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# EDITED TRANSCRIPT

CB.N - Q1 2023 Chubb Ltd Earnings Call

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**OVERVIEW:**

CB reported 1Q23 core operating income of \$1.8b and core operating EPS of \$4.41.

## CORPORATE PARTICIPANTS

**Evan G. Greenberg** *Chubb Limited - Executive Chairman & CEO*

**Karen L. Beyer** *Chubb Limited - SVP of IR*

**Peter C. Enns** *Chubb Limited - Executive VP & CFO*

## CONFERENCE CALL PARTICIPANTS

**Alexander Scott** *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

**Brian Robert Meredith** *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

**Charles Gregory Peters** *Raymond James & Associates, Inc., Research Division - Equity Analyst*

**David Kenneth Motemaden** *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

**Elyse Beth Greenspan** *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

**Michael David Zaremski** *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

**Ryan James Tunis** *Autonomous Research US LP - Senior Analyst of Property & Casualty Insurance*

**Tracy Dolin-Benguigui** *Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst*

**Yaron Joseph Kinar** *Jefferies LLC, Research Division - Equity Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I will be your conference operator today. At this time, I would like to welcome everyone to the Chubb Limited First Quarter 2023 Earnings Conference Call. (Operator Instructions)

It is now my pleasure to turn today's call over to Ms. Karen Beyer, Director of Investor Relations. Please go ahead.

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### Karen L. Beyer - Chubb Limited - SVP of IR

Thank you, and welcome, everyone, to our March 31, 2023 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 filings, earnings release and financial supplement, which are available on our website at [investors.chubb.com](https://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 then we'll take your questions. Also with us to assist with your questions today are several members of our management team.

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

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

Good morning. We had an excellent start to the year highlighted by double-digit operating earnings growth that led to record results. We had double-digit premium revenue growth that was global, broad-based, and driven by strong results in our commercial and consumer P&C businesses and our international life business; world-class underwriting results with an 86.3% combined ratio; record net investment income; and life income that more than doubled. North America P&C rate and price increases reaccelerated in the quarter. It was, in a word, standout performance that I expect will continue.

We grew operating income almost 12% to \$1.8 billion, and that drove a 15% increase to \$4.41 per share, both records.

In context of what was an active CAT quarter our published combined ratio reflects simply outstanding underwriting performance from our P&C businesses. The 83.4% ex-CAT current accident year combined ratio was a record.

On the investment income side, record adjusted net investment income of \$1.2 billion was up over 30%. Our portfolio yield is now 3.8% versus 3% a year ago. With our reinvestment rate averaging 5.5%, our investment income run rate will continue to grow as we reinvest cash flow at higher rates.

Life Insurance premium revenue more than doubled, while life earnings doubled to \$244 million, driven by our business in Asia and predominantly the addition of the Cigna operations, which are mostly A&H and product makeup.

In this time of economic and financial market volatility and uncertainty, Chubb is a safe haven. Our business model and the fundamentals of our business are very strong and broad-based. Our earnings and revenue are growing, we have an exceptionally strong capital position and a conservative level of leverage, and our operating cash flow of \$11 billion in '22 and over \$2.25 billion this quarter speaks to our strong liquidity.

Our unrealized loss as a percentage of tangible equity is 17% and will amortize back to par over a short period. Rising interest rates are our friend. And most important, as you know, you can't have a run on the bank in our business. So again, this speaks to an attractive profile that distinguishes Chubb.

Peter is going to have more to say about financial items, including cats, prior period development, investment income, book value and a rising ROE.

Now, turning to growth and the pricing and rate environment, consolidated net written premiums for the company increased over 16.5% in the quarter on a published basis, or over 18% in constant dollars, comprised of 11% growth in our P&C business globally and 129% growth in life premiums. P&C premium growth in the quarter was balanced and broad-based. North America, Europe and Asia all produced double-digit growth.

Beginning with North America, commercial premiums were up almost 12%, or 6.2% excluding Agriculture. Adjusted for the impact of one-off loss portfolio transfers in our Major Accounts division year-over-year, North America regular commercial flow grew 7.6%, which is representative of the minimum rate growth we expect for the balance of the year. By the way, the 7.6% is broken down as 10% growth in P&C and minus 2% growth in financial lines.

Our Major Accounts and specialty division grew 6.3%, or 8.7% adjusted for the LPTs. And that was 11.4% P&C and minus 7% in financial lines. In our middle market and small commercial business, premiums were up 6.5%; or 7% in P&C and up 2% in financial lines. Renewal retention for our retail commercial businesses was 97%.

On the consumer side in North America, our high-net-worth personal lines business was up almost 10% - an exceptionally strong result and in fact, the strongest organic growth in over 15 years.

Turning to our international general insurance operations, net premiums were up 10% in constant dollars, or 6% after FX impact, with commercial up 10.8% and consumer up over 8.5%. Growth was led by our Asia Pacific region with premiums up over 18.5%, and with commercial lines up about 15% and consumer lines up over 22%. And Europe produced overall growth of over 10%.

In terms of the commercial P&C rate environment, rate and price increases reaccelerated. Pricing for total North America commercial P&C, which includes rate of 6.4% and exposure change of 4.5%, increased 11.2% against a loss cost trend of 6.7%. Pricing for commercial property and casualty excluding financial lines and workers' comp was up 16.9%. Property pricing was up 27%, with rates up 16.4% and exposure change of 9.1%. Casualty pricing was up 9.9%, which includes 7.4% of rate and 2.3% of exposure.

As I said last quarter, for professional lines and workers' comp, which includes risk management, the competitive environment is aggressive, and rates have continued to decline in recognition of favorable experience. In the quarter, rates and pricing for North America, financial lines in aggregate were down about 2%. And in workers' comp, which includes both primary comp and risk management, pricing was up 6.4%, with rates down 0.5% and exposure up about 6.8%.

Internationally, we continued to achieve improved rate-to-exposure across our commercial portfolio. In our international retail business, pricing was up about 8%, with rates up 4.8%, and exposure change of about 2.9%, while loss costs across our international commercial portfolio, are trending at 6.5%.

Turning to our consumer businesses, in North America, high-net-worth personal lines business, again, net written premiums were up almost 10%, with our true high net worth client segment up over 15%. Retentions were 104% on a premium basis and about 91% or on an account basis. We continue to benefit from a flight to quality and capacity. In our homeowners business, we achieved pricing of about 13% while the homeowners loss cost trend is running about 10.5%.

International consumer lines premiums, again, grew over 8.5% in the quarter in constant dollars. Our international A&H division had another strong quarter, with premiums up about 20%. Asia Pacific was up 34.5%, while the U.K. was up over 12%. Premiums in our international personal lines business were down 1.5 points, and it was impacted by our business in Europe.

In our international life insurance business, again, premiums and income overall more than doubled. Our business in Korea and the majority of Asia is off to a good start to the year. I was just in Korea 2 weeks ago - our leadership, the franchise, the strategy, the execution, and the growth are all in really good shape, and this is a very large business for Chubb.

In summary, we had an excellent quarter and have had a strong start to the year with a lot of momentum heading into the second quarter. Looking forward, we are confident in our ability to continue growing revenue and operating earnings, which in turn drive EPS through the three engines of P&C underwriting income, investment income, and life income. Add to that our business model, financial strength, stability and liquidity, and I believe you have in Chubb both the reassurance of safety and the attractive prospects of a long-term growth company.

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

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**Peter C. Enns** - Chubb Limited - Executive VP & CFO

Thank you, Evan, and good morning.

Before we begin, I want to note that previously reported numbers in the financial supplement we just filed were adjusted to reflect the impact from the adoption of LDTI accounting, which primarily relates to our Life Insurance business. The cumulative impact of LDTI on our book value and overall results is immaterial. Please refer to Page 31 of the financial supplement for detailed information.

Turning to our first quarter results, you've just heard, we are starting out the year in an exceptionally strong financial position. Our P&C divisions, expanding life business, and strong investment performance produced operating cash flow of \$2.3 billion. We grew our assets to over \$200 billion. And this includes invested assets of about \$116 billion that continued to benefit from the current rate environment and generated our fourth consecutive quarter of record net investment income. I would note, S&P and Fitch both reaffirmed our AA ratings and stable outlook, reflecting our strong financial position.

Relative to capital-related actions in the quarter, we returned \$772 million to shareholders, including \$428 million in share repurchases at an average price of \$212.81 per share and \$344 million in dividends.

Book value and tangible book value per share increased 5% and 8.7%, respectively, from last quarter. The increase reflects our record core operating income, and net realized and unrealized gains of \$1.7 billion in the investment portfolio, partially offset by the capital return to shareholders I already mentioned.

Our core operating ROE for the quarter was 12.6% and our core operating return on tangible equity was 19.4%. A year ago, Evan stated our target for 2023 core operating ROE excluding excess capital, or on a deployed capital basis to be 13%, and core operating return on tangible equity (ROTE) to be 20%. In this first quarter of 2023, we estimate the deployed capital ROE results to be in the range of 13.5%-14% and 23%-23.5%, respectively.

Adjusted net investment income for the quarter was \$1.2 billion and topped last quarter's record by over 7%, reflecting higher reinvestment rates that impact recurring income as well as certain items totaling approximately \$35 million, including higher than expected private equity distributions that vary from quarter to quarter. We now expect our adjusted net investment income on a recurring basis to rise from this quarter's \$1.165 billion to \$1.2 billion to \$1.22 billion next quarter and we expect it to continue to rise from there for the remainder of the year given our positive cash flows, portfolio turnover and the current reinvestment rate environment.

Let me make a few more comments on investments given recent economic and market events. We continue to maintain our consistent conservative approach to our investment process and our portfolio remains high quality with an average rate A rating.

Our overall exposure to banks is 8% of invested assets with 2/3 of that in G-SIFIs. We have no exposure to Silicon Valley, Signature or First Republic Banks. We have no exposure to Credit Suisse contingent capital securities and do not invest in Tier 1 bank CoCos as an investment policy. Our exposure to regional banks is less than 1% of our portfolio and is in high-quality names.

Our total direct exposure to commercial real estate is 4% of invested assets, and 87% of that total is in investment-grade securities with an average rating of AA. This portfolio is skewed to multi-family and industrial sectors with under 20% related to the commercial office segment.

High yield credit is currently 14% of our portfolio and is targeted to the upper tier of the high yield market, rated BB/B with a current average rating of B+, broadly diversified with over 900 issuers and mandated to outperform in down markets.

Back to our underwriting business, the quarter included pretax catastrophe losses of \$458 million, split 76% in the U.S. and 24% internationally. In the U.S., the loss activity consisted of winter-related storms and other severe weather events. Internationally, results were primarily impacted by storms in New Zealand and Australia.

Prior period development in the quarter was a favorable \$196 million. Included in that total is adverse development of \$6 million related to the 2022 accident year cat losses, comprised of \$119 million adverse development from Winter Storm Elliott, and \$113 million favorable from Hurricane Ian. Excluding CAT-related development, we had favorable development of \$202 million across all lines, commercial and consumer, with \$228 million favorable related to short tail lines and adverse development of \$26 million in long-tail lines, \$10 million of which was from corporate runoff lines.

Our paid-to-incurred ratio for the quarter was 92%, or 82% after adjusting for CATs, prior period development, and a large payment related to the Boy Scouts of America settlement.

Our core operating effective tax rate was 18.1% for the quarter, at the low end of our expected annual range. I would highlight the first quarter often has a lower tax rate than the full year and we continue to expect our annual core operating effective tax rate for this year to be in the range of 18% to 19%.

Lastly, relative to Huatai, we closed on some of our outstanding shares during the quarter, which brought our ownership interest to 64%. We continue to apply equity accounting for the first quarter, and will consolidate Huatai once we go over 2/3rds ownership, which we think will likely occur in the second quarter when we anticipate exceeding 80%.

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

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**Karen L. Beyer** - Chubb Limited - SVP of IR

Thank you. At this point, we're happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from the line of David Motemaden with Evercore ISI.

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**David Kenneth Motemaden** - Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst

So, really encouraging to see the reacceleration in North America commercial pricing. It sounds like most of that was rate versus exposure. I guess I also heard that you said you expect a 7.6% sort of minimum growth in North America commercial throughout the course of the year. So, wondering if you could just unpack how you see that progressing between both rate on existing policies as well as just growth in terms of adding new incremental units of exposure?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

David, as you know, we don't give forward guidance really. And I gave you a little flash, but I'm not going to go further than that. I was pretty clear, I expect the trend you see in pricing, and I expect the trend you see in sort of pattern and growth to continue. And you got a sense of P&C lines growing, and you got a sense of professional, or financial lines. And beyond that, it's not simply about North America, look at the company globally. And frankly, look at the International P&C, and I expect the pattern to continue. Look at consumer lines, and I expect the pattern to continue. Look at life, and I expect the pattern to continue. Investment income, and I expect the pattern to continue.

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**David Kenneth Motemaden** - Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst

Okay. Great. I appreciate that. And then as my follow-up, Evan, in your letter, you spoke about how Chubb enhanced its ability to collect and assess loss cost data more quickly and accurately, and then that helps you be more insightful in pricing and reserving. I was wondering if you could just elaborate on how you enhance this ability. And if that played in- I heard you may have ticked up the loss trend a little bit in North America commercial. Wondering what insight gave you this enhanced ability to view loss trend data - how that played into potentially changing how you're viewing trend going forward.

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

Yes and I talked about this, you're right, in the letter and on previous calls, and that is, like so many businesses, if you take a bigger picture view of it, insurance, and among other financial companies, and non-financial. We're coming out of a period of very low inflation. Zero cost of money fundamentally, although overwhelmed by liquidity. And in a low inflation environment, you don't have to be necessarily as insightful on loss cost at a particular moment in time. Lag has less of an impact on you. You have to watch it very carefully, and we always do, but the time element of data, when you get it, you can be a little more relaxed. It's a quarter old, two quarters old, less important.

In an inflationary environment, which we experienced and began a while ago, that's a killer. And for those of us who've experienced inflation, that time value can mean everything in accuracy. And that's where we really, immediately when we saw it, jumped on it and measured that time lag in data, which you have to get to the source of input when you're looking at inflation. Whether it's on the physical side of when a repair is actually occurring to an automobile or a home, or it's on the liability side - very quickly in the development of that. You have to be on top of the trend and you really have to unpack severity from frequency. And then you had the impact of COVID on frequency.

And then you add to that the tools we have available in terms of external data and the use of it and our ability to manipulate and use data, internal and external, more insightfully and more quickly. You add the capabilities and analytics of this organization with claims and actuarial and underwriting together, and I think it's a competitive weapon and advantage, particularly the speed at which we can react. And I think any modern financial organization that distinguishes itself. That's part of the action.

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#### Operator

Your next question is from the line of Mike Zaremski with BMO.

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**Michael David Zaremski** - *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Good morning. First question on reinsurance costs. Given industries experiencing higher reinsurance costs, both on property and on the casualty side - and maybe that's not the case for Chubb, feel free to correct me - is Chubb contemplating any changes in its strategy, maybe retentions? Or is this still TBD as things progress?

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

No, no material change. And we obviously aren't going to, as you can appreciate, I'm not going to discuss our own reinsurance program. That's for our own protections, that's proprietary. But our retentions have not changed in any material way. And we've got a big balance sheet. We take a lot of risk, net. And we really don't buy reinsurance for earnings protection so much. We buy it more for balance sheet protection. And depending on the line of business, volatility. And that's been a steady policy of ours, and we maintain it regardless of cycle.

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**Michael David Zaremski** - *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Got it. Follow-up on market conditions. You gave us a lot of good color. The acceleration in pure rate accelerated a lot more than - I think there might have been a tad bit of a loss cost pickup just on the North America commercial side - but maybe you can kind of lend some more color on, do you feel the markets being more rational in terms of kind of adjusting to loss cost trends and also higher reinsurance pricing? And it sounded like you were optimistic that things have - competitive conditions have gotten a little bit better quarter-over-quarter.

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

Yes. I think it's a little bit of a mixed bag. Property, certainly, and short tail certainly responding. I think in larger account business, responding a little better than in middle market, though middle market has a stability to it. It's more in P&C lines. I think that financial lines, certain areas of financial lines, and so in those areas I generally like the tone. We're seeing excess casualty, particularly in larger account business respond. I'm imagining, in time, middle market will need to and will. So rate is pretty - our rates are increasing there.

When I look at professional lines, and you have to unpack it between financial lines - between professional liability, and there are all kinds of classes in D&O, both private and public D&O. I think public D&O market is, you know, there are a lot of players with no data and no experience and they're receiving, many of them, capacity by those who don't seem to have their eye on the ball. And there's an area where I think the market is overshooting the mark and of course we'll always trade, in that case, volume for the right underwriting. And it's not an area that I think is devoid of risk. Particularly as you look forward, everything from recession and volatility and financial markets, to climate change and claims of greenwashing, and all of that.

So, that's just a line on the margin. So, it's a mixed bag. Comp is, overall experience is good, exposure is growing. And on the other hand, you got to be careful on exposure because wages are rising. That means indemnity, severity rise. And I've said it before, at a point the market could overshoot the mark. So, you've got to be a little cautious.

But overall, you see the direction in P&C lines. And I think that direction is a tone that will continue, and a pattern that I expect will continue.

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**Operator**

Your next question is from the line of Yaron Kinar with Jefferies.

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**Yaron Joseph Kinar** - *Jefferies LLC, Research Division - Equity Analyst*

My first question, I guess more specifically to North America commercial. Do you see the overall book...

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

(inaudible) Anyway, go ahead.

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**Yaron Joseph Kinar** - *Jefferies LLC, Research Division - Equity Analyst*

Well, I could do that, but I'm not sure we have enough time. With North America commercial, do you see the book overall as rate adequate today?

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

Yes.

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**Yaron Joseph Kinar** - *Jefferies LLC, Research Division - Equity Analyst*

You do. So, with that in mind, I guess, why would we not see more acceleration of premiums given that rates are adequate and picking up? Why wouldn't you lean into that a little more with greater exposure?

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

Well, you said overall. And so, that's overall. And so I'm happy to answer overall. And by the way, I said to you 10% growth in P&C lines. And I said financial lines - professional lines - financial lines, in aggregate, down. So, I think in areas where we like the pricing you're seeing the business grow.

And I'll leave it at that. I'm not going to go deeper than that. I think I just gave what investors need to know.

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**Yaron Joseph Kinar** - *Jefferies LLC, Research Division - Equity Analyst*

Okay. And then my other question was on the G&A expense side. Seemed to be a modest pickup in North America, both personal and commercial. Are there any specific platform investments you can call out? Or is it just wage inflation, hiring?



**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

No. The expense ratio, you'll note, was up because pension expenses - fundamentally is pension expenses - with the rise in interest rates that picked up. And that's just something that you can't control, really. It's just an accounting adjustment for future pension costs on. We have a defined benefit pension plan that's closed for many years. It was legacy Chubb that had that, and so that's the impact. That's all.

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**Yaron Joseph Kinar** - Jefferies LLC, Research Division - Equity Analyst

Got it. So is that a reasonable run rate to think of for the rest of the year?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

Yes, reasonable. You'll note the pattern of expense ratio. It's usually a little higher this quarter than in future quarters when I look at it.

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**Peter C. Enns** - Chubb Limited - Executive VP & CFO

The pension will be consistent each quarter. And then there's other stuff around it.

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**Operator**

Your next question is from the line of Greg Peters with Raymond James.

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**Charles Gregory Peters** - Raymond James & Associates, Inc., Research Division - Equity Analyst

Evan, in your prepared comments, I think you mentioned a recent trip to Korea. You talked about the Life results. Maybe you can give us an update on the Cigna acquisition, how the integration is proceeding, and if there's any update on sort of ROE targets related to Cigna now that it's in the Chubb family?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

Yes. I'll just take the last part. First, as you know, the egg is scrambled now. And so, we don't really spike that part out. But look, I'm energized by what I see in Asia and what we have bubbling. And by the way, I'm going to do third quarter earnings from Asia, I'm going to do it from Singapore, because I'm going to spend 6 or 7 weeks out there.

The integration is going so well. And we're so energized by what we see in the power of the organization with the two parts pulled together. The integration has gone extremely well. And of course, all the efficiencies - that's the easy part in a sense - that's all right on target. But it's the growth and the breadth of capability. Our direct marketing business, we're the largest direct marketers of insurance in Asia, there's not a doubt to me, both through telemarketing, through digital, life and non-life, the breadth of product there. The number of partnerships that we have between the organizations and the compelling offering, given the breadth and the ability of our life and non-life together to work together like one organization. No one else really has that.

The customer database we have between the companies that numbers in the millions of customers to cross-market and cross-sell to, that we're just actively doing through telemarketing and digital. The growth of our agency organization, whether it's in Korea through independent life agency distribution, or in places like Thailand and Vietnam with tens of thousands of agents that are growing.

When I look across Korea, Thailand, Indonesia, Taiwan, even Hong Kong that's small, but the combination of the two, and growth is accelerating in these areas, the number of partnerships that we have.

So when I add it all together, I feel really good about what we have as a franchise and capability and the potential of it over time. And by the way, a lot of the same features I see in Latin America, a much smaller region just the geography and the size of economies. But wow, it's excellent. And then by the way, I'm sure you noticed that in the quarter, Europe grew 10%. That's 40% of their business renews in the year, and they do in the year, and they grew at 10%. So it's really broad-based, and I like what I see.

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**Charles Gregory Peters** - *Raymond James & Associates, Inc., Research Division - Equity Analyst*

Yes, the Europe numbers are kind of surprising against the backdrop of the macro news that we read about here and there. You spent some time during the discussion talking about all the data resources, the analytics you have. And one of the topics that's become more popular and more recent is this ChatGPT. So maybe you can segue and talk about how you're deploying AI across your organization and the opportunity you have to drive further efficiencies as you utilize these types of tools?

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

Yes. I'll touch on it a little bit. ChatGPT is generalized AI, which is text-based analytics and deep thinking. We use other kinds of AI, deep learning, and others beyond that that are numbers-based, math-based as well. We've been experimenting in the use of various forms of AI, is the point, against different areas of our business, depending on the kind of opportunity or problem or enhancement of power that we're trying to address from underwriting and insight in risk cohorts, to claims, to marketing and analytics, or customer interface and customer service or telemarketing. And we've been doing this for the last 5 years.

We have a variety of use cases that have proven themselves out. And we continue to iterate with it. We have a lot of data, and we have an ability to enhance that data with external data.

It's not simply about AI tools. It's about data and your ability with that. So therefore, you keep pulling a string and your data infrastructure becomes so important. And data engineering becomes so important. Because it's a fuel that AI needs to feed on itself in all its varieties to become insightful and powerful to you.

And in most cases, it's not going to replace our highest skilled knowledge workers. It won't do that for quite a while. But it certainly enhances the abilities and the capability. I'm not worried about my job. It certainly enhances their capabilities. And now we're in the dawn of the period where we use these tools at scale. And the things that we have built and experimented with, the momentum builds and they start rolling out at scale. And that means insight, that means speed, that means accuracy, that means cost, that means momentum. And think of that in terms of a number of years. It's not months.

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**Operator**

Your next question is from the line of Elyse Greenspan with Wells Fargo.

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**Elyse Beth Greenspan** - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

My first question is on the reinsurance market. You guys saw some growth in your reinsurance segment. But it sounds like from your commentary, you're seeing better opportunities, it sounds like, on the primary property side than perhaps to write more property reinsurance business. But I was hoping you could just expand on that comment and correct me if I'm wrong.

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

Yes. No, you're correct. We got a finite balance sheet. We can't take an infinite amount of risk. And we like the risk reward and the total opportunity on the primary side. We're much more biased on the primary side than we are on the Cat Re side. And so that is correct. So our Cat Re and Cat and

property excess and property quota share business, so not just straight Cat Re. Those are areas where we're taking more exposure. But, you're right, overwhelmingly, when we look at the market and the risk reward, we're more primary oriented.

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**Elyse Beth Greenspan** - Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst

And then my second question, Peter, I know you said that you guys will consolidate the Huatai ownership when it goes above 80%. I'm not sure if Chubb has disclosed the earnings from Huatai historically. Or can you just give us a sense of the expected contribution once that is consolidated, or any help you can provide there?

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**Peter C. Enns** - Chubb Limited - Executive VP & CFO

Yes. We typically don't, or we have not disclosed Huatai's earnings specifically. We'll have more comments after it closes and we consolidate it. And what I've said historically is it won't have a material impact on a net basis to us in terms of earnings.

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

What we say is that it will be pretty neutral. Initially.

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**Operator**

Your next question is from the line of Tracy Benguigui with Barclays.

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**Tracy Dolin-Benguigui** - Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst

A quick question. Do you manage your business more on net growth than gross growth, or is that vice versa? I'm just thinking about capital consumption. If you're retaining more, could that dampen how much you want to grow gross premium?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

No. Frankly, we disclose our net to gross. And you see that's pretty steady. And we manage, we measure both, and we use both, gross and net, for different reasons, different purposes. When I'm going to manage the balance sheet, it's net. When I'm going to look at marketing and swinging a stick on our capacity, et cetera, it's gross. It's a much more complicated answer - question - but it's when you get to operating, but it's both.

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**Tracy Dolin-Benguigui** - Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst

Okay. So, I just wanted to make sure that I understood prior comments correctly. So the 4% growth in gross premium written we saw in North America commercial lines, which was lower than we've seen in prior quarters, that had to do more with business lines?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

It has more volatility to it because of risk management business and certain kinds of businesses that have a gross line component to it. But in that case, I'm driven, and our eye and all our discussion - when we look at stick to the bones - is on the net basis.

That's why insurance companies talk net, not gross. But both are important to us as operators for different reasons.

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**Tracy Dolin-Benguigui** - Barclays Bank PLC, Research Division - Director & Senior Equity Research Analyst

Got it. I'm also curious, did you increase your loss picks from banking D&O claims activity this quarter? I noticed that your North America commercial lines underlying loss ratio improved both sequentially and year-over-year. So I'm wondering if that improvement would be in spite of any raise in loss picks?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

No.

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**Operator**

Your next question is from the line of Alex Scott with Goldman Sachs.

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**Alexander Scott** - Goldman Sachs Group, Inc., Research Division - Equity Analyst

First one I had was just to see if you could give us some context for where court reopening is at? And just sort of the timing of how the backlog is progressing? And maybe even how that's informing some of the analytics and things you're doing around loss costs?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

Look, frequency of loss and casualty has been on a march where it's rising and reverting to the mean of pre-COVID. It varies by line of business, in some lines of business the frequency of loss is still below pre-COVID, and some others it has reverted to pre-COVID trend. So it varies. But overall, frequency has been increasing, and that's been going for a while. So that's a little bit of yesterday's news that the courts - they've been reopened over a year or so, there you go. And the lawyers are all active.

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**Alexander Scott** - Goldman Sachs Group, Inc., Research Division - Equity Analyst

Got it. And then maybe a little bit more of a housekeeping question for you. But on the Life Insurance segment, I mean, should we think about LDTI moving the run rate up or down at the margin? Just a little difficult to tell from the outside because we only have a couple of quarters of Cigna and so not too long of a track record to look at under the re-casted financials.

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**Peter C. Enns** - Chubb Limited - Executive VP & CFO

Alex, the way I would think about it is, and you pointed out between Cigna coming online, purchase gap, and LDTI, there's been movement in the numbers. The first quarter of this year things are settling, and we think are representative of a run rate going forward.

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**Operator**

Your next question is from the line of Brian Meredith with UBS.

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**Brian Robert Meredith** - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

Can I just quickly clarify something. I get a bunch of questions on it. The 7.6% growth rate that you mentioned, that's premium growth for the remainder of the year, minimum premium growth you expect for the remainder of the year? Is that correct, in North America commercial?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

I gave you a feeling of a forward view that I would expect it to be no less than that. And then I gave you a breakdown of the 7.6%, that was 11% in P&C lines and was negative in financial lines.

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**Brian Robert Meredith** - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

Yes, makes sense. So it's premium growth, great.

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

That was not rate or trend or anything. That was premium.

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**Brian Robert Meredith** - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

That's what I thought. That's what I thought. I just wanted to clarify. Sorry, I was going to get a bunch of questions on it.

The second question, I'm just curious, I'm trying to kind of do some mental math here on this, and that can be dangerous, but looking at your 11% and change pricing in North America commercial versus the 7.6% premium growth, was there something going on with mix or something would cause pricing to be greater than the premium growth?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

There's always something going on with mix.

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**Brian Robert Meredith** - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

So is it a mix issue or something going on?

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**Evan G. Greenberg** - Chubb Limited - Executive Chairman & CEO

And remember, I gave you P&C growth versus financial lines growth. And I didn't give you any more than that, I'm not going to go deeper than that. And then I gave you rate and trend, and you have renewal retention rate, I gave you that. New business varied by area. So is there anything more to it really? Not really.

Now in property, and I should say this to you, as you ask it, in property where you see the rate, rate includes - because we can measure it so accurately - the changes in terms and conditions, so if deductible changes, that's worth rate. And so, you could see exposure actually go down there, if you're following me. When you want to roll around math in your brain that may help you a little bit.

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**Brian Robert Meredith** - UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist

That's really, really helpful. And then one follow-up. Cyber market. Can you just tell us kind of what your thoughts are there now in the cyber market. Is that an attractive market at this point from a pricing, and what's happened with terms and condition in the last couple of years?

**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

Yes. The terms and conditions, there's a lot of noise. In particular, it's around cat exposure and war and definitions of war - or I think war is a misnomer - it's hostile actions by nation states. And that would be more of the terms and conditions of what's going on. But beyond that, the cyber loss environment is not benign. Ransomware frequency of loss and severity is picking up. It was temporarily down. Cyber pricing and underwriting has responded to the external environment, I think, reasonably well. And if it maintains discipline, then I'm not concerned. But I would assume that all cyber underwriters see what we see in terms of the loss environment, and you've got to be aware of it. But other than that, I think reasonably disciplined in underwriting and pricing.

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**Operator**

Your next question is from the line of Ryan Tunis with Autonomous Research.

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**Ryan James Tunis** - *Autonomous Research US LP - Senior Analyst of Property & Casualty Insurance*

Just taking a step back, it's a life related question. I'm just curious, like over the past, call it 5 years or so, if you could just kind of walk us through how your thought process is and evolved to appreciate that business a little bit more. I guess it comes from a place where the Cigna deal - it felt like a nice little financial acquisition - but I didn't think it was going to put you in Singapore for 7 weeks. So, you're clearly more enthusiastic about this business. So how has your thinking evolved to really think that's a growth engine for Chubb?

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**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

First, I want to take a step back on that and say, Asia is on my mind. It's not simply the life business. Half of the business is P&C and that is robust. In Asia itself - don't hold me to the number, I have it in my head - but it's roughly a \$10 billion region for us. Important, it's massive, region and scale. It has the greatest growth potential economically, I think, of any region in the world over the next decade, two decades, though it has a volatility to it, naturally.

India, China, Southeast Asia, the dynamism of developed Asia, Korea, Japan. It's just massive. Australia is part of Asia to us, back to the Australians. And it's non-life and life.

And I look at it as one organization; it's Chubb. The way they work together is awesome. We began our life business about a decade - I began it over a decade ago. I mean, heck, I was pounding on the door of Vietnam to get one of the few life licenses they gave out in 2002, 2003, I was banging on that door. And we've been at it since, growing organically, and then through acquisitions. And then Cigna just turbocharged it. At the same time in our non-life business. We are growing from dust. And A&H business that could have been incubated in a life company or a non-life company. Cigna is, to a large degree, an A&H business.

Our Life business is a combination of agency distribution and direct marketing, and the direct marketing is non-life and life. And the life products themselves are much more back to the future. It's because Asia is different and their traditional life products have much better ROE characteristics to them. They have very low guarantees. They have traditional savings. They have a lot of risk element to them that we like, A&H in particular. Whether it's dread disease or hospital cash, very limited basic medical. The customer buys along with savings, and savings rates are high in Asia. You have a very young population, the youngest in the world, and a growing labor force. And it's combined with a very family-oriented culture and ethic, and that drives long-term savings. And you have a low social safety net, so private insurance means more. That all plays to life and to non-life.

And frankly, operating my office from there, and I'm going to be out of both Hong Kong and Singapore, is simply there is such opportunity. And I travel back and forth, have for decades, a few times a year. But this is just to be more insightful and deeper about it in terms of strategy as we go forward. And my colleagues, many of them will do the same. We are a global company.

**Ryan James Tunis** - *Autonomous Research US LP - Senior Analyst of Property & Casualty Insurance*

And just quickly, I guess this is more nuanced, might be for Peter. But you mentioned some LPT activity in North America commercial. Just curious if that had any impact on the loss ratio year-over-year?

**Evan G. Greenberg** - *Chubb Limited - Executive Chairman & CEO*

It was minor in terms of its impact - the loss ratio down, expense ratio up. That's what happens with it. But very, very minor. You can measure it in a tenth of a percent (0.1%).

**Operator**

At this time, I would like to turn the call back over to Ms. Karen Beyer.

**Karen L. Beyer** - *Chubb Limited - SVP of IR*

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

**Operator**

Ladies and gentlemen, thank you for participating. This concludes today's conference call. You may now disconnect.

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