the time value of money.

The following table presents a roll-forward of our unpaid losses and loss expenses:

| (in millions of U.S. dollars) | Gross Losses | Reinsurance Recoverable [1] | Net Losses |
|---|---|---|---|
| Balance at December 31, 2019 | $ 62,690 | $ 14,181 | $ 48,509 |
| Losses and loss expenses incurred | 13,394 | 2,332 | 11,062 |
| Losses and loss expenses paid | (10,219) | (2,114) | (8,105) |
| Other (including foreign exchange translation) | (166) | (38) | (128) |
| Balance at June 30, 2020 | **$ 65,699** | **$ 14,361** | **$ 51,338** |

[1] Net of valuation allowance for uncollectible reinsurance.

The estimate of the liabilities includes provisions for claims that have been reported but are unpaid at the balance sheet date (case reserves) and for obligations on claims that have been incurred but not reported (IBNR) at the balance sheet date. IBNR may also include provisions to account for the possibility that reported claims may settle for amounts that differ from the established case reserves. Loss reserves also include an estimate of expenses associated with processing and settling unpaid claims (loss expenses).

Refer to Note 6 to the Consolidated Financial Statements for a discussion on the changes in the loss reserves.

**Asbestos and Environmental (A&E)**

There was no significant A&E reserve activity during the three and six months ended June 30, 2020. A&E reserves are included in Corporate. Refer to our 2019 Form 10-K for further information on our A&E exposures.

**Fair value measurements**

Accounting guidance defines fair value as the price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants and establishes a three-level valuation hierarchy based on the reliability of the inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1 inputs) and the lowest priority to unobservable data (Level 3 inputs). Level 2 includes inputs, other than quoted prices within Level 1, that are observable for assets or liabilities either directly or indirectly. Refer to Note 4 to the Consolidated Financial Statements for information on our fair value measurements.

**Catastrophe management**

We actively monitor and manage our catastrophe risk accumulation around the world such as setting risk limits based on probable maximum loss (PML) and purchasing catastrophe reinsurance. The table below presents our modeled pre-tax estimates of natural catastrophe PML, net of reinsurance, at June 30, 2020, for Worldwide, U.S. hurricane and California earthquake events, based on our in-force portfolio at April 1, 2020 and reflecting the April 1, 2020 reinsurance program (see Natural Catastrophe Property Reinsurance Program section) as well as inuring reinsurance protection coverages. According to the model, for the 1-in-100 return period scenario, there is a one percent chance that our pre-tax annual aggregate losses incurred in any year from U.S. hurricane events could be in excess of $2,694 million (or 4.9 percent of our total shareholders' equity at June 30, 2020). These estimates assume that reinsurance recoverable is fully collectible.

| | Modeled Net Probable Maximum Loss (PML) Pre-tax | | | | | |
|---|---|---|---|---|---|---|
| | Worldwide [1] | | U.S. Hurricane [2] | | California Earthquake [3] | |
| | Annual Aggregate | | Annual Aggregate | | Single Occurrence | |
| (in millions of U.S. dollars, except for percentages) | **Chubb** | **% of Total Shareholders' Equity** | **Chubb** | **% of Total Shareholders' Equity** | **Chubb** | **% of Total Shareholders' Equity** |
| 1-in-10 | $ 1,858 | 3.4 % | $ 1,084 | 2.0 % | $ 133 | 0.2 % |
| 1-in-100 | $ 3,866 | 7.1 % | $ 2,694 | 4.9 % | $ 1,306 | 2.4 % |
| 1-in-250 | $ 6,439 | 11.8 % | $ 4,869 | 8.9 % | $ 1,485 | 2.7 % |

(1) Worldwide losses are comprised of losses arising only from hurricanes, typhoons, convective storms and earthquakes and do not include "non-modeled" perils such as wildfire and flood.

(2) U.S. Hurricane losses include losses from wind and storm-surge and exclude rainfall.

(3) California earthquakes include fire-following perils.

The above estimates of Chubb's loss profile are inherently uncertain for many reasons, including the following:

- While the use of third-party catastrophe modeling packages to simulate potential hurricane and earthquake losses is prevalent within the insurance industry, the models are reliant upon significant meteorology, seismology, and engineering assumptions to estimate catastrophe losses. In particular, modeled catastrophe events are not always a representation of actual events and ensuing additional loss potential;
- There is no universal standard in the preparation of insured data for use in the models, the running of the modeling software and interpretation of loss output. These loss estimates do not represent our potential maximum exposures and it is highly likely that our actual incurred losses would vary materially from the modeled estimates; and
- The potential effects of climate change add to modeling complexity.

**Natural Catastrophe Property Reinsurance Program**

Chubb's core property catastrophe reinsurance program provides protection against natural catastrophes impacting its primary property operations (i.e., excluding our Global Reinsurance and Life Insurance segments).

We regularly review our reinsurance protection and corresponding property catastrophe exposures. This may or may not lead to the purchase of additional reinsurance prior to a program's renewal date. In addition, prior to each renewal date, we consider how much, if any, coverage we intend to buy and we may make material changes to the current structure in light of various factors, including modeled PML assessment at various return periods, reinsurance pricing, our risk tolerance and exposures, and various other structuring considerations.

Chubb renewed its Global Property Catastrophe Reinsurance Program for our North American and International operations effective April 1, 2020 through March 31, 2021, with no material changes in coverage from the expiring program. The program consists of three layers in excess of losses retained by Chubb on a per occurrence basis. In addition, Chubb also renewed its terrorism coverage (excluding nuclear, biological, chemical and radiation coverage, with an inclusion of coverage for biological and chemical coverage for personal lines) for the United States from April 1, 2020 through March 31, 2021 with the same limits and retention and percentage placed except that the majority of terrorism coverage is on an aggregate basis above our retentions without a reinstatement.

| Loss Location | Layer of Loss | Comments | Notes |
|---|---|---|---|
| United States (excluding Alaska and Hawaii) | $0 million – $1.0 billion | Losses retained by Chubb | (a) |
| United States (excluding Alaska and Hawaii) | $1.0 billion – $1.15 billion | All natural perils and terrorism | (b) |
| United States (excluding Alaska and Hawaii) | $1.15 billion – $2.15 billion | All natural perils and terrorism | (c) |
| United States (excluding Alaska and Hawaii) | $2.15 billion – $3.5 billion | All natural perils and terrorism | (d) |
| International (including Alaska and Hawaii) | $0 million – $175 million | Losses retained by Chubb | (a) |
| International (including Alaska and Hawaii) | $175 million – $1.175 billion | All natural perils and terrorism | (c) |
| Alaska, Hawaii, and Canada | $1.175 billion – $2.525 billion | All natural perils and terrorism | (d) |

(a) Ultimate retention will depend upon the nature of the loss and the interplay between the underlying per risk programs and certain other catastrophe programs purchased by individual business units. These other catastrophe programs have the potential to reduce our effective retention below the stated levels.

(b) These coverages are partially placed with Reinsurers.

(c) These coverages are both part of the same Second layer within the Global Catastrophe Program and are fully placed with Reinsurers.

(d) These coverages are both part of the same Third layer within the Global Catastrophe Program and are fully placed with Reinsurers.

## Liquidity

We anticipate that positive cash flows from operations (underwriting activities and investment income) should be sufficient to cover cash outflows under most loss scenarios for the near term. In addition to cash from operations, routine sales of investments, and financing arrangements, we have agreements with a third-party bank provider which implemented two international multi-currency notional cash pooling programs to enhance cash management efficiency during periods of short-term timing mismatches between expected inflows and outflows of cash by currency. The programs allow us to optimize investment income by avoiding portfolio disruption. Should the need arise, we generally have access to capital markets and to credit facilities with letter of credit capacity of $4.0 billion with a sub-limit of $1.9 billion for revolving credit. At June 30, 2020, our usage under these facilities was $2.0 billion in letters of credit. Our access to credit under these facilities is dependent on the ability of the banks that are a party to the facilities to meet their funding commitments. The facilities require that we maintain certain financial covenants, all of which we met at June 30, 2020. Should the existing credit providers on these facilities experience financial difficulty, we may be required to replace credit sources, possibly in a difficult market. If we cannot obtain adequate capital or sources of credit on favorable terms, on a timely basis, or at all, our business, operating results, and financial condition could be adversely affected. To date, we have not experienced difficulty accessing our credit facilities.

The payment of dividends or other statutorily permissible distributions from our operating companies are subject to the laws and regulations applicable to each jurisdiction, as well as the need to maintain capital levels adequate to support the insurance and reinsurance operations, including financial strength ratings issued by independent rating agencies. During the six months ended June 30, 2020, we were able to meet all our obligations, including the payments of dividends on our Common Shares, with our net cash flows.

We assess which subsidiaries to draw dividends from based on a number of factors. Considerations such as regulatory and legal restrictions as well as the subsidiary's financial condition are paramount to the dividend decision. Chubb Limited received dividends of nil and $200 million from its Bermuda subsidiaries during the six months ended June 30, 2020 and 2019, respectively. Chubb Limited also received dividends of $844 million from a Swiss subsidiary during the six months ended June 30, 2020.

The payment of any dividends from CGM or its subsidiaries is subject to applicable U.K. insurance laws and regulations. In addition, the release of funds by Syndicate 2488 to subsidiaries of CGM is subject to regulations promulgated by the Society of Lloyd's. The U.S. insurance subsidiaries of Chubb INA Holdings Inc. (Chubb INA) may pay dividends, without prior regulatory approval, subject to restrictions set out in state law of the subsidiary's domicile (or, if applicable, commercial domicile). Chubb INA's international subsidiaries are also subject to insurance laws and regulations particular to the countries in which the subsidiaries operate. These laws and regulations sometimes include restrictions that limit the amount of dividends payable without prior approval of regulatory insurance authorities. Chubb Limited received no dividends from CGM or Chubb INA during the six months ended June 30, 2020 and 2019. Debt issued by Chubb INA is serviced by statutorily permissible distributions by Chubb INA's insurance subsidiaries to Chubb INA as well as other group resources. Chubb INA received dividends of nil and $1.7 billion from its subsidiaries during the six months ended June 30, 2020 and 2019, respectively.

### Cash Flows

Our sources of liquidity include cash from operations, routine sales of investments, and financing arrangements. The following is a discussion of our cash flows for the six months ended June 30, 2020 and 2019.

Operating cash flows were $3.7 billion in the six months ended June 30, 2020, compared to $2.7 billion in the prior year period, an increase of $989 million, principally reflecting higher underwriting cash flows primarily due to higher premiums collected.

Cash used for investing was $2.7 billion in the six months ended June 30, 2020, compared to $2.3 billion in the prior year period. The current year included a $1.55 billion deposit for the purchase of an additional 22.4 percent ownership in Huatai Group, while the prior year included the purchase of an additional 6.2 percent ownership interest in Huatai Group for $329 million. In addition, the current year had cash used of $993 million for net investments purchased, excluding short-term, and derivative settlements, compared to cash used of $657 million in the prior year.

Cash used for financing was $898 million in the six months ended June 30, 2020, compared to $431 million in the prior year period and was principally comprised of share repurchases and dividends paid on Common Shares. Share repurchases were

$408 million lower in the current year due to the suspension of share repurchases in April 2020. In addition, the prior year included $789 million of net proceeds from the issuance of long-term debt (net of repayments).

Both internal and external forces influence our financial condition, results of operations, and cash flows. Claim settlements, premium levels, and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to us, and the settlement of the liability for that loss.

We use repurchase agreements as a funding alternative. At June 30, 2020, there were $1.4 billion in repurchase agreements outstanding with various maturities over the next eight months.

**Capital Resources**

Capital resources consist of funds deployed or available to be deployed to support our business operations.

| (in millions of U.S. dollars, except for ratios) | June 30 2020 | December 31 2019 |
|---|---|---|
| Short-term debt | **$ 1,300** | $ 1,299 |
| Long-term debt | **13,656** | 13,559 |
| Total financial debt | **14,956** | 14,858 |
| Trust preferred securities | **308** | 308 |
| Total shareholders' equity | **54,760** | 55,331 |
| Total capitalization | **$ 70,024** | $ 70,497 |
| Ratio of financial debt to total capitalization | **21.4 %** | 21.1 % |
| Ratio of financial debt plus trust preferred securities to total capitalization | **21.8 %** | 21.5 % |

Repurchase agreements are excluded from the table above and are disclosed separately from short-term debt in the Consolidated balance sheets. The repurchase agreements are collateralized borrowings where we maintain the right and ability to redeem the collateral on short notice, unlike short-term debt which comprises the current maturities of our long-term debt instruments.

For the six months ended June 30, 2020, we repurchased $326 million of Common Shares in a series of open market transactions under the Board of Directors (Board) share repurchase authorization. At June 30, 2020, there were 28,423,841 Common Shares in treasury with a weighted average cost of $136.01 per share, and $1.12 billion in share repurchase authorization remained through December 31, 2020. On April 22, 2020, we announced that given the current economic environment and to preserve capital for both risk and opportunity, we had suspended share repurchases. Share repurchases may be resumed at any time, at management's discretion. We did not engage in any share repurchase activity during the three months ended June 30, 2020.

We generally maintain the ability to issue certain classes of debt and equity securities via an unlimited Securities and Exchange Commission (SEC) shelf registration which is renewed every three years. This allows us capital market access for refinancing as well as for unforeseen or opportunistic capital needs.

**Dividends**

We have paid dividends each quarter since we became a public company in 1993. Under Swiss law, dividends must be stated in Swiss francs though dividend payments are made by Chubb in U.S. dollars. Refer to Note 8 to the Consolidated Financial Statements for a discussion of our dividend methodology.

At our May 2020 annual general meeting, our shareholders approved an annual dividend for the following year of up to $3.12 per share, or CHF 3.01 per share, calculated using the USD/CHF exchange rate as published in the Wall Street Journal on May 20, 2020, expected to be paid in four quarterly installments of $0.78 per share after the general meeting by way of a distribution from capital contribution reserves, transferred to free reserves for payment. The Board determines the record and payment dates at which the annual dividend may be paid until the date of the 2021 annual general meeting, and is authorized to abstain from distributing a dividend at its discretion. The annual dividend approved in May 2020 represented an $0.12 per share increase ($0.03 per quarter) over the prior year dividend.

The following table represents dividends paid per Common Share to shareholders of record on each of the following dates:

| Shareholders of record as of: | Dividends paid as of: | |
|---|---|---|
| December 20, 2019 | January 10, 2020 | $0.75 (CHF 0.74) |
| March 20, 2020 | April 10, 2020 | $0.75 (CHF 0.72) |
| June 19, 2020 | July 10, 2020 | $0.78 (CHF 0.75) |

## ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to Item 7A included in our 2019 Form 10-K.

**Foreign currency management**
As a global company, Chubb entities transact business in multiple currencies. Our policy is to generally match assets, liabilities and required capital for each individual jurisdiction in local currency, which would include the use of derivatives. We do not hedge our net asset non-U.S. dollar capital positions. We occasionally engage in hedging activity for planned cross border transactions. For an estimated impact of foreign currency movement on our net assets denominated in non-U.S. currencies, refer to Item 7A in our 2019 Form 10-K. This information will be updated and disclosed in interim filings if our net assets in non-U.S. currencies change materially from the December 31, 2019 balances disclosed in the 2019 Form 10-K.

**Reinsurance of GMDB and GLB guarantees**
Chubb views its variable annuity reinsurance business as having a similar risk profile to that of catastrophe reinsurance with the probability of long-term economic loss relatively small, at the time of pricing. Adverse changes in market factors and policyholder behavior will have an impact on both Life Insurance underwriting income and net income. When evaluating these risks, we expect to be compensated for taking both the risk of a cumulative long-term economic net loss, as well as the short-term accounting variations caused by these market movements. Therefore, we evaluate this business in terms of its long-term economic risk and reward.

Net income is directly impacted by changes in benefit reserves calculated in connection with reinsurance of variable annuity guarantees. In addition, net income is directly impacted by changes in the fair value of the GLB liability (FVL), which is classified as a derivative for accounting purposes. The FVL established for a GLB reinsurance contract represents the difference between the fair value of the contract and the benefit reserves. Benefit reserves and FVL calculations are directly affected by market factors, including equity levels, interest rate levels, credit risk, and implied volatilities, as well as policyholder behaviors, such as annuitization and lapse rates, and policyholder mortality.

The tables below are estimates of the sensitivities to instantaneous changes in economic inputs (e.g., equity shock, interest rate shock etc.) or actuarial assumptions at June 30, 2020 of the FVL and of the fair value of specific derivative instruments held (hedge value) to partially offset the risk in the variable annuity guarantee reinsurance portfolio. The following assumptions should be considered when using the below tables:

- No changes to the benefit ratio used to establish benefit reserves at June 30, 2020.
- Equity shocks impact all global equity markets equally
  - Our liabilities are sensitive to global equity markets in the following proportions: 75 percent—85 percent U.S. equity, and 15 percent—25 percent international equity.
  - Our current hedge portfolio is sensitive only to U.S. equity markets.
  - We would suggest using the S&P 500 index as a proxy for U.S. equity, and the MSCI EAFE index as a proxy for international equity.

- Interest rate shocks assume a parallel shift in the U.S. yield curve
  - Our liabilities are also sensitive to global interest rates at various points on the yield curve, mainly the U.S. Treasury curve in the following proportions: 5 percent—15 percent short-term rates (maturing in less than 5 years), 25 percent—35 percent medium-term rates (maturing between 5 years and 10 years, inclusive), and 55 percent—65 percent long-term rates (maturing beyond 10 years).
  - A change in AA-rated credit spreads impacts the rate used to discount cash flows in the fair value model. AA-rated credit spreads are a proxy for both our own credit spreads and the credit spreads of the ceding insurers.

- The hedge sensitivity is from June 30, 2020 market levels and only applicable to the equity and interest rate sensitivities table below.

- The sensitivities are not directly additive because changes in one factor will affect the sensitivity to changes in other factors. The sensitivities do not scale linearly and may be proportionally greater for larger movements in the market factors. The sensitivities may also vary due to foreign exchange rate fluctuations. The calculation of the FVL is based on internal models that include assumptions regarding future policyholder behavior, including lapse, annuitization, and asset allocation. These assumptions impact both the absolute level of the FVL as well as the sensitivities to changes in market factors shown below. Actual sensitivity of our net income may differ from those disclosed in the tables below due to differences between short-term market movements and management judgment regarding the long-term assumptions implicit in our benefit ratios.

- In addition, the tables below do not reflect the expected quarterly run rate of net income generated by the variable annuity guarantee reinsurance portfolio if markets remain unchanged during the period. All else equal, if markets remain unchanged during the period, the Gross FVL will increase, resulting in a realized loss. This realized loss occurs primarily because the guarantees provided in the underlying contracts continue to become more valuable even when markets remain unchanged. We refer to this increase in Gross FVL as “timing effect”. The unfavorable impact of timing effect on our Gross FVL in a quarter is not reflected in the sensitivity tables below. For this reason, when using the tables below to estimate the sensitivity of Gross FVL in the third quarter of 2020 to various changes, it is necessary to assume an additional $5 million to $45 million increase in Gross FVL and realized losses. The impact to Net income is partially mitigated because this realized loss is partially offset by the positive quarterly run rate of Life Insurance underwriting income generated by the variable annuity guarantee reinsurance portfolio if markets remain unchanged during the period. Note that both the timing effect and the quarterly run rate of Life Insurance underwriting income change over time as the book ages.

**Sensitivities to equity and interest rate movements**

| (in millions of U.S. dollars) | | Worldwide Equity Shock | | | | | |
|---|---|---|---|---|---|---|---|
| Interest Rate Shock | | +10% | Flat | -10% | -20% | -30% | -40% |
| **+100 bps** | (Increase)/decrease in Gross FVL | $ 404 | $ 252 | $ 78 | $ (117) | $ (334) | $ (571) |
| | Increase/(decrease) in hedge value | (60) | — | 60 | 120 | 179 | 239 |
| | Increase/(decrease) in net income | $ 344 | $ 252 | $ 138 | $ 3 | $ (155) | $ (332) |
| **Flat** | (Increase)/decrease in Gross FVL | $ 166 | $ — | $ (187) | $ (394) | $ (622) | $ (862) |
| | Increase/(decrease) in hedge value | (60) | — | 60 | 120 | 179 | 239 |
| | Increase/(decrease) in net income | $ 106 | $ — | $ (127) | $ (274) | $ (443) | $ (623) |
| **-100 bps** | (Increase)/decrease in Gross FVL | $ (49) | $ (227) | $ (424) | $ (644) | $ (879) | $ (1,133) |
| | Increase/(decrease) in hedge value | (60) | — | 60 | 120 | 179 | 239 |
| | Increase/(decrease) in net income | $ (109) | $ (227) | $ (364) | $ (524) | $ (700) | $ (894) |

| **Sensitivities to Other Economic Variables** | AA-rated Credit Spreads | | Interest Rate Volatility | | Equity Volatility | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | +100 bps | -100 bps | +2% | -2% | +2% | -2% |
| (Increase)/decrease in Gross FVL | $ 90 | $ (99) | $ — | $ — | $ (7) | $ 7 |
| Increase/(decrease) in net income | $ 90 | $ (99) | $ — | $ — | $ (7) | $ 7 |

**Sensitivities to Actuarial Assumptions**

| | Mortality | | | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | +20% | +10% | -10% | -20% |
| (Increase)/decrease in Gross FVL | $ 22 | $ 11 | $ (11) | $ (22) |
| Increase/(decrease) in net income | $ 22 | $ 11 | $ (11) | $ (22) |

| | Lapses | | | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | +50% | +25% | -25% | -50% |
| (Increase)/decrease in Gross FVL | $ 134 | $ 70 | $ (75) | $ (157) |
| Increase/(decrease) in net income | $ 134 | $ 70 | $ (75) | $ (157) |

| | Annuitization | | | |
|---|---|---|---|---|
| (in millions of U.S. dollars) | +50% | +25% | -25% | -50% |
| (Increase)/decrease in Gross FVL | $ (621) | $ (331) | $ 382 | $ 817 |
| Increase/(decrease) in net income | $ (621) | $ (331) | $ 382 | $ 817 |

**Variable Annuity Net Amount at Risk**

All our VA reinsurance treaties include annual or aggregate claim limits and many include an aggregate deductible which limit the net amount at risk under these programs. The tables below present the net amount at risk at June 30, 2020 following an immediate change in equity market levels, assuming all global equity markets are impacted equally.

**a) Reinsurance covering the GMDB risk only**

| | Equity Shock | | | | | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | +20 % | Flat | -20% | -40% | -60% | -80% |
| GMDB net amount at risk | $ 262 | $ 277 | $ 520 | $ 808 | $ 781 | $ 657 |
| Claims at 100% immediate mortality | 164 | 182 | 173 | 158 | 141 | 125 |

The treaty claim limits function as a ceiling as equity markets fall. As the shocks in the table above become incrementally more negative, the impact on the NAR and claims at 100 percent mortality begin to drop due to the specific nature of these claim limits, many of which are annual claim limits calculated as a percentage of the reinsured account value. There is also some

impact due to a small portion of the GMDB reinsurance under which claims are positively correlated to equity markets (claims decrease as equity markets fall).

**b) Reinsurance covering the GLB risk only**

| | Equity Shock | | | | | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | +20 % | Flat | -20% | -40% | -60% | -80% |
| GLB net amount at risk | $ 1,192 | $ 1,678 | $ 2,211 | $ 2,714 | $ 3,091 | $ 3,375 |

The treaty claim limits cause the net amount at risk to increase at a declining rate as equity markets fall.

**c) Reinsurance covering both the GMDB and GLB risks on the same underlying policyholders**

| | Equity Shock | | | | | |
|---|---|---|---|---|---|---|
| (in millions of U.S. dollars) | +20 % | Flat | -20% | -40% | -60% | -80% |
| GMDB net amount at risk | $ 45 | $ 53 | $ 64 | $ 75 | $ 84 | $ 92 |
| GLB net amount at risk | 402 | 518 | 656 | 806 | 956 | 1,004 |
| Claims at 100% immediate mortality | 35 | 34 | 34 | 34 | 34 | 34 |

The treaty limits control the increase in the GMDB net amount at risk as equity markets fall. The GMDB net amount at risk continues to grow as equity markets fall because most of these reinsurance treaties do not have annual claim limits calculated as a percentage of the underlying account value. The treaty limits cause the GLB net amount at risk to increase at a declining rate as equity markets fall.

## ITEM 4. Controls and Procedures

Chubb's management, with the participation of Chubb's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Chubb's disclosure controls and procedures as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 as of June 30, 2020. Based upon that evaluation, Chubb's Chief Executive Officer and Chief Financial Officer concluded that Chubb's disclosure controls and procedures are effective in allowing information required to be disclosed in reports filed under the Securities Exchange Act of 1934 to be recorded, processed, summarized, and reported within time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to Chubb's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

On January 14, 2016, Chubb completed the acquisition of The Chubb Corporation. For the three months ended June 30, 2020, we continued to integrate the information technology environments of the two companies.

There were no other changes to Chubb's internal controls over financial reporting for the three months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, Chubb's internal controls over financial reporting.

## ITEM 1. Legal Proceedings

The information required with respect to this item is included in Note 7 g) to the Consolidated Financial Statements, which is hereby incorporated herein by reference.

## ITEM 1A. Risk Factors

There have been no material changes to the risk factors described under "Risk Factors" under Item 1A of Part I of our 2019 Form 10-K and "Risk Factors" under Item 1A of Part II of our Form 10-Q for the quarterly period ended March 31, 2020.

## ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Repurchases of Equity Securities

**Issuer's Repurchases of Equity Securities**

The following table provides information with respect to purchases by Chubb of its Common Shares during the three months ended June 30, 2020:

| Period | Total Number of Shares Purchased [1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan [2] | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plan [2] |
|---|---|---|---|---|
| April 1 through April 30 | 2,345 | $ 126.16 | — | $ 1.12 billion |
| May 1 through May 31 | 233,075 | $ 102.09 | — | $ 1.12 billion |
| June 1 through June 30 | 2,152 | $ 126.73 | — | $ 1.12 billion |
| Total | 237,572 | $ 102.55 | — | |

[1] This column represents open market share repurchases and the surrender to Chubb of Common Shares to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees and the exercising of options by employees. We did not engage in any share repurchase activity during the three months ended June 30, 2020.

[2] Refer to Note 8 to the Consolidated Financial Statements for more information on the Chubb Limited securities repurchase authorization. In November 2019, the Board authorized the repurchase of up to $1.5 billion of Chubb's Common Shares from November 21, 2019 through December 31, 2020. On April 22, 2020, we announced that given the current economic environment and to preserve capital for both risk and opportunity, we had suspended share repurchases. Share repurchases may be resumed at any time, at management's discretion. We did not engage in any share repurchase activity during the three months ended June 30, 2020.

**ITEM 6. Exhibits**

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | Filed Herewith |
|---|---|---|---|---|---|
| | | Form | Original Number | Date Filed | |
| 3.1 | Articles of Association of the Company, as amended | 8-K | 3.1 | May 20, 2020 | |
| 3.2 | Organizational Regulations of the Company, as amended | 8-K | 3.1 | November 21, 2016 | |
| 4.1 | Articles of Association of the Company, as amended | 8-K | 4.1 | May 20, 2020 | |
| 4.2 | Organizational Regulations of the Company, as amended | 8-K | 3.1 | November 21, 2016 | |
| 31.1 | Certification Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 | | | | X |
| 31.2 | Certification Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 | | | | X |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 | | | | X |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 | | | | X |
| 101.1 | The following financial information from Chubb Limited's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 formatted in Inline XBRL: (i) Consolidated Balance Sheets at June 30, 2020, and December 31, 2019; (ii) Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2020 and 2019; (iii) Consolidated Statements of Shareholders' Equity for the three and six months ended June 30, 2020 and 2019; (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019; and (v) Notes to Consolidated Financial Statements | | | | X |
| 104.1 | The Cover Page Interactive Data File formatted in Inline XBRL (The cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101.1) | | | | |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CHUBB LIMITED**

**(Registrant)**

July 31, 2020 /s/ Evan G. Greenberg

**Evan G. Greenberg**

**Chairman, President and Chief Executive Officer**

July 31, 2020 /s/ Philip V. Bancroft

**Philip V. Bancroft**

**Executive Vice President and Chief Financial Officer**