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Chubb Ltd. (CB)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Jill, and I'll be your conference operator today. At this time I would like to welcome everyone to the Chubb Limited Second Quarter 2026 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

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

Susan Spivak

Senior Vice President-Investor Relations, Chubb Ltd.

Thank you, and welcome to our June 30, 2026, second quarter earnings conference call. Our report today will contain forward-looking statements, including statements relating to the 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. See our recent SEC filings, earnings release and financial supplement, which are all available on our website at investors.chubb.com, for more information on factors that could affect these matters. We will also refer today to non-GAAP financial measures, reconciliations of which to the most direct comparable GAAP measures and related details are provided in our earnings press release and financial supplements. 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 Chris Hogan, our Chief Investment Officer. Then we will take your questions.

Also with us today to assist with your questions are several members of our management team. And it's now my pleasure to turn the call over to Evan.

Evan G. Greenberg

Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

Good morning. We had a very strong quarter. The results speak to our strengths and competitive profile, the health of our balance sheet, the growth of our invested asset and diversification of our businesses globally with the opportunities they present, all set against our disciplined approach to underwriting. Strong P&C underwriting, investment and life income results led to core operating earnings of $2.8 billion, or $7.26 per share, up 14.6% and 18.2% respectively over the prior year. Our most important measure of shareholder wealth creation, tangible book value per share, is up 17.1% year-over-year. Our annualized core operating return on tangible equity was 21.2% for the quarter, and core operating ROE was 14.5%. P&C underwriting income was more than $1.9 billion, up almost 19%, with a combined ratio of 83.8%, on a current accident year basis excluding CATs, the combined ratio was 82.2%.

On the investment side of our business, adjusted net investment income was a record $1.88 billion, up more than 11%, supported by excellent performance in our fixed income and alternative asset portfolios. The fixed income portfolio yield was 5.1%, and our current new money rate averaged 5.5% as of June 30. Our invested asset now stands at $175 billion, up from $161 billion a year ago. Life income of $332 million was up 9%. As you know, we are well-diversified globally by geography and product, and by the type of customer we serve in both commercial and consumer businesses. And we are well diversified by distribution channel, reaching customers the way they want to buy. Our pattern of growth speaks to this. The substantial majority of our businesses are growing, with the balance flat or purposely shrinking due to inadequate pricing or terms. The most obvious and visible example of this is US large account and E&S property, where we again shed a significant volume of premium.

Property aside, the vast majority of the balance of our businesses in the US and globally are growing at various rates, some faster, some slower, market and macro conditions dependent, including personal lines, small and middle market commercial, A&H, life, and even large account business, excluding property. Peter is going to have more to say about financial items. Looking more closely at growth, pricing and the rate environment, global P&C premiums were up 3% or 6.3%, excluding large account E&S property. Overseas General grew 10.2%, or 4.8% in constant dollar. North America was up about 0.5%, with commercial down 2.3%, while personal lines and ag were up each 6%. Commercial was up 4.1%, major and specialty property again aside. For context, and observing from a broader perspective, soft market conditions have begun to spread beyond property to more casualty lines, particularly E&S, so those certain classes of large account and middle market are growing more competitive.

Pricing in numerous areas of casualty are failing to keep pace with lost costs, which are hardly benign. Keep in mind, US casualty loss costs are rising at a pretty steady 6% to 7% for primary casualty and 9.5% to 12% for excess, and that's per year and it varies by class of business as to whether it's rising 6% or 7% or 9.5% or 12%. Pricing becomes marginal or inadequate pretty quickly when you're running those kinds of loss costs. In the meantime, financial lines continues to be soft, and here we notice an unsurprising pattern, where experienced large companies are much more disciplined and rational, while naïve newer players, particularly financial lines, MGAs and smaller companies, are underwriting in prices and terms that are inadequate. In fact, of late we've observed brokers securing coverage terms from these markets that experienced underwriters discontinued 20 to 25 years ago, and for good reason.

Again, from Chubb's perspective, while all this impacts us, we are so well diversified that it has relatively an absolutely less impact overall. With that as a baseline, I'm going to give you more color on the quarter by division and region. Our International retail business, which produces more than $17 billion in gross premiums annually, operates in 51 countries, and it's about 90% of our Overseas General division, and it grew almost 12% in the quarter, or about 6% in constant dollar. Consumer-related businesses, both A&H and personal lines were up more than 12%, with commercial lines up over 11%. Latin America grew 15.6%. Asia grew 12%. Europe grew nearly 7.5%. In our London wholesale business, the market is highly competitive, and not only in property. It's worth noting that London is actively writing US casualty for the last few quarters, a movie we have seen before. The volume is growing and at rates and terms that can only end one way.

There's a reason US casualty is going to London, and it isn't due to a lack of capacity in the United States. Premiums in our London wholesale business, which is about 10% of International P&C, were down about 1% in the quarter. In North America Commercial, premiums in our middle market and small commercial division grew almost 9%, with P&C lines up 12% and financial lines down about 3%. This is a powerhouse franchise which produces more than $9.5 billion in gross premiums annually, with a vast geographic footprint and broad product capability serving small and mid-sized companies of all kinds from a wide range of industries. Premiums in major accounts and specialty, or E&S, declined 9% in the quarter because of property. In North America, pricing for commercial property and casualty excluding fin lines and comp was up 1.3%, with rates down 1.4% and exposure change of 2.7%. Property pricing was down about 6% with rates down 10.5% and exposure up 5.2%.

But going a step further, debt pricing was down 12% in shared and layered, major and specialty, for the business we wrote. Market pricing for the business we gave up or passed on was down around 40%. In middle market and small commercial, property pricing was up 2.3%. Casualty pricing in North America was up 7.1%, with rates up 6.4% and exposure up 0.7%, and fin lines pricing was up 0.3%. On the consumer side of North America, our high net worth personal lines business, the clear market leader in that category, had a really good quarter with premium growth of 6% and renewal retention on an account basis of 90%. Our North America Personal lines business is now more than $8 billion in gross premiums annually. In our international life insurance business, premiums and deposits rose almost 14.5%. The vast majority of our life exposure as you know is in Asia; and the majority of our growth is in North Asia, meaning China, Hong Kong, Korea, and Taiwan.

Premiums in our North American Chubb Worksite Benefits business were up 14%. Our Life division produced $332 million of pre-tax income in the quarter, up 9% from last year. The Life division now produces annual premiums of over $8 billion. Five years ago it was $2.5 billion. Our diversification, presence and capabilities globally, and our operating discipline provide us with continued growth opportunities and resilience. This quarter's results add to a long track record that demonstrates we are a consistent compound of wealth. We're an all-weather firm. We have many sources of opportunity on both the liability and the asset side of the balance sheet, and we are patient. CATs and FX aside, I'm confident in our ability to continue to outperform and to generate strong growth in operating earnings and EPS and, most important, double-digit intangible book value, our most important indicator of shareholder wealth.

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

Peter C. Enns

Executive Vice President-Chubb Group & Chief Financial Officer, Chubb Ltd.

Thank you, Evan, and good morning. We had another strong quarter led by our P&C divisions globally, growing life business, and strong investment performance, all of which further strengthen our financial position, including invested assets of $175 billion and $3.5 billion of adjusted operating cash flows. There are a few capital-related matters I'd like to touch on. First, we issued $2.2 billion of debt across a few currencies at a weighted average cost of 4.2% and an average term of about 7.5 years. The use of proceeds is for general corporate purposes, which includes the repayment and refinancing of debt. Secondly, in May, our board authorized a new $7.5 billion share repurchase program that took effect on July 1 with no expiration date. In the quarter, we returned $1.4 billion of capital to shareholders, including $979 million in share repurchases, at an average price of $327.18 per share and $395 million in dividends. We ended the quarter with an all-time high in book value of $75 billion or $195.45 per share.

Book and tangible book value per share excluding AOCI grew 2.8% and 3.8% respectively for the quarter and 11.4% and 15.8% from last year. Pre-tax catastrophe losses were $475 million for the quarter, principally from weather-related events in the US. Pre-tax prior-period development in the quarter in our active companies was a favorable $441 million, split 89% short tail lines and 11% long tail lines. Our corporate run-off portfolio had an adverse development of $158 million, with over two-thirds of that coming from molestation-related claims development. Our paid-to-incurred ratio for the quarter was 90% and our net loss reserves increased to nearly $69 billion, representing a growth of 4% from the second quarter last year. Excluding CATs, PPD, and agriculture, our paid-to-incurred ratio was 86%. Our core operating effective tax rate is 19.2% for the quarter, which is below our previously guided range due to shifts in the mix of income and discrete tax benefits related to equity awards and certain investments.

We continue to expect our core operating effective tax rate for the full year to be in the range of 19.5% to 20%. Turning to investments, our A-rated portfolio increased about $2.5 billion in the quarter to $173 billion and is up 14.3% or 9% over the last 12 months, supported by approximately $16 billion in adjusted operating cash flows. Adjusted net investment income of $1.88 billion was above our previously guided range, primarily due to strong growth in the invested asset base and higher than projected private equity income.

To give you a bit more color on investment income and the portfolio, I'll turn it over to our Chief Investment Officer, Chris Hogan.

Christopher Hogan

Senior Vice President-Chubb Group & Chief Investment Officer, Chubb Ltd.

Thank you, Peter. Good morning, everyone. Our public fixed income portfolio generated $1.63 billion of income in the quarter, up 12% year-over-year, and our private investments, which make up 12% of the portfolio, contributed $250 million of income, up 9.5% year-over-year. Our fixed income portfolio will continue to generate consistent and growing quarter-to-quarter income, and as we thoughtfully grow our private investments, income from that book, while more variable, will continue to trend higher over time. This is an ideal environment for investment-grade bond investors. Our reinvestment rate of 5.5% is a structurally attractive level, sitting well above the portfolio's book yield of 5.1%. The portfolio and insurance operations continue to generate excellent cash flow that we're investing at yields that both compound book value and drive significant income growth. Financial assets in many markets are expensive and priced to perfection.

At the same time, longer-term yields remain exposed to structural pressures. Rising federal deficits, corporate credit demands, persistent inflation, and the potential for foreign rotation out of US assets. These forces may lead to higher yields, wider credit spreads, and pressure on risk asset valuations. We remain disciplined and focused on risk adjusted returns, maintaining a substantial balance of high quality liquid investment grade assets and the conservative duration. This position is central to our current strategy. It will allow us to move quickly to take advantage of market dislocations as opportunities develop.

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

Susan Spivak

Senior Vice President-Investor Relations, Chubb Ltd.

Thank you. At this point, we're happy to take your questions. Operator, please open up the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] Your first question comes from the line of Matt Heimermann at Citi. Your line is open.

Matthew Heimermann
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning, everybody. A couple of questions. First question is just international life and accident and health. There was some regulatory decrees, changes in Singapore on deductibles for accident health, and then investment-related products in Hong Kong for Mainland China visitors. I'm just curious if there was any impact in the quarter or any product redesign required.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Sorry. They were playing with the buttons here for a second. Matt, can you just repeat the question itself?

Matthew Heimermann
Analyst, Citigroup Global Markets, Inc.

Q

Sure. So in Singapore there were some regulatory changes to deductible levels for accident and health products. And then in Hong Kong, obviously there was a decree related to investment products for Mainland China visitors. I'm just curious whether or not those had any material impact on flows in the quarter, if there's any need to change product design at all to address those.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

No, I'll keep that simple. No. There was no impact. We don't write that kind of accident and health that you're imagining in Singapore. Remember, we write supplemental health. We don't write traditional major medical and typical hospitalization. That's not our business. And that's what the Singapore decree that you reference was about. So no impact to us there. It's not our game. And in Hong Kong, on the flows, I think, there's an overreaction. First of all, we did not have an impact, and I don't expect an impact on Chubb going forward. I think, there was an overreaction to the government and the regulator pronouncements and actions they took. They were really around, what I'll say bad actors, those who were abusing the system and the rules that are in place that allow capital flows north to south, and allow for investment products in Hong Kong.

Matthew Heimermann
Analyst, Citigroup Global Markets, Inc.

Q

Thanks for that. And then just one follow up, taking a step back, you have got pretty sober views of market conditions, and I would say, that's a pretty consistent perspective that I think you bring to looking at the market. I guess, how, and I would say, increasingly that feels a bit different in terms of potentially perspective views on profitability from some of your other competitors. I'm curious what they see that might be different than what you're seeing, and just how you're thinking about the distribution of outcomes as it pertains to the market today.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. I'm not in the heads of others, and I don't know what they're specifically looking at. We all face the same market conditions, and we all face the same realities. And so I'm just going to – I think, it's just best, you know call it as you see it, I mean, this is what it is. And the results, people can use words, but the results speak for themselves. And I'm very confident, in spite of market conditions, which market is the market in Chubb's ability to continue to produce outstanding results and to outperform, just given our – which we've purposely built over so many years, the breadth of diversification globally and within product and commercial and consumer that really despite commercial P&C conditions gives us that leg up to outperform. So I'm going to call it as I see it, and I can't speak to what others are thinking or have to say.

Matthew Heimermann
Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Evan.

Operator: Your next question comes from the line of Meyer Shields of KBW. Your line is open.

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

Q

Great. Thanks so much, and good morning. In North America Commercial, looks like ceded premiums were up a little bit more than 20% year-over-year. Just hoping if you can give us a little color on the nature of the increasing reinsurance spend, and where we would see that in future results.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. First of all, it's a variation, just, it varies by line of business and so there's some mix involved in there. But in certain areas, we are purposely reinsuring a bit more. You could imagine that in property, you could imagine that in certain areas of fin lines, as we've said before, and of course we are. And if there's a hungry market, at times it rationally makes sense to us to feed the hungry.

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

Q

Okay. Fair enough. Second question, maybe taking a step back, you've talked a lot about the upside of diversification. Would having a much bigger base of written reinsurance premiums be of strategic benefit?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

You mean to grow our reinsurance business?

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

Q

Yeah. Either to grow it or to buy reinsurance.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

I'm sorry?

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

Q

Or to buy a bigger reinsurance platform than you currently write?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

No, it makes zero sense.

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

Q

Okay. Perfect. Thank you.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

You're welcome. I mean, I could have backed it further to you, Meyer, but I think you get it, doesn't, no, that doesn't make any sense. Our playbook goes in the other direction.

Operator: Your next question comes from the line of Bob Huang of Morgan Stanley. Your line is open.

Bob Huang
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning. My first question is on the Overseas General Insurance. If we look at the accident year loss ratio over, call it, the past five quarters, it's been improving fairly steadily. I think, part of the press release talks about business mix in that business, it's improving. Is it right to think that, as you grow the Asia and LatAm business faster than the European business, should we see like a natural improvement on accident year loss ratio, is that the right way to think about it? I'm curious to hear your thoughts on that.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. The trend of improvement that you know is a trend and it is a consequence of mix of business. Consumer, and then within commercial, and consumer is accident and health, and a variety of personal lines, from auto to specialty personal lines depending on the country we're in. And then within commercial, a greater mix shift towards mid and small than large. I think, the way though, that you think about geography is not exactly right. I would think within more of product as I said it. We're growing mid and small and parts of Europe in a meaningful way. We're growing it in Latin America, not to the same degree. You got another Latin American countries, the volatility and the CAT exposure. And we're growing in Asia, of course. And so I wouldn't think about, I agree. And you just get what I just said to you. Everything except, okay, Asia, Latin America versus Europe. I would disabuse you of that part.

Bob Huang
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Really helpful. Thank you for that. Thank you for kind of helping me. Thank you about that. My second question is on North America Personal line. Obviously, your personal line is different from everybody else's. And a lot of personal line characters are seeing pricing pressure. You're not really seeing that. Like, how durable is your rate environment in your particular part of the personal line business? Can you maybe help us think about just the industry dynamics for your specific target market?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. First of all, I think most of the discussion that you're engaged in around personal lines in the United States is general market auto. And that is – we're not active within that. And then to a degree, but a much lesser degree, general market homeowners, we are in the high net-worth business where it is far more about the richness of coverage and the services you're capable of providing and the broad range of product because this is spectrum of high net-worth customer. But the complexity of their insurance needs is the hallmark regardless of where you are in that spectrum, and your ability to underwrite it and then, yes, to price it and to manage it. And then the other part of it that is just people miss is they buy for the claims service and the richness of the claims service that you provide.

It's not a matter of did you just pay him an amount of money because they had a loss. They want to be put back in the condition they were in before the loss. Imagine an antique home, imagine a specially-designed home in a CAT-exposed area. Gets very expensive, very technical, hard to manage. Imagine the sensitivity around their liability claims; they're buying for a lot more than price. And your ability to get paid adequately, we've improved. And if you look at our loss ratio over years, it's not simply about rate increase. It's the complexity in our actual rating algorithms and our risk selection and applying rate against exposure in a far more sophisticated manner. And by the way, that's one example of use of technology and that continues to evolve and will continue to evolve. So I feel quite confident and in the future. And by the way, I am the biggest fan of this wonderful franchise that we have.

Bob Huang
Analyst, Morgan Stanley & Co. LLC

Q

Really appreciate that. Thank you very much.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

You're welcome.

Operator: Your next question comes from the line of Tracy Benguigui of Wolfe Research. Your line is open.

Tracy Benguigui
Analyst, Wolfe Research LLC

Q

Thank you. Good morning. It feels like there's a lower barrier of entry in a way for large accounts since London insurers are getting into US casualty, MGAs are disrupting property. So maybe a higher barrier for small to middle market in a way where small commercial you really need a strong field operation setup. Is it fair to say that's something you inherited from legacy Chubb? And since you had such remarkable growth in small to middle market this quarter, can you touch on the strength of your field operations, or if I'm onto something regarding that competitive moat?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Thank you. And, Tracy, thanks for the question. Inherited from legacy Chubb. When we put ACE and Chubb together, which is about 11 years ago now, it was putting together, in essence, a brokerage, large account specialty player – and I'm restricting that to the United States because it was a global player and with large accident and health and growing personal lines – with an agency-based middle market, small, much less small but middle market and specialty and high net-worth player, US-dominated. And the ability to put those two together, agency and brokerage, very different cultures, together under one roof and have one unified strategy and one benefit from the other, which each brought skills to the table, that was the thesis. And frankly, I think it's proven just to be a wonderful combination and what a powerhouse franchise.

And mid and small – and we've grown small, have benefited significantly from that, broadening the product capability of that agency business, broadening our appetite and our ambition to move into small commercial and lower middle market, mixing of skills of people between the two, that has just burnished that franchise, our branch operations and the reach that you reference. But along with technology, as it takes hold and emerges it allows us to reach in a cost-effective way the broadest range of distribution. Not just the very large players in distribution who are our important partners, but all forms of distribution, small brokers and agents and to do it effectively. Our own in-house wholesaler that can serve us on their behalf, all that is coming to play.

And then with technology, our ability, and one of the hallmarks of Chubb, which we are the pioneers of it, is industry practices where we actually, in the middle market, delivered discrete product, discrete coverages that are tailored to actually the needs of very specific industries. It's not some marketing gimmick. And where people are trained to be expert in that area, where engineering is trained to be expert in that area, and to focus on those industries along with product, along with the distribution reach, that's what creates this unique powerhouse in mid and small. And there are only a few of us who have that capability.

Tracy Benguigui
Analyst, Wolfe Research LLC

Q

Excellent. Can you also unpack your comments a bit more on soft market conditions spreading to certain areas of casualty? That's my own observation. It feels like hard pricing really is a commercial auto story as excess casualty also includes auto. Do you share that view?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

I'm not sure I understood the last part of what you just said. You said, comment on casualty and then you said something about hard market and auto.

Tracy Benguigui
Analyst, Wolfe Research LLC

Q

Yeah. Okay. Sorry. Let me just rephrase. So the areas that we're seeing the most hardening on casualty is either commercial auto or excess casualty. And within excess casualty, that also includes commercial auto. So I'm curious if it's really a commercial auto story on the pricing side for casualty.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

No. It's across casualty. My comment about casualty stands, that numerous areas, not all but most areas of casualty rate is at this moment not keeping pace with loss cost, and I impact loss costs. And this notion that somehow loss costs are becoming more benign, I'm not sure where that notion comes from, but it seems to me to just be talk. There is zero evidence across the industry that loss costs have abated. They're continuing to inflate at a steady rate. And I think, there's an issue in the minds of maybe in the investing community that somehow steady means improving. They're not accelerating. They're increasing at a steady rate. Don't confuse the two. And then what the results look like in casualty, well, it varies by area of the business, et cetera. And whether there's room or there's not room, and to be more competitive in that, I won't go any further than that.

Tracy Benguigui
Analyst, Wolfe Research LLC

Q

Thank you.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

You're welcome.

Operator: Your next question comes from the line of Rob Cox of Goldman Sachs. Your line is open. Rob, perhaps your line is on mute.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Hey, how's it going? Sorry about that. Yeah. I just wanted to ask on small and middle. I'm just curious, I noticed the growth acceleration in the quarter. Curious if you feel like technology is breaking down any of the historic incumbent advantage in that market. Yeah.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

In which markets? Small or middle. Whether technology is – look, I think that technology, but data and scale and size and breadth of capability that brings you an insight is a competitive advantage. And I think it's a competitive advantage that these things play out over years. And I've said it before, I think, that's a structural secular advantage.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Thank you. And then I just wanted to ask on Europe. I think the growth was a little bit lighter there this quarter. Is there any economic disruption that you see kind of expanding out from the Middle East conflict that worked into those numbers? And just curious if you could size how you're thinking about underwriting risks and potential opportunities from the Middle East as well.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. No, to answer your question directly, I don't notice an economic impact from the Middle East that impact the quarter. The quarter was just variability. And based on competitive market and London versus the continent less so, large versus mid and small, and just the mix of all of that and variability in the quarter. And looking out, I remain, and I'm quite bullish on our opportunities in Europe. We've got a large installed base. We have numerous areas of strategic focus that we are actively engaged in, and we're just beavering away growing the business. And we have an outstanding business on the continent and in the UK, going far beyond a London wholesale business.

Robert Cox
Analyst, Goldman Sachs & Co. LLC

Q

Thank you, Evan.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

You're welcome.

Operator: Your next question comes from the line of David Motemaden of Evercore. Your line is open.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Hi, David.

David Motemaden
Analyst, Evercore ISI

Q

Hey, thanks. Good morning. Just a question on the loss cost trends in North America Commercial. So I heard you on long tail lines, doesn't sound like you've changed anything there, still being conservative. I'm wondering what you're seeing on the shorter tail lines. The favorable development has been pretty strong there. And are you thinking about making any changes there, potentially? I'm just sort of looking at some of your peers potentially making changes there.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. Shorter tail, it's steady. We're not seeing a change. It's bouncing around the 4.5%, and that is pretty steady. The only thing I'll tell you about the long tail that I cited, those aren't conservative numbers. Those are actual trends as we observe them. Longer term and shorter term, and we got a lot of data. And by the way, we triangulate it with those who observe industry. They're not specific to job.

David Motemaden
Analyst, Evercore ISI

Q

Got it. That's helpful. And then maybe just sort of looking at the stellar accident year loss ratio ex-CAT within North America Commercial. I mean, you guys had called out, I think, in the 10-Q last quarter, just the adverse mix impact, just from less property as driving that deterioration. I guess, I'm wondering, as we see the mix shift more towards middle market, should that have a bigger offset as we go forward, just sort of thinking about the margins here, which remains stellar, but obviously the pricing is under pressure.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. Let me answer it like this to you. Combined ratio, for Chubb, and let's look at Chubb. Our combined ratio, it's a hallmark, it's an expression of who we are. We're an underwriting company. Volatility aside, CATs and large events, our combined ratios are sustainable, obviously, within a reasonable range of variability, but they're sustainable. That's the beauty of the size and scale of the company. Our diverse portfolio of quality businesses, our underwriting focus, and that's within North America, and then more broadly across job. That's the whole point. The bigger the portfolio, the greater the diversification of it, the less variability and greater the stability of it overall.

As you start breaking down into this little piece or that little piece, then variability becomes greater. And then add to that our employment of tech and AI and the insights and efficiencies, we are and we'll gain, and those also support combined ratio. So I feel confident about it.

David Motemaden
Analyst, Evercore ISI

Q

Great. Thank you.

Operator: Your next question comes from the line of Gregory Peters of Raymond James. Your line is open.

C. Gregory Peters
Analyst, Raymond James & Associates, Inc.

Q

Good morning. So a couple of things, both in your press release and in your comments, Evan, you talked about how you're confident in the ability to outperform and generate strong growth in operating earnings and EPS, and double-digit growth in tangible book value. With the pricing competition that you're talking about and its effect on your top line, maybe you could sort of bridge the gap on how you think the organization is positioned to continue to generate strong EPS growth.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Absolutely. And I am aware and mindful of the chatter since last night around the one word change we made, it's really is Kremlin-watchers. And so let me take all that and wrap it into, and create the right context here. Look, for many quarters, including the first half of this year, I'd start with that. We've produced double-digit EPS growth. This quarter alone, over 18%, simply outstanding. My outlook statement is not guidance. And it's looking out beyond the next few quarters to simply give a directional sense over a longer period. And so when you take that, given market conditions, we've simply broadened the range of outcomes modestly. And they include double-digit, by the way, within that of EPS, softening commercial P&C market conditions balanced against our global mix of businesses, including our mix of business within North America. Think mid and small commercial and personal lines.

Our vast international and consumer, our life, our invested asset, and our capital management. We have many sources and handles to pull. I am quite confident. In fact, I am confident in our ability to produce very strong and potentially double-digit EPS growth and we'll produce strong earnings growth as we go forward.

C. Gregory Peters
Analyst, Raymond James & Associates, Inc.

Q

Thank you. I've asked this question of one or two others, and I think it's appropriate for you, for your company as well. There's been a bunch of stories that have hit the press over the last couple months about the rising costs of technology, thinking about token costs and things like that. And with quite an impact on the market, you spoke last year about using technology to generate material savings for your organization over the middle term. So I'm just curious how you can reconcile for us the rising costs of technology deployment versus the ability to harvest those savings and generate improving margins.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Yeah. First of all, the chatter that you've been reading about, what you've been reading, I think the investing community broadly ought to put it in context. It's more that token usage is really about the vast token usage among tech companies. And those that are AI and tech companies, they use vast amounts in model development. That's not applying – that comment is not really applying to general businesses. We know our token usage, we know our token costs. Frankly, it's within our economic model and how we measure expenses. Our token costs, and the usage that way, is a fraction, a minor fraction relative to the efficiencies and the insights and the improvements that we gain. And we measure it in hard dollars. This is not liberal arts around here.

C. Gregory Peters
Analyst, Raymond James & Associates, Inc.

Q

Okay. Fair enough. Thanks for the answers.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

You're welcome.

Operator: Your next question comes from line of Andrew Kligerman of TD Cowen. Your line is open.

Andrew Kligerman
Analyst, TD Cowen

Q

Hey. Good morning. So looking at the net written premium, you mentioned that there's continued softness in financial lines and flat to down pricing we're seeing in workers' comp, yet financial lines net written was up 2.6% and work comp up 6.2% net written. So I'm kind of curious where you might be seeing the opportunities in those lines and that you're confident in the performance going forward there.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Sure. First of all, in comp, remember, we play it up and down the stack, from large company where we are a market leader, mid and small where we are market leaders. And so it'll vary by state, by industry, by type of business, and so it's selection within there. And exposure changes. Think payrolls, think number of employees. Those bounce around and that improve – that adds or subtracts from your premium revenue growth each quarter. In financial lines, financial lines is a broad set of businesses. And there again, we play in very large account and we play in small and mid. And it's not just public D&O. It's private D&O, it's not-for-profit D&O, it's E&O, and a lot of broad classes of D&O. Fidelity, which is a form of surety but it's different than that, Fidelity is part of financial lines. And we put cyber as part of our wrap up in financial lines, so it's across a broad range.

While we've been, and I've been vocal that not-for-profit private D&O is very soft and overly soft where the underwriting doesn't make sense and pricing, there are other areas where it remains adequate and it's up and down the Street. It varies.

Andrew Kligerman
Analyst, TD Cowen

Q

Got it.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Hope you got it.

Andrew Kligerman
Analyst, TD Cowen

Q

Yeah. Very much so. The diversification is really helping here. And just looking at your Chubb Benefits business, which is a relatively small portion of life. But it was up 14%. So do you, Evan, do you kind of see this business just continuing to grow organically, or is it something that you think might need some inorganic investment to kind of accelerate it?

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Look, we've been at it in a steady way for over five years now. And thank you for that question. It divides into two pieces. Chubb Benefits the part that works very closely through the brokerage distribution, predominantly with our mid and small P&C commercial colleagues where we're selling all lines, and that is very successful way of distributing. And then secondly, the old combined agency force, we retooled it and it is selling, it is predominantly focused on small and lower middle market companies to sell work site benefits and install them. We've invested a lot in distribution and product, but particularly in technology, and our ability to deliver product and service it right at the desktop of individual employees and to do it in a frictionless way. We're focused on growing organically. We just see a tremendous opportunity to continue growing that business at double-digits, and that's our focus.

Andrew Kligerman
Analyst, TD Cowen

Q

Thanks.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

And you know what, over time, as I look at it over the next number of years, it will emerge as a more significant contributor to Chubb's results, top and bottom line.

Andrew Kligerman
Analyst, TD Cowen

Q

Thank you.

Operator: Your next question comes from the line of Alex Scott of Barclays. Your line is open.

Alex Scott
Analyst, Barclays Capital, Inc.

Q

Hey, thanks for putting me in. I'll ask one on the paid-to-incurred. I think, before the pandemic, average something in the high 90s. Just looking, is it still running at 90%? I know some of that's from a bit more growth than just a natural lag. But could you talk about why that would be running? I'm just talking about overall paid-to-incurred, and just your views on why that's still kind of continuing to run well below historical levels.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

Why it's continuing to run as it is.

Alex Scott
Analyst, Barclays Capital, Inc.

Q

Yeah. Just the fact that it's running at 90% versus I think, pre-COVID, was I think averaged around 97%. So I'm just trying to understand.

Evan G. Greenberg
Chairman & Chief Executive Officer-Chubb Ltd./Chubb Group, Chubb Ltd.

A

I think, that's excellent. It speaks to overall the strength of our reserves.

Alex Scott
Analyst, Barclays Capital, Inc.

Q

Okay. All right. Next one, capital. You didn't talk as much about the excess capital this quarter. But I mean, you guys have had stellar earnings. Obviously, it's building. How should we think about the current levels there and different options you're looking at for deployment and what that could mean for this EPS growth that we're all focused on?

Peter C. Enns
Executive Vice President-Chubb Group & Chief Financial Officer, Chubb Ltd.

A

Sure. I'll take that one. It's Peter. Look, nothing's changed in our framework. We're deploying capital accretively in underwriting and investments. We'll continue to return capital through dividends, repurchases. You've seen us do that over time balanced by opportunities. So nothing's really changed.

Alex Scott
Analyst, Barclays Capital, Inc.

Q

Okay. Thanks, guys.

Operator: Thank you. And that's all the time we have for our Q&A session. I'll turn the conference back over to Susan Spivak for closing remarks.

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

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

Operator: Thank you. That concludes today's conference call. You may now disconnect.