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OVERVIEW:

Company Summary

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

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Michael Zaremski *BMO Capital Markets - Analyst*

Brian Meredith *UBS - Analyst*

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

Alex Scott *Barclays - Analyst*

Robert Cox *Goldman Sachs - Analyst*

PRESENTATION

Operator

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

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

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

Thank you, and welcome to our March 31, 2025 first-quarter earnings conference call.

Our report today will contain forward-looking statements, including statements relating to company performance, pricing and business mix, growth opportunities, and economic and market conditions, which are subject to risks and uncertainties, and actual results may differ materially. Please see our recent SEC files, earnings release, and financial supplement, which are available on our website at investors.chubb.com for more information on factors that could affect these matters.

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

Now, I'd like to introduce our speakers. First, we have Evan Greenberg, Chairman and Chief Executive Officer; followed by Peter Enns, our Chief Financial Officer, and then we'll take your questions. Also with us to assist with your questions this morning are several members of our management team.

And now it's my pleasure to turn the call over to Evan.

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

Good morning. Let me begin with a few words around the external environment. There is currently a great deal of uncertainty and confusion surrounding our government's approach to trade, and it's impacting business and consumer confidence as well as our image broadening. The odds of recession have risen substantially, and higher inflation is all but certain. To what degree is an open question. We have competing priorities between our stated trade, economic and fiscal objectives, and coherence of policy has yet to emerge. I hope we can reach agreements on trade, reduce or eliminate tariffs, and reconcile our priorities quickly. Certainty and predictability are jacks to open for confidence, growth and the image of our country as a leader, a reliable partner and a place to do business.

As you saw from the numbers, we had a good first quarter considering the significant catastrophe losses we incurred from the California wildfires. In terms of revenue growth, the headline number was impacted by foreign exchange due to a strong dollar, which has since weakened substantially, and one-time premium-related items in our North American business.

We produced \$1.5 billion in core operating income, and it was down 31%, but it was supported by excellent underlying underwriting results, double-digit growth in investment income, and strong life insurance income. Total company premiums grew 5.7% in constant dollars.

Our published combined ratio was 95.7% with underwriting income of \$441 million, a notable result given \$1.6 billion of cat losses. Calendar year underwriting income was supported by a current accident year combined ratio of 82.3%, a nearly 1.5-point improvement from prior year. Excluding CATs, current accident year underwriting income was up 12%. Additionally, we had favorable prior year reserve development of \$255 million.

On the asset side, for the quarter, adjusted net investment income was \$1.7 billion, and it was up 12.7%. Our fixed income portfolio yield is 5%, and our current new money rate is averaging 5.5%. Tariffs and the federal budget deficit impact interest rates, the yield curve, spreads, asset values and the dollar in ways that are not good for our country. As a company, we are predominantly buy-and-hold fixed income investors and benefit from higher yields and, as a multinational, our revenue and income benefit from a weaker dollar. In the quarter, our alternative investments produced modestly lower-than-usual private equity distribution related income. It's a combination of simply normal volatility and financial market positions. Our annualized core operating return on tangible equity in the quarter is 13%. Peter's going to have more to say about the financial items.

As you saw, in the first quarter we announced an agreement to acquire Liberty Mutual's business in Thailand and Vietnam. The two companies offer a range of consumer and commercial P&C products with distribution through 56 branches and 2,600 brokers and agents. Both fit well with our own business. The combined operations produced about \$275 million in premiums in 2024, over 90% of which is in Thailand. For perspective, Thailand is now over \$1 billion in premium revenue for Chubb, non-life and life, and we're among the leading P&C companies in the country once the entities are merged – in fact, we'll be number four. We closed Thailand April 1 and expect to close Vietnam by early '26.

Now turning to the growth, pricing and the rate environment, P&C revenue grew 3.2% a quarter, 5% in constant dollars, with commercial up 4.6% and consumer up 6%. Adjusting for the one-time items in North America, P&C premium revenue grew over 6.5% in constant dollars. All regions of the world contributed favorably. Premiums in our Life Insurance division grew over 10%.

In terms of the commercial P&C underwriting environment, large account-related short-tail business, both admitted and E&S, is growing quite competitive. A lot more capital is chasing the business and prices are softening. We are, of course, disciplined, and we're not going to rate business below a technically adequate price. On the other hand, middle market and small commercial property, both admitted retail and non-admitted wholesale or E&S, remain much more disciplined and orderly. Rates, in fact, continue to rise and we are growing in this area. Casualty continues to firm in all areas that require rate – retail and E&S, both large account, middle-market – and, again, we're growing. Financial lines remains soft.

With that as backdrop, I want to give you some more color by division. And we'll start with North America, where premiums were up 3.4%. Growth was impacted, again, by the two one-time items I mentioned: reinstatement premiums related to the California wildfires in personal insurance, and larger-than-usual, one-off structured transactions – think loss portfolio transfers – written last year in our Major Accounts commercial division. Adjusting for both, North America was up 6.4%, including growth of 10.1% in personal insurance and 5.3% in commercial. Commercial P&C lines were up 6.4%. And financial lines were down 1.3%. Looking through those one-time items is a more representative view of our run-rate growth for North America commercial P&C.

Premiums in our very large middle market division increased almost 8%, an excellent result, with P&C up over 10%, and financial lines down about 2%. Premiums in our Major Account & Specialty division declined 1.7%. Adjusting for the one-time transactions, they were up 3.1%, 3.6% in P&C and financial lines down 1%. Major & Specialty is comprised of our E&S business, which was up 10.7%, and our Major Accounts retail business, which was down 1.3%. Overall commercial pricing for property and casualty excluding financial lines and comp was up 8.3%, with rates up 6.4%, an exposure change of 1.8%. Going a step further, property pricing was up 3.1%, with rates down 0.7%, offset by exposure change of 3.8%. For property, pricing was down 9.6% in large account business, both admitted and E&S, and up 10.2% in middle and small, again, both admitted and E&S. Casualty pricing in North America was up 13.4%, with rates up 12.6% and exposure up 0.7%. Financial lines pricing was down 3.2%, and that's all rate. In comp, primary comp pricing was flat, while large account risk management was up 7.5%.

In North America commercial, our selected loss-cost trend has declined modestly, from 6.8% in 2024 to 6.5%, with casualty running 8.9% and property 4.5%. We are mindful of a potential impact tariffs could have on short-tail lines of business and are watching closely.

On the consumer side of North America, our high-net-worth personal lines business had another very strong quarter with premium growth of 10.1% adjusted for the reinstatement premiums. New business growth was almost 20%. Premiums in our upper high-net-worth segments grew over 16%. Homeowners pricing was up 12.5% in the quarter and ahead of loss costs, which are running 8.7%.

Turning to our international general insurance operations, premiums were up 1.8%, or 6.5% in constant dollars. The dollar was considerably stronger in the first quarter versus a year ago but has substantially declined in value versus major currencies in recent weeks. In the quarter, international commercial lines grew about 7.5% and consumer was up 5%.

From a region of the world perspective, Asia and Latin America both grew 6.1% while Europe grew 5.5%, including growth of 6% on the Content. Premiums in our London wholesale business were up nearly 8%. In our international retail commercial business, P&C pricing was up 2.6%, and financial lines pricing was down 5.5%. The loss-cost trend in international retail is in fact down 80 basis points from 2024, from 5.8% to 5.0%.

Our global reinsurance business had a strong quarter with premium growth of 14%. In our international life insurance business, which is fundamentally Asia, premiums and deposits were up 15.5% in constant dollars and in Combined Insurance Company, our U.S. worksite business grew 18.6%. Our life division produced over \$290 million of pre-tax income in the quarter, up 15.7% in constant dollars.

In summary, we are in the risk business and volatility is a feature. While we were impacted by the wildfires, our underlying fundamentals are excellent, and we had a good quarter. As I observed at the beginning of the year, about 80% of our global P&C business, commercial and consumer, and our life business have very good growth prospects. In fact, when you listen as I read to you and described going across divisions, the growth rate of the various businesses, FX aside, I think that speaks to the broad nature and the 80% I'm talking about. There is a lot of opportunity, and I'm mindful that the external environment has become more uncertain. I have confidence in what we can control, and in that regard, in our ability to continue growing operating and earnings and EPS at a double-digit rate, CATs and FX notwithstanding.

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

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

Good morning. Our strong first quarter results were supported by exceptional balance sheet strength and liquidity. Book value now stands at \$65.7 billion and reached an all-time high of \$164 on a per share basis and total invested assets were \$152.3 billion. The quarter produced adjusted operating cash flow of \$2 billion, including approximately \$600 million of net loss payments for California wildfires. In the quarter, we returned \$751 million of capital to shareholders, including \$385 million in share repurchases and \$366 million in dividends. The average share price on our repurchases for the quarter was \$286.18.

Book value for the quarter was favorably impacted by unrealized market to market gains on our high-quality fixed income portfolio due to declining interest rates. Book and tangible book value per share excluding AOCI grew 0.9% and 1.6%, respectively, for the quarter. As you know, rates have since backed up.

Our core operating return on tangible equity for the quarter is 13%, while our core operating ROE for the quarter was 8.6%. The quarter included pre-tax catastrophe losses of \$1.64 billion. Excluding the California wildfires, the approximately \$170 million balance was principally weather related, split 74% U.S. and 26% internationally.

Prior period development in the quarter in our active companies was a favorable \$268 million pre-tax, with favorable development of \$313 million in short-tail lines, a mix of commercial and consumer, and unfavorable development of \$45 million in long-tail commercial lines.

Turning to investments, our A-rated portfolio produced adjusted net investment income of \$1.67 billion, which was at the lower end of our 6-month guidance and was negatively impacted by approximately \$25 million of lower-than-usual private equity distributions and realizations and \$10 million of unfavorable FX movements. The income generated from our public fixed income, private credit, and Strategic Holdings portfolios performed in line with our expectations. While the direction of financial markets remains uncertain and volatile, we expect second quarter adjusted net investment income to be at the midpoint of our previously provided 6-month guidance.

Our paid to incurred ratio for the quarter was 87%, or 86%, excluding CATs, PPD, and agriculture. Our core effective tax rate was within our previously guided range at 19.1%. We continue to expect our annual core operating effective tax rate to be in the range of 19% to 19.5%.

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

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

Thank you. And at this point, we're happy to take the questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Gregory Peters, Raymond James.

C. Gregory Peters - Raymond James - Analyst

Okay. Good morning, everyone. So Evan, in your comments, you recognize your 80% growth --

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

Sorry, Can you start again? You garbled in the beginning. We didn't get it.

C. Gregory Peters - Raymond James - Analyst

Got it. Good morning, everyone. Did you hear that? Okay. All right. So in your comments, Evan, you talked about the 80% of the business and the growth outlook. The tariffs are an issue, a potential for increasing inflationary pressures. You called out the risk of recession. And frankly, it feels like there's increasing price competition in many lines of property casualty insurance, both in North America and globally.

So with all of that, how are you thinking about the growth strategy for the company both inside and outside the U.S.?

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

Yeah, there's no change to our strategy. Our strategy is enduring. We see growth opportunities that sometimes you get more joy for the pleasure depending on market conditions, sometimes you get less. That doesn't change the opportunities. And I think as I just went through for you, it's steady with, and I'll put a point on it, from what we talked about at year end. We talked about it at investor dinners, what my shareholder letter speaks to, middle market and small business globally for us, growth opportunities. It varies. That's a big space. And we have our own unique strategies to pursue that opportunity. And it is a global opportunity again. E&S in the US, which again, frankly, is the theme of small commercial and middle market commercial. Our personal lines business in the US, our consumer business overseas. And then, of course, there are areas of large account business that continue to show good growth opportunity right now to us. And some of that is more tactical, and some of it is more strategic. Yes, property is growing. And everything I've had to say is contemplating the underwriting environment as we see it, which is not – directionally not a surprise to us. And we've been talking about it, property growing more competitive in large account, whether it's E&S or admitted. Middle market, property and small remains more disciplined that way. And casualty business is responding to loss cost environment.

And then you add all to all of it, the things we've been doing to improve Chubb in terms of our presence geographically, in terms of how we approach segments of business, in terms of industries that we have an expertise or focus on, think of climate+ right now, think of lines of business like cyber.

And then you think of our technology and what we've done that way and our use of data that allows us to access more customers, depending on geography, and to partner with different forms of distribution to reach customer segments, whether it's middle market in Asia, or it's automobile in Mexico, or frankly, it's pet insurance in the United States. And I could go on. Thank you for the question.

C. Gregory Peters - Raymond James - Analyst

Thank you for the details. I have a follow up. I was going to go in one direction, but then you brought up technology. And for us on the outside, when we ask you about technology, we'll get a couple sentence answer, but it's really hard for us to figure out what's really going on. And what's sort of maintenance technology spend versus what's game changing. In your annual report, you put a technology sort of theme on the cover. So maybe you can spend a minute and give us some additional commentary on the technology piece as part of your first answer.

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

Yeah, I understand, you're in a place where you make the comment, it's hard for you guys to figure out what's going on. I got it. And we have no intention of being more transparent than we are. I've said before, we spend over \$1 billion, it's about \$1.1 billion, \$1.2 billion on technology. Roughly half is maintenance and managing what we got 50%, 55% of it.

And the balance is development of all kinds, whether it's legacy, more what you think of as legacy modernized to provide straight through processing; whether it is technology around the use of data to improve analytics, to improve our AI capabilities to supplement what humans do or replace what humans do or improve our insight; whether it's technology that allows us to connect to both customer and distribution partners in an efficient way; whether it's technology and how it's used that speeds up our cycle times of change, we're just far up the road in this.

And technology helps to maintain what is the best expense ratio in the industry. And over time, even lower that expense ratio. So thanks a lot, Greg.

C. Gregory Peters - Raymond James - Analyst

Yeah, there was some actually some useful information in that answer. So thanks for your time.

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

There you go. I just kept it at a certain level. I can't give a roadmap to everyone else who would like one from us.

C. Gregory Peters - Raymond James - Analyst

Makes sense.

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

Thanks a lot.

Operator

Mike Zaremski, BMO Capital Markets.

Michael Zaremski - BMO Capital Markets - Analyst

Hey, thanks. Good morning. In regards to the outlook commentary you made, Evan, about continue to expect operating income, EPS to grow at a double-digit rate. And I think you were saying ex-catastrophes and FX.

I'm curious if you can come kind of give us a flavor of what you think catastrophe inflation is. I guess we can, we can obviously see in our models, CAT losses for you all and others. And I feel like Chubb's CAT loss has actually been better than expected but still elevated for the industry.

So any sense of kind of how Chubb is thinking about weather loss inflation and whether you're able to keeping up or not? Thanks.

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

Yeah, Mike, on inflation, I gave you and put out there loss cost trends that we are using, not as proxy. I don't have a crystal ball, and I cannot prognosticate where inflation actually goes from here in terms of rate and to which goods and products it's -- any increase in inflation is fundamentally tariff related.

And that's a moving target and a chaotic picture at the moment. And it's the kind of thing that we can stay on top of if we're watching early data around goods and around labor costs that have to do with physical property construction, reconstruction, infrastructure, et cetera. So that part we're keeping our eye on, but I gave you -- I gave you some sense of inflation.

On FX, we have no idea. It bounces around, it's ephemeral, the direction of travel and if policies continue is a weaker dollar. When it comes to catastrophes, well, you're asking me a crystal ball view. There is a natural volatility. Talk about it all the time that around CATs, you're never going to hit what you price for exactly, which is what the AALs are. And what you're expected is in a quarter, it's either above it, it's below it. It moves around and whether one year is going to be heavier than the year before, which for us was lighter last year and the year before that. Who knows? I don't do any hand wringing about it and we're not.

And we update, which is more important to us. We update our view around CATs by peril on an ongoing basis as data, additional data comes in and we have more insight and that allows us to ensure that the way we're pricing for risk and our accumulation appetite around CAT perils by geography are within what we'd imagine and contemplate. That's how we run the business. And volatility quarter to quarter, that's not our obsession.

Michael Zaremski - *BMO Capital Markets - Analyst*

Understood. That's helpful. I'm just switching gears quickly --

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

By the way, I gave you all that as an answer, but we don't give guidance.

Michael Zaremski - *BMO Capital Markets - Analyst*

I mean, understood as you know that we tend to look at recent CAT loads and update future CAT loads taking into the new average. So switching gears --

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

I've never found the kind of consensus, which is an aggregation of different analysts' work. I've never found it, something other than reasonably rational to make. I don't look at point estimates. I look at the trend of it in the relative neighborhood of quantum and I've never found it anything but rational.

Michael Zaremski - *BMO Capital Markets - Analyst*

Okay. I understood. I feel like maybe back in the day, there was a view of your CAT load in the proxy, but I can't remember if that was removed or still there. But I'm just switching gears real quick to I think much of our incoming from investors is focused on North America commercial, social inflation, reserve releases very strong this quarter.

Any comments on kind of the environment? I know you gave us the update on what you felt your loss cost inflation was. But any commentary on puts and takes on reserve releases or even the underlying loss ratio was excellent and improved this quarter? Thanks.

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

No, the only thing I will say for those who are obsessed simply about North America, it's a large part of our business, but it really -- it just -- it misses the story of Chubb and who we are. The global nature of the business outside of the United States is not some gray mass that just is a thing out there. It's 54 countries in vital regions of the world.

And you look at the growth and you look at the quantum and you look at the contribution to simply obsess about North America and North America loss costs, I think actually does investors a disservice, but I leave it to the -- to those to do their job as they think they ought to.

On the reserve releases, we review again a cohort of portfolios, a different cohort each quarter and update our view of development. This quarter is generally a smaller quarter on what we review on both the property and the casualty side of the business. And so there was -- this was just an amalgamation of those various long-tail lines, smaller portfolios, admitted and E&S and property is the same, physical lines are the same.

Operator

Brian Meredith, UBS.

Brian Meredith - UBS - Analyst

Hey, good morning, Evan. First question. I believe your global property CAT reinsurance program renewed on April 1. Any kind of changes that we should be thinking about there, cost retentions, et cetera?

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

No, sir.

Brian Meredith - UBS - Analyst

Okay. So fairly similar to what it is kind of laid out in the 10-K right now?

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

Exactly.

Brian Meredith - UBS - Analyst

Perfect. Thank you. And then the second question is something I've been getting from some investors. I'm just curious, how do you think about allocating capital into areas that maybe the kind of political kind of environment right now is a little more contentious or maybe more than a little more contentious, areas like China? How do you think about that right now, as far as your capital allocation decisions?

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

Well, the world is contentious I have noticed. And our capital allocation, you see that we made an acquisition of a modest nature in Southeast Asia. We'll continue leaning in that way. I think it's a metaphor for the notion that it's steady as she goes, China, U.S. aside, the balance of the world, there's always going to be a certain amount of volatility, there is. And as a multinational, you know that. We're mindful of the increased volatility that is occurring as a result of our -- in particular, our administration's approach to foreign policy and trade as it's emerging. And that keeps us mindful.

But -- and we'll be thoughtful, we'll be prudent, but our strategy is our strategy. We're not short-term investors. We're long-term investors. What we invest in a country is permanent. And we participate in the economic and social development in those countries. And that is -- whether it is the United States, or it is Thailand. We are participants in that. And where we -- and some have more volatility than others do. In a word, it's steady as it goes for us.

When it comes to China, which I think is on people's minds in particular, we're not actually investing any additional capital and haven't been for a bit of time. And I don't foresee additional capital investment in China. Our exposure is our exposure.

Brian Meredith - UBS - Analyst

Thank you.

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

And by the way, the money doesn't burn a hole in our pocket. How are we allocating capital? We're allocating it for growth in our business, where it occurs. We're allocating capital for investments. And right now, we're earning 5.5% north of that in our investment portfolio. That seems like a pretty darn good bet to me, and I'll put as much as I can into that.

Operator

David Motemaden, Evercore ISI.

David Motemaden - Evercore ISI - Analyst

Good morning. Just a question. It definitely sounds like a tale of two cities on the property side with still the small and middle market remaining healthy, but definitely some areas of competition picking up in large account and E&S.

I'm wondering if you can help me think through just your view, Evan, if you think sort of that competition that we're seeing in the large account and E&S market is sort of a sign of what's to come in the small and middle market? Or is there something structural that's different between those two different markets that we should think about where the pricing in the middle market and small market is more durable on the property side?

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

So David, it's always been structurally different. That's the point. Large account business is brokerage driven. You don't need a lot of physical presence. You need not a lot of capability as a company. You need capacity. You need some underwriters And you can participate in the capacity play of large account business. Welcome to a lot of E&S. Welcome to London open market. Welcome to large companies, companies that engage in large account business and have just a few urban locations to do it at.

Now, being the lead on those accounts, issuing the paper, managing the claims, doing the engineering, well, that starts to separate it and how you participate. But think about shared and layered large account business. It's a capacity play for most of it, up and down the chain. So you come and you put a blind down.

Middle market, small commercial insurance is widely distributed. Thousands of producers and agents, small average premiums. They typically don't buy one line from you. They buy multiple lines from you. You've got to have presence. You've got to have a lot of capability to support the development of that kind of business.

Yeah, on the fringes, there are ends of it that get boxed up by a few brokers and they bring it in a facilitated way. But the vast majority of the market is now you're talking about broad geographic reach, local reach, local capability, multi-line, claims capability, engineering capability in a broadly distributed way.

David, welcome to axiomatic.

David Motemaden - Evercore ISI - Analyst

Thank you. I appreciate that. I guess my mental model, I've always thought large account, more cyclical sort of leads the middle market by a year or so --

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

But that's right. That's why.

David Motemaden - *Evercore ISI - Analyst*

Yeah. Yeah. Okay.

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

Well, you asked the question structural. It was a good word. So I focused on the word structural.

David Motemaden - *Evercore ISI - Analyst*

Great. Thank you. And then just as a follow up, within the Overseas General business, I noticed, the Europe growth ticked up a little bit, probably too early to see any signs of any sort of fiscal spend over there resulting in an uptick in growth. But I'm wondering if how you're thinking about that, and having that exposure, how that positions you relative to the US market, given all the headwinds that you sort of called out.

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

Yeah. Are you thinking economic outlook for those regions?

David Motemaden - *Evercore ISI - Analyst*

Yeah. And economic with like the fiscal spending and what that might do to sort of boost growth over there relative to some of the potential weakness that might be coming in the U.S.

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

Yeah. We have the pleasure in the United States, and we ought to really cherish it of being the reserve currency of the world, which gives us a borrowing capability. It certainly doesn't give any other region or country of the world. And let's be careful how we abuse that, or we won't have that privilege. Others are more constrained in their ability to use fiscal stimulus.

Europe, there'll be more fiscal stimulus. it'll be both in the security and maybe in certain industries, as the Europeans are determined to stand on their own two feet, be more independent a bit. And the key is Germany and they're unlocking the door to much more fiscal, which will support economic growth.

Now, all over the world, the theme in our mind is that whatever we thought economic growth was going to be six months ago, to state the obvious, that number has come down. what it'll actually be, we don't know, and it'll vary by region. Asia will be impacted. Consumers in Asia will be impacted. Export and domestic industries will be impacted. How much is a question mark, because the fact set is not clear to us yet.

But for Chubb, it'll be steady as it goes. It means that growth could be, better, growth could be a little worse, don't know. And all of that we had in mind when I said I am confident and remain confident in our ability to grow earnings and EPS at a double-digit rate, and are thinking about what could be volatility around growth, notwithstanding that, that won't have a significant impact on it at this time.

Am I making sense to you?

David Motemaden - *Evercore ISI - Analyst*

Yeah. Yeah. Makes sense. Thank you.

Operator

Meyer Shields, KBW.

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

Great. Thanks so much. And good morning. Evan, I was hoping you could take us maybe a level deeper in the judgment behind lowering loss trends in the quarter.

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

I'm not going any deeper. I'm not going to put out more numbers than I just gave you. It's -- I think it's stands on its own and is informative, Meyer. What -- but what can I help you with? What would you like to know?

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

So I guess the question that I'm seeing a lot is that the outside that social inflation is running rampant and there's a risk of tariffs, which all those equal, I guess, would argue for a higher assumed loss trend rather than coming down a little.

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

When you measure it up against where we were, casualty, -- we're talking by the way, it's all the right side of the decimal. So let's start with that.

And on the casualty side, given the blend of business, the loss cost trend in aggregate in long-tail is up modestly, tens of basis points. And on the physical side, given the mix of business and what we see it's down tenths of points. I want to say from memory, 0.3% approximately. So, we're not talking much.

And on the physical side, look, I know what our pegs contemplate for loss cost. We're mindful of tariffs and we will see, as we go forward. At the moment, we set our pegs conservatively and therefore, we don't see a need to adjust trend.

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

Okay. That is perfect. That's exactly what I was looking for. Second unrelated question. I guess one potential impact of tariffs is that there's less demand for crops, I'm thinking of soybeans going to China. What can you do with the North American agriculture to ameliorate that impact on this year's underwriting results?

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

Yeah, right now, if I understand your question, when I look at the -- we look at the major crops, so let's take corn and soybeans. That's the majority of it. We priced the contracts, the government formula sets it, in February and you have a certain going in crop price, price insurance contracts. As you know, it's yield and price that are the exposure.

And right now, actually, corn and soybeans are within a few percentage points of the February pricing. There hadn't been much change. Beyond that, which I won't go into any detail on because it's proprietary, like reinsurance, we use hedging to protect a certain degree of volatility. And let's just say we're mindful of that tool and we know how to employ it and do it.

Operator

Alex Scott, Barclays.

Alex Scott - Barclays - Analyst

Hey, good morning. First one I had for you is on casualty. Just seeing the rate continue to accelerate, loss trend also up a little bit, is the price adequacy get into the point where that's becoming the more interesting opportunity? I'm just interested in your high-level thoughts on sort of the direction of that and how much more is needed before you'd be more interested in that as a big opportunity.

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

I'll repeat what I said, the casualty is getting rate where it needs to get rate and whether it is large account or it's in the middle market, we are growing our casualty exposure and I'm going to leave it at that.

Alex Scott - Barclays - Analyst

Okay. Second one I have for you is on the reinsurance market. I know it's not a huge business for you and you don't necessarily lean in or lean out the way that some do. But I just wanted to understand how you're viewing that business, particularly headed into sort of this renewal period and increased capacity that we're seeing in property more broadly.

What would you expect out of that market? And is that still price adequate enough to be something you want to be involved in?

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

As a buyer of reinsurance, steady as she goes. And as a seller of reinsurance, you see that we have grown this quarter. It's more property than casualty related, though we see opportunities in both.

Operator

Robert Cox, Goldman Sachs.

Robert Cox - Goldman Sachs - Analyst

Hey, thanks for taking my question. I just wanted to circle back to the tariffs. Evan, you mentioned being mindful of the impact tariffs could have on short-tail lines and it's clearly a moving target. Do you have any early sense of the magnitude of the lost trend impact? And I was also curious on how you're able to incorporate a moving target like that into your pricing strategy today, or is that still wait and see?

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

So you want to underwrite with facts, and you don't want to anticipate with conjecture unless you have clarity around your conjecture. Meaning, if you have 70% or 80% certainty, as an example, then we would take a certain view.

There is no clarity at the moment. It is a moving target. The administration has an objective to reach trade agreements for 90 days with a large number of countries. And what will that mean in terms of tariffs go forward? It's unclear.

I have a stated objective, just voiced, to have negotiations with China. Knowing China, knowing the complexity of our trade relationship, that will be a protracted discussion that would not be marked.

Demand, if tariffs remain high, will be impacted. How will that impact inflation? There's uncertainty around all of that. Now, let's get to some math. When I think about property insurance today, and I think about the current accident here, this year, keep in mind, loss ratio develops on an earned basis. So, a lot of it has already been written, it's already being earned, it's already in the can, there you go.

As you go forward, on a written basis, and as months go along, if we see a change in inflation, the markers that will in fact change inflation, we will adjust our pricing in that cohort. Go one step further, imagine on the physical side, how much comes from Mexico and Canada, as an example, as inputs, what will happen in terms of tariffs in North America, and in terms of USMCA negotiations.

So on the claim side, all of this is on our minds as we measure the change of price of goods and of labor. And all of it is on our minds as we watch negotiations that will ultimately lead to a more steady and clear environment around what will tariff levels actually be and apply to what goods. And then there's a lag time.

Robert Cox - *Goldman Sachs - Analyst*

Got it. Thank you for all those details. If I could ask a follow-up, I wanted to get a sense of your view of E&S market growth for Chubb. We've talked about more competition in E&S and property, but there's also it seems like some secular tailwinds for the E&S market. Would you expect Chubb to kind of continue to grow or grow more in the E&S market versus admitted going forward?

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

I just gave commentary that said we grew E&S at 10%. I explained the property market, the casualty market, mixed in all of that. Our discipline in underwriting and what we see as opportunity, we grew E&S [10.7%] (corrected by company after the call). I also gave a sense of 80% of our business with growth opportunity go forward. So I'm going to leave it at that.

Operator

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

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

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

Operator

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

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