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CB.N - Q4 2023 Chubb Ltd Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by. My name is Eric and I will be your conference operator today. At this time, I would like to welcome everyone to the Chubb Limited Fourth Quarter 2023 Earnings Conference 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 would now like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. Please go ahead.

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

Thank you, and welcome, everyone, to our December 31, 2023, Fourth Quarter and Year-end 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 for more information on factors that could affect these matters.

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

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

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

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

Good morning. We had an outstanding quarter and finish to the year. In fact, a record year. Our quarter's results included double-digit premium growth, record P&C underwriting and investment income and strong life operating income, all leading to exceptional operating earnings on both a per share and dollar basis. Our results, both earnings and book value related were also positively impacted in a significant way by a one-time deferred tax benefit related to Bermuda's new income tax law.

While the quarter's results are impressive and important, it's the full year result that really matters most. All things being equal, one quarter hardly tells a story. Our full year results were simply stunning. Core operating income topped \$9.3 billion, up 45% or \$8.2 billion, excluding the tax benefit, up 28%. P&C underwriting income was a record \$5.5 billion, with a combined ratio of 86.5% and investment income was up 33% and topped \$5.3 billion.

As you can see, the balance between underwriting income and investment income was about 50/50, a very healthy balance. Life income was over \$1 billion, while consolidated premium revenue growth was 13.5% for the year. For the year, our core operating ROE was 15.4% and our return on tangible was 24.2%. Tax benefit contributed, so excluding that, our core operating ROE was 13.6% and our tangible ROE was 21.6%, excellent numbers.

Finally, for the year, per share book and tangible book value each grew by over 20%. All divisions of the company in major geographies contributed to these outstanding results last year and I want to congratulate and thank my colleagues around the globe. Our results speak to the global nature of this organization, which is one of the things that distinguishes Chubb.

Our fundamentals are very strong and the quarter itself was simply a continuation of the year. For the quarter, core operating income was \$2.3 billion, excluding the tax benefit, or \$5.54 per share, up 36% and 39% respectively. The one-time tax benefit then added \$1.1 billion or \$2.76 a share. Our underwriting performance in the quarter was a result of strong earned premium growth, excellent underwriting margins with a published combined ratio of 85.5% and a current accident year of 84.3%.

We had strong prior period reserve development in both North America and overseas general and relatively light CAT losses. P&C underwriting income for the quarter was \$1.5 billion. Our prior year reserve development in the quarter and for the year was \$177 million and \$773 million, respectively, which speaks to the consistent strength of our loss reserves. At year-end, our loss reserves were in an exceptionally strong position, as strong as they have ever been.

On the invested asset side, record adjusted net investment income of \$1.5 billion was up \$369 million or 33% over prior year. Our portfolio yield at the end of the year was 4.3% versus 3.6% a year ago, and our reinvestment rate is currently averaging 5.3%. We have very strong liquidity and our investment income run rate continues to grow as we reinvest our cash flow at higher rates. Peter will have more to say about financial items.

Now, turning to growth, pricing and the rate environment. Consolidated net written premiums for the company increased over 13% in the quarter, with P&C up 12.5% and Life up 20%. Of the P&C 12.5%, consumer lines were up 20% and commercial P&C was up 10%, which is, in fact, stronger than the full year average of 8.6%. Our premium revenue growth in the quarter was well spread globally. And from a broader perspective, for the full year, growth was 13.5%, with P&C up 10% and Life up 52%.

Again, Chubb is a globally diversified company, and our growth last year demonstrates the broad-based nature of our operations. North America Commercial P&C, a very large and important business representing 40% of the company grew 7.5%. The balance of the company, the other 60% grew 18%. U.S. high net worth personal lines grew 11%. International consumer P&C grew 18%, International Commercial P&C grew over 11% and Life grew 52%.

In terms of the commercial P&C rate environment, the pattern was the same as we have experienced all year. Price increases in the quarter in property and casualty lines exceeded loss costs in both North America and our international division while globally rates and prices continued to decrease in financial lines led by D&O.

Getting to the detail for the quarter and beginning with North America, premiums were up 9.4% or 6.2% excluding Agriculture and consisted of growth of 12.1% in personal insurance and 4.4% in commercial insurance. Within the 4.4%, P&C lines were up 6.3% and financial lines were down 2.1%. Unpacking the 4.4%, which was obviously slower than previous quarters. First, our middle market division had another strong quarter with P&C premiums up 9.8%, while financial lines were essentially flat. Our E&S business had a strong quarter with growth of 16% in our wholesale brokerage lines. On the other hand, our division, which serves large corporates, Major Accounts grew only 1.4%.

Growth in Major was adversely impacted by about 7.5 points or \$125 million of premium from underwriting actions we planned for and took in a segment of our primary and excess casualty business. One half of the reduction in premium was the result of increased client retentions with the balance due to loss business. For clarity, these actions, in fact, contribute to future growth in underwriting income.

Regarding future North America commercial growth, as we said in the press release, given current market conditions and our capabilities across all segments of commercial P&C, including large accounts, E&S and middle market, we fully expect to return to more robust growth beginning with the first quarter. Overall pricing for total North America commercial increased 7.3% including rate of 5.1% and exposure change that acts like rate of 2.1%.

Let me provide a bit more color around rates and pricing. Pricing for commercial property and casualty was strong, up 12.4%. Property pricing was up 17.3% with rates up 12.9% and exposure change of 3.9%. Casualty pricing in North America was up 12.4% with rates up 10.8% and exposure up 1.4%. In workers comp, which includes both primary and large account risk management, pricing was up 4.6%, with rates up 1.1%, and exposure up 3.5%. We are trending loss costs in North America at 6.6% with short-tail classes at 5.5% and long tail, excluding comp, at 7.3%. We are trending our first dollar workers' comp book at 4.6%.

For financial lines, the underwriting environment remains aggressive, particularly in D&O and rates continue to decline. We know this business extremely well and are trading growth for underwriting margin and income where we need to. In the quarter, rates and pricing from North America financial lines in aggregate were down 6.1% and 5.5%, respectively. We are trending financial lines loss costs at 5.1%.

For our Agriculture business, late-season drought-related developments in crop insurance resulted in an elevated combined ratio for the quarter and the year. For context, we published a 95.4% combined ratio for the year and earned an underwriting profit of \$146 million, similar to the previous year's result. Crop insurance is a CAT-like business, by its nature, vulnerable to weather volatility, but with very good risk reward dynamics if managed well. Crop insurance has been a great business for Chubb. Rain and Hail is an amazing company and since acquiring them in 2010 for about \$1.1 billion, we've earned almost \$2 billion in operating profit with an IRR of 26%.

On the consumer side of North America, our high-net-worth personal lines business had a simply outstanding quarter and year. In the quarter, premiums were up over 12% and new business growth was up 34%. There is a continued flight to our product, service and capability. We are the gold standard, period. Again, for the year, the business grew almost 11% and published a combined ratio of 89.7% or 80.1% on a current accident year ex-CAT basis. In our homeowners business, we achieved pricing of 17% in the quarter while our selected loss cost trend remained steady at 10.5%.

Turning to our international general insurance operations, which had an outstanding quarter. Net premiums were up 19.3%. The combined ratio was 85.9%. Our international commercial business grew 13.2%, while consumer was up 29.5%. For the year, overseas general grew 14%. In our international business growth this quarter was broad-based with all major regions producing double-digit growth, again, illustrating the global nature of the company. Asia led the way with premiums up 37%, made up of commercial lines growth of 21% and consumer up 56%. Europe and Latin America had very strong quarters as well with growth of 15.5% about for both. We continue to achieve improved rate to exposure across our international commercial portfolio with pricing in our retail business up over 7%.

Property and Casualty line pricing was up over 10%, while financial lines pricing was down about 2%. Loss cost inflation across our international retail commercial portfolio is trending at 5.8%, with P&C lines trending 6% and financial lines trending 4.9%. Within our international consumer P&C business, our A&H and Personal Lines divisions both had strong quarters and for the year, their growth was 14.4% and 21.4%, respectively.

Growth again was led by Asia. In our international life insurance business, which is basically Asia, premiums were up 26%. For the year, we reported life income of just over \$1 billion or about \$950 million adjusting for some nonrecurring items.

So in summary, we had a simply outstanding quarter contributing to another record-setting year and we are well positioned to continue producing outstanding results going forward. Underwriting conditions overall are favorable, although they vary by business and geography. It's an underwriter's market and that's what we are.

We have hit the ground running in '24 and while we are in the risk business and volatility is a feature of that, we are confident in our ability to continue growing operating earnings at a double-digit pace through P&C revenue growth and underwriting margins, investment income, and Life income. Now turning the call over to Peter, and then will come back to take your questions.

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

Good morning. As you've just heard from Evan, our strong performance continued into the fourth quarter and we ended the year with a record results in all 3 sources of earnings: P&C underwriting income, investment income and Life income. Additionally, our book value of nearly \$60 billion and book value per share of \$146.83 were both all-time highs.

Before I go into further detail on our results, I want to touch on the \$1.14 billion onetime deferred tax benefit recognized in the quarter. This tax benefit is a result of the Bermuda corporate income tax law enacted in December, which requires a onetime step-up of the tax basis for assets in Bermuda to fair value. This onetime benefit represents a permanent increase to book value and tangible book value and will be realized over a 10-year period starting in 2025. Please refer to Page 1b in the financial supplement for the impact of this benefit on our key metrics.

During the quarter, per share book and tangible book value increased 12.2% and 20.2%, excluding the tax benefit. This increase reflects strong operating results and net realized and unrealized gains of \$4.9 billion in our investment portfolio due to declining interest rates partially offset by \$1.1 billion of dividends and share repurchases. For the full year, book and tangible book value per share increased 18.2% and 17.5%, excluding the tax benefit. The increase also included the diluted impact on the tangible equity related to Huatai consolidation on July 1, which has since been fully recovered.

Turning to investments. Our portfolio grew over 20% since last year, reaching \$137 billion at year-end and benefiting from record full year adjusted operating cash flows of \$12.2 billion and the addition of the Huatai portfolio of approximately \$7 billion net to Chubb. In addition, we experienced unrealized gains on our portfolio during the year of \$3.1 billion, which again highlights the transient nature of these mark-to-market movements for a high-quality fixed income portfolio.

This year, we continue to take advantage of an attractive interest rate environment, raising our portfolio yield to 4.3%, our highest since the third quarter of 2011. Our adjusted net investment income of \$1.49 billion in the quarter included approximately \$55 million of higher-than-normal dividend income and private equity distributions. Looking ahead, we expect our quarterly adjusted net investment income to have a run rate of approximately \$1.45 billion and to go up from there.

Turning to our underwriting business. For the quarter, we had pretax catastrophe losses of \$300 million, principally from weather-related events, split 54% in the U.S. and 46% internationally. Prior period development in the quarter in our active businesses was a favorable \$323 million pretax, with 81% in short tail lines predominantly from property and 19% in long tail lines. Our corporate runoff lines had adverse development of \$146 million pretax, including \$99 million asbestos related. Our paid-to-incurred ratio for the year was 87%.

Our reported effective tax rate was favorably impacted by the Bermuda deferred tax benefit mentioned earlier. Excluding the tax benefit, our core operating effective tax rate would have been 17% for the quarter and 18.2% for the year, slightly below our guided range, reflecting higher income in some low tax jurisdictions as well as the impact of certain employee-related benefits due to rising equity markets. We expect our annual core operating effective tax rate for calendar 2024 to be in the range of 18.75% to 19.25%. I'll now turn the call back over to Karen.

Karen L. Beyer - Chubb Limited - SVP of IR

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

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Your first question comes from the line of Mike Zaremski with BMO Capital Markets.

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

Maybe a first question on loss cost trend. We always appreciate all the granular color you gave. So in North America, it looks like short-tail loss trend came down a little bit, whereas the long-tail loss cost trend just inched up a little bit higher, and I feel if I look back over longer periods of time, the long-tail loss trend has -- I guess, directionally been inching higher for years now, I guess, ex the onset of the pandemic potentially.

But just curious, the underwriting result is excellent. Very clear that you feel like this is a good underwriting environment. What gives you comfort that if the long-tail loss inflation continues kind of inching higher that this is still a great underwriting environment in the year to come?

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

Well look, there's no certainty guaranteed but our loss cost trend in casualty when I look at it, has been reasonably steady over the year. And you'll say it inched up really more on mix of business than anything else when I look at the individual cohorts. That's the vast majority, and it's not a material change. And we have a lot of visibility on loss cost. There are some pockets that have been more elevated over the last number of years. It's nothing new.

We have spoken about it continuously. But overall, I think casualty loss cost trends while they are elevated due to the external environment, as we understand it to be, is reasonably steady while elevated. And so that's what gives me a lot of confidence about it.

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

Okay. That's helpful color. Lastly, my follow-up, with great earnings levels, maybe Peter or Evan, you can update us on the drag from excess capital and whether we should be just kind of continuing to deploy a mix of it into buybacks and then hoarding some for opportunistic M&A, if there's really no change to that.

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

So we had disclosed, I think, on the last call, the drag by showing the difference in reported ROE and I would say it's up somewhat from there, just reflecting a combination of new S&P models and some other factors. But it's somewhat modestly above what we reported last quarter.

Operator

Your next question comes from the line of David Motemaden with Evercore ISI.

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

I just had a question around some of the moving pieces on the reserve releases in North America commercial. And if there was any impact from some of the corrective actions on reserves?

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

There was no connection in the reserve changes to the underwriting actions that I flagged in my commentary and that was in the press release. And by the way, there was another question so I've noticed -- was our loss ratio in the quarter impacted by those changes?

No. I'll remind everyone loss ratio is based on earned premium not written premium. And so any benefit we might see, which is very very modest, look at the size of our commercial business. We're talking about premium impact of \$125 million. So you think of the loss ratio impact from it, very minor, but still it contributes. And wherever you see something that isn't priced right or structured right, it's axiomatic in P&C, you address it.

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

Right. Okay. That's helpful. And I appreciate that on the go-forward impact. And then I guess, just my follow-up question, just on the growth in North America commercial and expectations for 2024. Wondering maybe if you could just talk, I saw the casualty rates ticked up nicely in the quarter, but overall rate is down. I guess would you expect growth if I were to look at 2023, 7.5% growth in North America commercial, would you think the environment is good enough to produce higher growth than that or lower growth? Or I guess, how are you thinking about it for 2024?

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

David, nice try. I don't give guidance as you know around any of that. The 7.5% is interesting. You look at the growth rate prior to the fourth quarter action, it was more robust than that. And our thinking starts from there. And then you think about -- when you said about the rate action, yes, casualty was better. Property on the short-tail classes were therefore down a little bit, but I got strong double-digit growth in the property-related lines, rate and pricing, which is keeping pace with values. That's what that exposure changes. It's about keeping pace with values.

And so it's a well-priced business and a well-priced book and you're getting rate on rate on rate. So of course, that's going to slow down but the underwriting environment for it. And the rate to exposure, the risk reward is quite good if you have the balance sheet and you have the ability to take on the exposure and the confidence as we do. I feel very good about North America as we go forward, it's a well underwritten business.

Operator

Your next question comes from the line of Gregory Peters with Raymond James.

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

In the press release and your comments, Evan you mentioned the fact that Chubb's loss reserves are as strong as they've ever been. So I'm curious what metrics you're looking at to make that determination. And the reason why I guess I'm asking is, I've kind of considered Chubb to always have strong reserves. So is there something that's changed inside your reserving philosophy or structure that gives you confidence that they're better now than they have been in previous years?

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

No, nothing has changed in that regard. You go through different underwriting environment. And the loss cost that is earned in over the years. I look at the mix of business, I look at our data and insight as the company has grown. And frankly, I just add all the loss reserve studies we do and

then independently reviewed by external actuaries and by auditors and I look at the end result and the strength of it. And it's a very simple statement to make when I look back and track it over years that our reserves are as strong and as robust as we have ever seen.

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

Okay. And then another call out, you talked about the large account excess casualty business. And I know you provided some color on your comments. So just looking for a little bit more detail. There's obviously been noise in the market about casualty and maybe the excess casualty is one of the sensitive subjects that's hitting the marketplace but any additional color there would be helpful.

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

Sure, Greg. If you look back over time, some of the things that I have said, and I'm going to repeat them because I think they maybe to some degree for some people they go in one ear, out the other, and then there are moments where it really sticks. When you look at the external litigation environment, the target, first and foremost, is corporate America. Not small business, not mid-sized business, but larger business. There's a general attitude among segments of the population against corporations. Trial bar like Willie Sutton, they're going to ask them, "Why do you rob banks?" He said, "because that's where the money is." And so they go after large corporations. Number two.

Number three, we know there has been a trend of increased frequency of severity, which hits both primary but excess casualty. Nothing new, I've been talking about it for quite some time. And then there's a lot of visibility that particularly acute in exposure that has wheels, anything with wheels. It could be logistics companies, trucking companies, anybody who's got fleets and the larger the vehicles in the fleets, the more of a target it is and has been.

That's what you're -- that story has continued and there's been inflation in both frequency and severity in that, nothing new. And that is the theme in large accounts. And it's pretty focused and directed. It doesn't mean balance of casualty doesn't have elevated loss costs which has been I just addressed which has had a lot of visibility and is steady but it has been more acute in isolated segments.

Operator

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

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

Just I guess, following up with the large account space. So I guess I've always thought about that as a business where you guys had a competitive advantage, not a lot of players that can write the primary casualty, the primary D&O. But it's clearly been a place that's frustrated you more recently. I'm just curious, there's no risk here that any of the actions you're taking could somehow change the significance - the strategic significance of that franchise several years down the road? Is there?

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

Oh my God, no. You're overthinking. No. And this is - you look at the actions that we just flagged, half of it is exposure change and half of it is additional written premium that we lost. Since then, by the way, the market is beginning to catch up to similar actions and no impact to the franchise. It's not like we're wholesale re-underwriting our book of business. It's a very large, very healthy book of business.

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

And then I guess my follow-up is just on the -- I'm sorry.

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

I'm sorry, Ryan.

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

Sorry, go ahead. Go ahead. Sorry about that.

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

No, I just editorialized that that's why I gave you an amount of money and told you how it was, it's just a fraction.

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

Understood. And then my follow-up is just on the property side, and I'm thinking more wholesale like Westchester type CAT-exposed property, (inaudible) in '23. How are you thinking about the rate adequacy in our business after that huge rate haul we got last year?

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

I think it is -- rate adequacy is strong, quite strong. I'm not going to go into any more detail other than to say that and we triangulate it numerous ways, but it's quite strong. From everything we know, all the models and the balance of input and our analysis of the portfolio, types of occupancies, geographies it's in, perils it's exposed to, you add it all up, we feel very good about that book of business. If you want to know more, you're going to have to join the company. That was a joke, Ryan.

Operator

The next question comes from the line of Meyer Shields with KBW.

Meyer Shields - Keefe, Bruyette, & Woods, Inc., Research Division - MD

Within North American personal, I was hoping we could get an update as to how much of the business that Chubb wanted to move to E&S is actually now on E&S paper? And how much opportunity there is for that shift in 2024?

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

Yes. I'm not going to give you a dollar amount or a data point that way, except that directionally, we are writing more business on E&S. It is growing at a rapid clip. It will continue to. Our preference is always to offer our customer first admitted, but where the states and regulation don't allow us to tailor coverage for those who were exposed in a more outsized way to catastrophes. Remember, affluent people want to live in beautiful places that are right on the edge of civilization in nature, and it's more CAT-exposed and where we can't tailor coverage in line with exposure, we'll use it and price it adequately, we'll use E&S, and that's what we're doing.

But again, I think that, and I wish that there was more flexibility within regulation, within jurisdictions so that we could serve this customer base on an admitted basis versus be forced to E&S to give them what they need and that they want to buy.

Meyer Shields - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay. Understood. That's very helpful. Second question is sort of the same theme. Within agriculture, at least on the crop side, can you talk about how you can manage through climate change risks where you don't have flexibility in pricing or policy language?

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

Ah, but there's a difference. In agriculture, we have a ton of data. We have a couple of very fundamental advantages. Number one, we can select risk. And so we can determine -- we have to take all comers. So we can determine what risk to retain and which risk to share with the government. And that's what helps you with the selection is what helps you in managing to price adequacy. And the second thing, we have scale. And you only get reimbursed so much of their expenses out of the government program but because of our scale and our technology and automation, we operate efficiently. So we limit any expense-related exposure to the company. And that allows us to operate on a favorable risk-reward.

Operator

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

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

Evan, I wanted to follow up on your previous answer with regards to the E&S market and high net worth. And I think you said you would like to have the flexibility of continuing to offer the product in the admitted market. What's the difference from your perspective? Why would you like the admitted market over E&S?

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

Well, it's customer friendly. And I think just from a customer point of view, they just feel it's easier to place with us. You don't go through -- you have to go through more administrative process to place it on E&S. Remember, you can't just jump to E&S. You have to be able to leap through admitted market hurdles to get to E&S and it's simpler. And I think for them, from their own point of view, it's more comfortable.

Now to keep it in perspective, the vast, vast majority of our portfolio is admitted. And then it's on the margin right now that it is not admitted. But my point is I don't like the trend. More will go on non-admitted, climate change continues, and states take the wrong action to try to cover up price and deflect price signals and ability to risk share with people who have the wealth and choose to live in places that are more exposed. And I think there ought to be more flexibility and recognition of that consumer base and their needs and their desires and not force them to go through all they have to go through to place on a non-admitted.

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

Makes sense. I appreciate the answer. And then if I could shift gears to China. I think you called out about \$100 billion of AUM that are managed in China, mostly third-party capital. Just curious how you're thinking about that book in the face of, I guess, some selling consumer and business sentiment in China and maybe the equity market performance there. How do you go about -- are you making any shifts in how you're managing the book with that?

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

Yes. First of all, let's not think of it as book. It's an asset management business, that \$100 billion. We have an asset management company that does retail, mutual funds and very large institutional money management including state pension money. The vast majority of it is fixed income. We

underwrite the credit exposure extremely carefully, we don't chase yield. We do it in a conservative way, the way we've been fiduciary managers of our policyholders' money. It's how we treat investors' money.

And China is a lower interest rate environment now. Equity market with a lot of volatility, not a lot of confidence in the economic short-term, medium-term future among business and consumer. So it's not the best time to be managing and trying to grow an asset management business. But all of our thinking and plans have that in mind and like everything else, it's a moment in time when the country returns to more rapid growth, when confidence begins to come back because government addresses and manages sentiment and the economy a bit differently than they are today, which I think, over time, they'll be forced to.

This is a great franchise to have. And by the way, if you look at its rankings, it's outstanding performance rankings in the marketplace, for its classes of fixed income. And secondly, in its size relative to other asset managers in China, it's actually in that upper midsize category. It's a pretty cool asset.

Operator

Your next question comes from the line of Bob Huang with Morgan Stanley.

Jian Huang - Morgan Stanley, Research Division - Research Associate

My first question is regarding your workers' comp business. You mentioned that your loss trend is about 4.6%. Is it possible to maybe unpack that a little bit between severity, frequency and as well as wage growth trends? And then are there any severity stress points that we should pay attention to?

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

No. We're not going to unpack it between frequency and severity. It's running very steady. We recognize a higher medical loss trend. We adjusted for that and disclosed that a quarter or 2 ago. Workers' comp is behaving in a very steady way.

Jian Huang - Morgan Stanley, Research Division - Research Associate

Got it. My second question kind of is more of a geopolitical risk related question. Obviously, a large portion of your business is overseas, still performing very strong. But it feels like geopolitical risk really hasn't improved so far versus 2023. Is it possible to kind of give an update in terms of how you think about the risk associated in your business in Asia and Europe and how you think about the broader opportunities outside the U.S.?

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

Well, I don't think the geopolitical risk for Europe and our business in the EU. I don't think they have a political risk, a geopolitical risk exposure any greater fundamentally than we do in the United States. And so if you're concerned for Europe in a significant way, then you better be concerned right here at home in America.

When I get to Asia, I don't believe that the United States and China are going to war. And I think all sides seek a stability. And so, while there is always tail risk in Asia, related to North Korea, related to Taiwan in particular. I think it's more risk at this moment around someone making a mistake. By the way, I'm going to leave you with this. The mental model, if there is a conflict in Taiwan, where there is a conflict to do with North Korea, it is hard to believe it will confine itself to a small geography. We then have a major global issue. And I think those who are in leadership positions on all sides are acutely aware of this and they too, care about their children and their grandchildren.

Operator

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

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

My first question is on North America commercial. You guys saw a good level of accident year loss ratio improvement in the quarter. I was just wondering if there was any prior quarter true-ups for the prior quarters of the year or any benefit of favorable non-CAT weather? Or was it just good core underwriting results?

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

No, there was no true-up, current accident year true-up that distorted the quarter whatsoever. It's steady. And the improvement is a combination of change of mix of business, which, frankly, Elyse, I would think you'd notice that everywhere because it's the more property levered portfolios are, the lower that current accident year ex-CAT is going to be. Number one. And then number two, beyond mix, it's rate in excess of loss cost across most of the business earning its way through.

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

And then on the tax rate side, Peter, I know you said you gave us guidance for '24. But what about in 2025 when the Bermuda tax rate goes up? How should we think about that impacting the tax rate at Chubb?

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

Yes, it's too complicated and early to know in terms of how the Bermuda law will interact with whatever gets adopted at OECD, Switzerland and the U.S., we really don't have any visibility on it.

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

Okay. And then, Evan one more for you. In your press release, you pointed to growing operating earnings at a double-digit pace. I'm assuming that's a comment if we adjust for the one-off tax benefit in the quarter that you expect operating earnings can grow double digits in '24. Is that how we should take that comment?

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

Yes, Elyse.

Operator

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

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

I appreciate it. A couple here. Just first, Evan, is this possible to get with the benefit of including Huatai was this quarter on consolidated premiums? I know you gave it last quarter and maybe on the overseas as we get a sense of kind of the true kind of organic run rate of the business?

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

I'm sorry, Brian, you're kind of breaking up on?

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

Huatai, the benefit that had of including it in premium growth in the quarter?

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

Huatai had a premium benefit in the quarter. We didn't disclose it. We disclosed it last quarter and said from here, it's just in there. It was, from memory, it's just a couple of points. We'll take it offline with you, but it wasn't, we'll have more color in the 10-K, MD&A on a couple of lines.

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

Great. That's helpful. And then my second question, maybe bigger picture here. The trucking business in the U.S., I mean, we continue to see some real bad kind of severity in the long-haul trucking business. Is there any solution to that? Or is it simply just getting enough rate?

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

No. Getting enough rate is, that's what we have to do. But that doesn't solve the problem for American trucking, which we need a healthy trucking industry. And you certainly want to take the inflation out of shipping rates. And this all contributes, you end up paying for it. It's really a state-by-state solution and that you know -- how they -- the amount of awards that are handed out. And by the way, look at simple laws like, who is responsible in a liability event and how it varies by state.

There are states where you may have 1% responsibility. And you're the deep pocket and you are allocated 100% of the cost. There are states that -- where there's a comparative negligence, both parties are at fault and look at how it varies, how they determine who is ultimately adjudicated to pay for the cost. When you look at those right there, you can see a part of the problem that is occurring. Particularly where trucking company is 1% or considered 2% at fault. Again, they're adjudicated 100% of the payment suffering and injury of that individual. That's a state-by-state problem.

Look at litigation funding and look at how many states require that you simply disclose who's funding the lawsuit. Because that has an impact on how a jury will then view the injured party. They always march out the most sympathetic individual but is it all about sympathy to the individual? Or are they used as a prop to actually get a big payday for somebody who's funding the lawsuit. That's a state by state. And if you were looking for a federal solution, my God, we can't even agree on a budget, and we can't address the deficit or entitlement spending but we're going to address this when the trial bar is funding half of Congress.

Operator

Your next question comes from the line of Mike Ward with Citi.

Michael Augustus Ward - Citigroup Inc., Research Division - Research Analyst

I was just curious if you had any kind of commentary around financial lines and in North America. I'm wondering if you have any sort of expectation for pricing to bottom out?

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

No. I don't have an expectation. I think when a lot of that naïve, hungry capital that is trying to make some money for themselves at the expense of the balance sheets that are funding it, when that all gets tired and loss cost catch-up, which is not far off, with the level of pricing being charged, then there'll be an adjustment and Chubb is there, and we're a large writer of the business. And I don't know any boardroom where they wouldn't rather have Chubb, all things being equal, handling their D&O.

And by the way, another problem that's brewing is you look at the number of mouths to feed that get on a D&O tower right now. And as the losses come, good luck -- in many instances, I wish the brokers well in collecting from each of those players who now have remorse because they wrote the business and now they have to pay the claims and they're losing money. When all that happens, we're just -- this is the business. There are pockets of the business that are dumb at times, and it's just one of those moments, fine. We've got plenty else to do.

Operator

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

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

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

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