

## Q4 2015 Earnings Call

### Company Participants

- Evan G. Greenberg, Chairman and Chief Executive Officer
- Helen Wilson, Senior VP, Investor Relations
- John Lupica, Vice Chairman and President, North America Major Accounts & Specialty Insurance
- Paul J. Krump, Executive Vice President and President, North America Commercial and Personal Insurance
- Philip V. Bancroft, Executive Vice President and CFO
- Timothy Boroughs, EVP and Chief Investment Officer

### Other Participants

- Brian Robert Meredith, Analyst
- Charles Joseph Sebaski, Analyst
- Cliff H. Gallant, Analyst
- Ian J. Gutterman, Financial Portfolio Manager
- Jay Arman Cohen, Analyst
- Jay Gelb, Analyst
- Kai Pan, Analyst
- Larry Greenberg, Analyst
- Meyer Shields, Analyst
- Michael Nannizzi, Analyst
- Paul Newsome, Analyst
- Ryan J. Tunis, Analyst
- Vinay Misquith, Managing Director

## MANAGEMENT DISCUSSION SECTION

### Operator

Good day and welcome to the Chubb Ltd Fourth Quarter Yearend 2015 Earnings Conference Call. Today's call is being recorded. For opening remarks and introductions, I would like to turn the call over to Helen Wilson, Investor Relations. Please go ahead

### Helen Wilson {BIO 2078659 <GO>}

Thank you and welcome to our December 31, 2015, fourth quarter yearend earnings conference call. Our report today will contain forward-looking statements, including those relating to company and investment portfolio performance, pricing and business mix,

economic and insurance market conditions, including foreign exchange, and completion and integration of acquisitions, all of which are subject to risks and uncertainty. Actual results may differ materially.

Please refer to our most recent SEC filings as well as our earnings press release and financial supplements, which are available on our website for more information on factors that could affect these matters. This call is being webcast live. And the webcast replay will be available for one month. All remarks made during the call are current at the time of the call and will not be updated to reflect subsequent material development.

Now I'd like to introduce our speakers. First we have Evan Greenberg, Chairman and Chief Executive Officer, followed by Phil Bancroft, our Chief Financial Officer. Then we'll take your questions. Also with us to assist with your questions are several members of our management team. Now it's my pleasure to turn the call over to Evan.

### **Evan G. Greenberg** {BIO 1444445 <GO>}

Good morning and welcome to our first earnings call as the new Chubb. On today's call I will focus on the full year and fourth quarter 2015 results of legacy ACE Limited. I will not comment on legacy Chubb's 2015 results.

In the context of currency headwinds, which all multinationals have experienced, ACE had a good quarter that contributed to a very good year by all financial measures except book value growth, which was impacted in particular by foreign exchange, rising interest rates in the U.S. All divisions of the company made a positive contribution to both quarterly and annual operating earnings, which were driven by excellent P&C underwriting and investment income results.

For the year we produced over \$3.2 billion in operating income, record underwriting results, strong premium revenue growth on a constant dollar basis, and a very good ROE. It was quite a year. In fact, historic from a strategic perspective, as we made a number of investments in our company that contributed and will contribute to future earnings growth with the highlight being of course our transformational acquisition of Chubb.

After tax operating income for the quarter was \$780 million or \$2.38 per share. For the year, net operating income was \$9.76 per share, essentially flat with last year's record earnings of \$9.79 per share. When adjusted for the impact of foreign exchange, our full year operating EPS was actually up 3.5%, an achievement few U.S. dollar based multinationals can claim and a standout result for our industry.

In fact, our \$3.2 billion of operating income was down 3%, all FX related. Adjusting for that, operating income was flat, something few insurers can boast.

Our P&C combined ratios were truly excellent, 87.7% for the quarter and for the full year, a record low of 87.4%. For the year, P&C underwriting income was almost \$2 billion, again a record for our company. In constant dollars P&C underwriting income was up 8%.

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These terrific calendar year underwriting results benefited from very strong current accident year performance. P&C current accident year combined ratio excluding catastrophes was 88.8% for the year. The P&C current accident year results are a reflection of our premium revenue growth and margin improvement globally as a result of pricing action, portfolio management efforts, product mix, and expense control. To break down our current accident year underwriting results a bit, the combined ratio for global P&C, which excludes agriculture, was 88.9% for the year. Agriculture had an excellent year, and it ran an 88.2%.

Full year net investment income of \$2.2 billion is down about 2.5%. It stood up quite well given the historic low interest rates. And it benefited from our very strong cash flow, just shy of \$4 billion.

ACE's strong earnings led to very good operating ROEs of over 11% for the quarter and 11.5% for the year. As I have noted before for ACE, every 100 basis points of investment portfolio yield is equal to approximately 200 basis points of ROE. Even with the Fed's first rate increase in seven years, the short term interest rate environment remains highly uncertain, given global economic and geopolitical conditions. Although rates will not and frankly shouldn't remain this low indefinitely.

As I said earlier, ACE and now Chubb is a truly global dollar based multinational insurer with a great spread of business. And as such foreign exchange impacted our premium revenue, our income, and our book value throughout the year. In spite of our great earnings performance, per share book value growth was essentially flat for the year. It was up 3.2% excluding foreign exchange. Phil will have more to say about book value as well as prior period reserve development and catastrophes.

Turning to revenue growth for the quarter, global P&C net premiums, which exclude agriculture, were down 2%, but up 5% when measured in constant dollars, whereas for the year global P&C grew over 1% on a published basis and nearly 8% in constant dollars. FX had a modestly bigger impact in the quarter than on the full year.

For the year, our 8% constant dollar growth came primarily from North America, Latin America, and Asia. In North America net premiums for P&C excluding crop grew over 10%. Net premiums in Latin America and Asia grew 18% and 15% respectively, whereas they grew 3% on the continent and declined 2% in the UK.

Relative to the full year constant dollar growth in the quarter was slower, again 5% versus full year 8%. And it was impacted by both economic conditions in Asia and Latin America, which caused a modest slowdown in our consumer businesses, and industry market conditions for our commercial P&C business, which grew more competitive as the year progressed. We will always trade market share for underwriting discipline.

That leads me to a few words about current commercial P&C insurance market conditions. The pricing environment grew incrementally more competitive in the quarter for our commercial P&C business globally and varied depending on the territory, line of business, and size of risk. As noted in prior quarters, large account business, particularly shared and

layered, is more competitive than mid-sized. Wholesale is more competitive than retail. And property is more competitive than casualty related.

For our U.S. commercial P&C business - that's legacy ACE - general and specialty casualty related pricing was down about 0.5% in the quarter. Management and professional liability pricing was up 0.5%. And property related pricing was down over 9%.

New business writings in North America were down 11% year on year, as we became more selective but varied by class, depending on the rates and terms we could secure. So in fact, new business was up in certain targeted classes.

Renewal retention levels are holding up well. For our U.S. retail business the renewal retention rate as measured by premium was 94% and by policy count, 80%. Internationally, commercial P&C insurance market conditions also grew incrementally more competitive. Again for the business we wrote, casualty rates were down 2%, property was down 7%, and financial lines rates were down 3%.

London also was the most competitive market. For example, aviation was down 8%, energy was down 18%, and marine was down 5%. John Keogh, John Lupica, Juan Andrade, and Paul Krump can provide further color on growth and current market conditions and pricing trends.

As all of you saw, on January 14 we completed the acquisition of Chubb Corporation for \$29.5 billion. New Chubb is pretty darn impressive by almost any measure. We are in fact the largest publicly traded property casualty insurer in the world, a global leader in commercial P&C for customers of many sizes, the premier provider of personal lines to high net worth individuals and families in the U.S., the global leader in professional lines, and a global leader in A&H and international personal lines.

What our organization accomplished in the six-month period between our acquisition announcement on July 1 and our closing date is simply amazing. And all of it done in parallel. Let me give you just a little color.

First, led by the entire general management team globally with support of our operations management group, we established a comprehensive integration roadmap and detailed integration plan of action that covers all areas globally, including underwriting, claims, sales, marketing, client and technical services, business processing, IT systems, HR, and real estate. This ensured that everyone would be ready to hit the ground running and begin executing as soon as we closed the acquisition.

We in fact are doing that right now. Our legal and shareholder communications team secured all regulatory and shareholder approvals, so that we could close the transaction by January 1. Well, we achieved that objective on January 14. Our communications groups conceived and launched an entirely new brand. Our finance and investment management group secured \$5.3 billion in debt financing, the largest amount ever raised by an insurance company. We concluded all planning necessary, so that within the first quarter we can integrate the entire Chubb investment portfolio into the way we manage

investments and reallocate the invested asset to secure improved risk adjusted returns. More to come about this in the future.

In risk management we engaged in thoughtful analysis and planning that continues, so we can understand the new company's aggregate accumulations and risk profile for all major underwriting classes, lay out a roadmap for risk appetite, and manage the combined company's aggregations in context of our balance sheet wherewithal. All underwriters around the world received instructions on day one regarding authorities and operating procedures. So we maintained continuity as we hit the ground running.

Lastly and most important, all along the way and by yearend where regulatory conditions permitted, we were able to tell the vast majority of virtually all of our customer facing employees around the world in general management, underwriting, claims, sales, and marketing, in all branch offices at all levels that they have a job, what that job is, and who they report to.

So like I said, while it's very early days, we've hit the ground running. And we are striving to execute with a high degree of discipline. We are on track with all of our integration plans, including organization structure, process, and people. And that includes both expense synergies and new revenue initiatives globally.

Concerning the latter, our incremental growth plans include new product capabilities for the middle market and agency channels. Many employees have been engaged in the formulation of a plan of action to begin launching new growth initiatives during 2016. In fact, we had over 1,200 ACE and Chubb colleagues in North America together the first week in January, reviewing plans for the year that covered all areas, including new growth initiatives. I couldn't have been more optimistic with what I observed. The feeling was collegial and energized with a strong sense of focus.

In summary, I'm excited about the value creation potential of the new Chubb and more confident than ever in our future. The energy level and the morale are high. And as always we are impatient in execution.

With that I'll turn the call over to Phil. And then we'll be back to take your questions.

**Philip V. Bancroft** {BIO 4621336 <GO>}

Thank you, Evan. Investment income for the year was strong at almost \$2.2 billion, down 2.6% from last year as reported and 0.7% on a constant dollar basis. Our full year operating cash flow of \$3.9 billion almost completely offset the impact of the rollover from our higher book yield to lower new money rates.

Investment income for the quarter was \$532 million, down \$45 million or 7.7% from last year, reflecting unfavorable foreign currency movements of \$14 million, a decline in private equity distributions of \$10 million, and a decrease in call premiums from our corporate bond portfolio of \$15 million.

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Tangible book value declined 0.5% for the year and was adversely impacted by after tax unrealized investment portfolio losses of \$1 billion, unfavorable foreign currency movements of \$663 million, and the addition of \$474 million of intangibles relating to the Fireman's Fund acquisition. Excluding these items, tangible book value increased 8.5%.

Net realized and unrealized losses after tax totaled \$605 million for the quarter and comprised unrealized losses of \$411 million relating to the invested portfolio, primarily due to rising interest rates, and realized losses of \$109 million from the portfolio, primarily from sales of portfolio assets to fund the acquisition of Chubb. We also had foreign exchange losses of \$138 million and a \$55 million realized gain related to the mark on our variable annuity reinsurance portfolio.

You can see on our balance sheet that short-term investments and cash increased \$9.4 billion from September 30. This includes the proceeds of our debt issuance and funds from the liquidation of investment portfolios in preparation for the closing of Chubb.

Our yearend investment portfolio exposure to the energy sector totaled \$1.87 billion, down from \$3.2 billion in late 2014. When combined with the legacy Chubb portfolio, energy holdings totaled \$2.4 billion or 2.3% of the combined portfolio, have an average rating of BBB, and are well diversified with over 200 issuers. We are comfortable with both the concentration and current valuation of our exposure to the energy sector, which is currently valued at approximately 92% of par.

Our net loss reserves were up \$275 million or 1% for the year, adjusted for foreign exchange. The paid to incurred ratio for the quarter was 111%, or 102% on a normalized basis, which takes into account prior period development and crop loss payments activity, which by the nature of the business is heavy in the fourth quarter. For the year, our paid to incurred ratio is 92% and is more indicative of our trends.

In the quarter we had positive net prior period development of \$100 million pre-tax. In our active companies we had \$159 million of positive prior period developments, of which \$45 million was from long-tail lines, principally from 2009 and prior accident years. The remainder was from short-tail lines.

In our Brandywine and other run-off operations we strengthened reserves by \$59 million pre-tax. The charge related to asbestos and comprised account specific development and defense related costs on existing accounts. We see no underlying change in the asbestos landscape. And the average indemnity severity for individual asbestos claims has remained stable.

Cat losses of \$67 million after tax were almost flat with last year's fourth quarter with \$24 million from the U.S., \$15 million from Europe, \$17 million from Latin America, and \$11 million from Asia.

Fourth quarter Life segment operating income was down versus prior year due to unfavorable claim reserve development in the combined U.S. operation of \$11 million after

tax in 2015, compared to positive development of \$5 million in 2014. After the 2015 adjustment the combined ratio for this business remains in the low 90s%.

Life operating income was also affected by the continued run-off of our variable annuity book, which was down \$8 million from the prior year. Our operating income for the quarter was negatively impacted by foreign exchange of \$34 million in comparison to last year's fourth quarter and \$119 million year on year.

With respect to the new Chubb we estimate an investment income run rate for a full quarter of approximately \$810 million to \$825 million. The first quarter may be modestly lower due to the timing of the close. We also expect a tax rate ranging from 16% to 18% for 2016.

Beginning with the first quarter we are planning additional financial reporting disclosure for the consolidated Chubb. We will provide additional detail around production and underwriting results from both personal lines and commercial lines in North America insurance. And in overseas general insurance we will provide an aggregate breakdown by region. We will also provide more detail on written and earned premium by line of business globally. We will issue information shortly that provides the format you can expect for our new disclosures.

We will provide you with periodic updates on our estimated expense synergies and the estimated cost and timing to achieve both. As you will recall our stated expense synergy target is \$650 million annual run rate by the end of the third year. The current estimate of integration costs is \$535 million with an additional \$100 million in branding related expenses.

When we present our operating income in the future, we will exclude the positive impact of the amortization of the purchase accounting premium on the Chubb debt we acquired in the transaction and the negative effect of the amortization of the purchase accounting premium on the investment portfolio we acquired. We will also exclude, as we have to-date, one-time integration costs associated with the transaction. We don't believe these items reflect our ongoing operations. All other purchase accounting intangible amortization will be included in operating income. I'll turn the call back to Helen.

**Helen Wilson** {BIO 2078659 <GO>}

Thank you. At this point we'll be happy to take your questions.

## Q&A

### Operator

First go to Kai Pan with Morgan Stanley.

**Q - Kai Pan** {BIO 18669701 <GO>}

Good morning, thank you, and congratulations to a new start as a new Chubb. The first question for Evan probably is that now you have 6 months since the announcement. When you're looking deeper into the Chubb - legacy Chubb organization, what surprised you the most to both the upside and downside? And where do you see opportunities that you did not see like before the merger announcement?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

You know, Kai, it's funny. I've been asked this question numerous times, and so I've had a chance to reflect on it a bit. There haven't been that many surprises in fact to me.

The biggest surprise has been honestly as we've gotten into all the detail at multiple levels of the organization is the depth of talent, the depth of knowledge. And as we drill into detail and understand businesses, the commonality in how we all think about it and how we approach it and what we see as the important objectives. That has been tremendous. The fit between ourselves and how apparent that is becoming to the organization at large, the speed at which that has been occurring, has been a pleasant surprise.

Kai, I really can't point to negative surprises. I have no doubt, there's always negative surprises to come. That's just the nature of life. But I haven't really seen any in the last 6 months of any consequence.

**Q - Kai Pan** {BIO 18669701 <GO>}

Okay. On the sort of like the cost saving target, \$650 million. Do you have sort of in your mind at roughly what percentage - like where are they coming from in terms of like staff or infrastructure or in term of geography? And how much of that do you think, the cost saving will eventually - will be reinvest back into the company for the future growth?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Yeah. The \$650 million we know in very precise detail every area that it comes from, both geographically and by area of the business and how it breaks down the cost between staff and other things. We're not going into that detail, but we know it precisely.

We have a good idea of the timing. And - but we will be refining that through the quarter. And as we go along in the future, we'll give you're a better sense of timing and we'll give you a better sense of the annualized run rate, as we achieve it or foresee it. And we'll give you an update on the expense to achieve it as well. And we'll give you an update on the overall target number. So we'll give you more in the future about that.

**Q - Kai Pan** {BIO 18669701 <GO>}

Okay. Thank you. If I may last very quick one is that if currency stay as at today, so what's roughly impact on your - both the revenue as well as the operating income for 2016? Thank you.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}



Are you asking me, what's our growth rates for - I'm not sure of your - of the...

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

The impact of FX, if FX rates stay the same.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

If FX rates stayed the same.

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

Right.

**Q - Kai Pan** {BIO 18669701 <GO>}

Yeah.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Then what's the quarter-on-quarter impact? Because you know the FX rates are different this quarter than they were first quarter last year, et cetera.

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

You know what I can do is take that off line, break that...

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Yeah, we'll take that off line with you, Kai.

**Q - Kai Pan** {BIO 18669701 <GO>}

Okay, thank you so much.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

We don't have a precise number in our heads right now.

**Operator**

Next we'll go to Cliff Gallant with Nomura.

**Q - Cliff H. Gallant** {BIO 1854853 <GO>}

Thank you. I actually wanted to ask you a little bit about Brazil. I know between the - sort of the legacy Chubb business and Itaú and ACE's own organic business that you have a strong position in the market. I was wondering what is the outlook? And as you approach integration in a market where there's lot of change, is it different then how you'll approach it in markets where the outlook is more stable?

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**A - Evan G. Greenberg** {BIO 1444445 <GO>}

First of all, no, we will not - to answer that last part first, nope. Approach it exactly the same. There is no difference in how we approach it. The fundamentals don't change.

Look, the environment in Brazil is difficult. The economic environment, the political environment is very tough. And it is the leadership of the country is inadequate. And the policies of the government in Brazil are inadequate. And while some of this is natural resource based and has to do with slowdown in China and others, on a relative basis Brazil is much worse off, because many of those problems that are created right now are at their own hand. And they could correct them.

And I'm afraid given the political gridlock in that country that will not happen in a short period of time. You talk to smart Brazilians who are worldly, who are well educated, they understand what needs to be done in their country. And I suppose just like in our country it's left to the local citizens to ultimately address it. And they will.

In the meantime, look, our business is a good business. And it is fundamentally a very good business. We continue to make money in Brazil. Of course we suffer from the foreign exchange. And there's nothing you're going to do about that. On a local currency basis it's business as usual for them. It's very stable. And we're maintaining all the disciplines we need to that are very fundamental to maintaining what is a great franchise.

And I have no doubt given the talent of the people, the size of that country, the size of the economic opportunities for that country, which is broad based, that with a change of leadership, a change of policies, you'll see the other side of Brazil again.

**Q - Cliff H. Gallant** {BIO 1854853 <GO>}

Okay, okay, thank you. I have one follow-up for Phil, just to clarify something you said. I think it was a - you gave a 16% to 18% expected tax rate for 2016. Just wanted to clarify that was for the pro forma ongoing Chubb this year. For both...

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

That's correct. That's correct. We're saying we estimate the 2016 tax rate for the combined company at that level.

**Q - Cliff H. Gallant** {BIO 1854853 <GO>}

Okay. Thank you.

**Operator**

Next we'll go to Charles Sebaski with BMO Capital Markets.

**Q - Charles Joseph Sebaski** {BIO 17349221 <GO>}

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Good morning and congratulations on a quick close. I guess the first question is on risk aggregation. And how comfortable you guys are at this point, how quickly you closed, if there's any thoughts on need of extra re-insurance while you get through the first renewal cycle of the combined book.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Yeah. We're not going to go into that, Charles. We're doing all the analysis. We've done a lot of analysis. We're continuing to do analysis. And if we find in any areas that we have accumulations beyond our appetite and exposure to our balance sheet, we know how to address those. And we will.

**Q - Charles Joseph Sebaski** {BIO 17349221 <GO>}

Okay. I guess regarding the new business growth outlook -- and you talked about having a 1,200-person event earlier this year -- will there be any kind of product rollout that you would discuss publicly? Or in terms of -- I guess some more insight on where the opportunity on growth is. Would appreciate any thoughts on that.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Sure. I have discussed it at length to -- for investors and sell side over the last couple of quarters. So it remains on those themes.

As we launch new initiatives during the year, we will publicly disclose them, announce them. Obviously we're going to do that, because we want distribution and customers to be aware of what we have. We're going to be marketing it. And we will therefore make you aware of them. I'm not going to discuss them in any -- anything in any detail in advance. I'm hardly going to give a roadmap to my competitors.

**Q - Charles Joseph Sebaski** {BIO 17349221 <GO>}

Okay. I guess just finally one quick question on integration costs. And just conceptionally I guess, Phil, you're keeping the Chubb integration costs below the line here. But I guess you would be putting the synergy savings or the \$650 million above the line as they come in. And I guess conceptionally there's a couple of years here while you would have both savings and expenses. Should these -- should we think of these both above the line or below the line? Or how would you plan on addressing those in the first few years here?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Charles, before Phil embellishes on it, let me say this. The reason the expense is below the line is they are one-time items. And so they distort your picture of the ongoing. The savings is ongoing. You're going to have that every year. And that only builds. And that's why it goes above the line. It's actually to give you the clearest picture.

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

I don't think I can add to that.

**Q - Charles Joseph Sebaski** {BIO 17349221 <GO>}

I appreciate the answers. Thanks, guys.

**Operator**

Next we'll go to Michael Nannizzi with Goldman Sachs.

**Q - Michael Nannizzi** {BIO 15198493 <GO>}

Thank you. So I had one question on the investment portfolio. Just wanted to know how you're thinking about the former Chubb's book there. And does the tax rate of 16% to 18% contemplate that portfolio remaining heavy on muni bonds? Or does that start to look more like ACEs over time?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, in the tax rate we haven't contemplated any major shift in the makeup of the portfolio. And in terms of our thinking about the portfolio, let me turn it over to Tim Boroughs to give you his view on what we'll do.

**A - Timothy Boroughs** {BIO 2284585 <GO>}

Hey, Michael. Hi, it's Tim Boroughs.

**Q - Michael Nannizzi** {BIO 15198493 <GO>}

Hi.

**A - Timothy Boroughs** {BIO 2284585 <GO>}

So with regard to the asset allocation, generally the legacy Chubb portfolio has similar characteristics to the ACE portfolio. In other words, it's predominantly high grade fixed income, double AA rated with a four-year duration.

The principal difference as you mentioned is that the Chubb portfolio is much more U.S. centric and holds a much larger proportion of municipal bonds than ACE. Over the course of the last few months we have evaluated the appropriate structure of the legacy Chubb portfolio, as we combine it with ACE. In addition, we have been evaluating the appropriate level of investment risk to take in the combined portfolio. This evaluation includes an assessment of our investment leverage, operating constraints, and obviously market valuations. Although I think we want to make it clear that we're not going to change our conservative investment philosophy and overall appetite for risk, as Evan mentioned earlier, we see the opportunity to enhance risk adjusted returns and are beginning to implement these changes currently.

**Q - Michael Nannizzi** {BIO 15198493 <GO>}

Yeah. And, Phil, maybe - thank you that. That's very helpful. When you talk about the...

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

We know in more general than you wanted for (35:55) right now. But keep going.

**Q - Michael Nannizzi** {BIO 15198493 <GO>}

No, it's fair. It's totally fair. And I do appreciate the – sort of the philosophy behind it. As far as the \$810 million or so per quarter, Phil, that you talked about, how much of that is a lift off of sort of reinvesting Chubb's portfolio? Are you sort of thinking about that just on the basis that the portfolios stay as they are today?

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

Yeah, it's the latter. What we've done is we can see the portfolio. We've seen the assets that were distributed in connection with the acquisition. So we can see the remaining portfolio. And we really projected on that basis. And we'll update you as we go forward about what changes we'd make to the portfolio and what impact that'll have on our thinking about guidance.

**Q - Michael Nannizzi** {BIO 15198493 <GO>}

Great, thank you for that. And then just last real quick here, Phil, on the energy portfolio, the 92% you sort of said today. Is that today, today? Or 2015 yearend? Just because there has been some difference there. And if so is there a change?

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

There isn't a significant change. It was about the same for both periods.

**Q - Michael Nannizzi** {BIO 15198493 <GO>}

Okay, great. Thank you so much.

**Operator**

Next we go to Paul Newsome with Sandler O'Neill

**Q - Paul Newsome** {BIO 1541286 <GO>}

Good morning and congratulations on the call. Could you perhaps speak to the energy related exposures in the insurance book as opposed to the investment portfolio? And if there's any impact or potential impact from some of these companies perhaps going bankrupt, et cetera, over time?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Yeah. We in fact observe that pretty closely. I don't mind telling you that even in our last enterprise risk management session, we focused on an update of it, because we've been following it for some time, our aggregations.

It's a credit exposure question. And so we write trade credit insurance. We write political risk insurance. We write surety. And in particular those would – and we write professional lines DNI (38:16). And those would be the classes that would be subject.

We have a pretty good sense of our aggressions. We know them. We have a good sense of the current environment and how it plays against those aggregations. And we're comfortable with our exposures. We think we understand them. And they're pretty well in hand. They're well in hand.

**Q - Paul Newsome** {BIO 1541286 <GO>}

Is there any way to put some numbers around the size? I'm not actually looking for anything precise. But Travelers talked about it being potentially cents per share if things really truly went bad. But you're...

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

We look at some going bad. We look at downside exposure. And we don't see – from what we know today we don't see an event on the horizon that is going to create a significant impact to the company and our outlook for the year.

**Q - Paul Newsome** {BIO 1541286 <GO>}

And then I have a separate question. It's completely unrelated. I think of a sort of hallmark of the old ACE as having an unusually heavy percentage of its business in accident and health business. So all the stability that that normally brings. I would imagine, and I could be wrong here, that by adding the Chubb that percentage goes down. And the theory that that stability is less, because it's just a small percentage. Does building it up to say a quarter of your business again in accident and health, is that a priority prospectively as we look in the future for the combined company?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, first I would say this. I want to address – you made two points, and I want to address each. I'll take the last part first.

We love our A&H business. And it is a core of what we do. And we want to grow – and that business has growth potential in important areas of the world over a period of time, over any reasonable period of time. And we intend to pursue that rigorously. I would like to see the percentage of A&H grow as a percentage of the company's business. That means that great A&H business is growing faster than everything else. And that would be terrific. And that would – that is Ed Clancy's mission in life is to get that done.

But I want to address yours about stability, because I think there is – I think while that is true on one hand, let's not miss what legacy Chubb is bringing to legacy ACE. And that is very stable U.S. businesses. The middle market agency commercial business and the small commercial business that they write has a signature to it. When you look at revenue and profit and loss of that business that has – represents great stability and is a real ballast. I think while you don't compare and contrast one to the other precisely, they're different

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businesses. Let's not forget that and the quality that that brings. The personal lines business, the high net worth personal lines business, I would make the same statement.

And finally what I'd say to you is we become the largest professional lines writer in the world. D&O, E&O, lots of classes of each, but particularly that Chubb portfolio of professional lines. Unlike ACE that was at the upper middle market and large account end, it has a little bit of a more - a greater volatility signature to it, a pattern to it a bit. The Chubb portfolio is in more middle market and small account related. Tremendous business. A franchise virtually impossible to duplicate in any short period of time by anyone.

So when you think about that A&H, I wish you would think about the totality of the business spread of what the new organization becomes. I hope that helps you.

**Q - Paul Newsome** {BIO 1541286 <GO>}

That's great. Thank you very much. Congratulations on the whole merger.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Thank you very much.

## Operator

Now we go to Brian Meredith with UBS.

**Q - Brian Robert Meredith** {BIO 3108204 <GO>}

Thanks, a couple questions here for you. Evan, the first one, two of your largest competitors right now are undergoing some re-underwriting of their books of business. I'm just curious. Are you seeing any impact from that? Any opportunities? Do you expect any other opportunities? Or is the business that's going in the marketplace just not good enough business for you guys?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, Brian, as always these things are little messier. It's not a completely straight forward answer. The market in the short term - there's a very - there's a short term and there's a medium term to this.

I do believe that we benefit over the medium term. The stability of our organization, the capabilities of our organization, the consistency is attractive. And it's attractive to both clients and producers. It inspires confidence.

And financial services and who you do business with, first and foremost, the grease of that is confidence. And so I think that you can't get away from that. That will manifest itself around the world in different ways.

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In the short term one of the things that we know that is always true that companies do to compete and maintain a competitive profile is they just – they become a little less disciplined in underwriting. And it'll show up in pricing and terms and conditions.

And if you want to simply defend what you got at all cost, or you have less command and control, because you're just not operating as well as you might, well, that in the short term can actually be to our detriment. Like a wounded animal out there, sometimes stay out of the way.

And that I would suggest to you is a little bit of the dynamic in the short term that we see. And we're disciplined guys. We're not buying market share from anybody. And then to do what? Turnaround and have something we need to fix later? Or piss off a client because we wrote their business too cheap and it's not sustainable? Not doing it.

**Q - Brian Robert Meredith** {BIO 3108204 <GO>}

Got you. Thanks. And then the second question, Evan, you mentioned that you very quickly went out and identified all the people that are going to have a job in the organization here going forward. Now I guess the question is, one, have you aligned incentive comp within the organizations? And two, what are you doing to make...

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

What was the first part? I missed that.

**Q - Brian Robert Meredith** {BIO 3108204 <GO>}

Have you – well, you said that you've basically identified all the people that are going to have a job in the go forward organization, right, that you just set up initially, right?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Right, yes I did.

**Q - Brian Robert Meredith** {BIO 3108204 <GO>}

And now that that's happened I guess the question is, what are you doing to make sure you keep those people during this integration process? And have you actually aligned incentive comp programs into organizations already as well?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Yeah. So let me try to take both of those. I don't kid myself. We're not going to keep everybody. I do think – I firmly believe this – that loss of talent that we have will be very much on the margin. It won't be in large numbers. And we have great depth within the organization.

It's going to be – it's a little bit of a self-selecting process. Those who want to sign on to an environment that is ambitious, that is hard working, that is driven to win, that is – has an aggression to it, certain aggressive stance. All those attributes I could ascribe, they're



juiced and energized by this. And I really don't have the concerns about losing those people. And I believe that is the overwhelming vast majority of the talent of the combined organization. And as a prior question kind of shows, this organization is on the ascendancy.

Where do you want to be? Why wouldn't you want to be here? This is just a great place to be a part of.

Secondly, yes, at the end of the day it's not just about the organization. It's about individual's motivations and aspirations. And people, they also work to be paid. They want to be incented. And we have no problem incenting for performance. And we believe that our value creation is - in the future is substantial, what's in front of us. And anybody who's holding any equity in the combined companies' stock, well, I got to tell you what - that's a pretty good motivator of retention.

**Q - Brian Robert Meredith** {BIO 3108204 <GO>}

Great. Thank you.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

You're welcome.

**Operator**

Next we'll go to Vinay Misquith of Sterne Agee CRT.

**Q - Vinay Misquith** {BIO 6989856 <GO>}

Hi, good morning. Well, the first question is on the business lost. I'm sure that when you did the deal you had certain projections of how much business you'd lose. It seems that the business is holding up pretty well. Just curious as to how the business is tracking versus your expectation so far?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, you know what? It's extremely early days, but we're very pleased with what we see in the early days. It is tracking very well, but it's early days. We'll see.

**Q - Vinay Misquith** {BIO 6989856 <GO>}

Sure, fair enough. The second question is on the tax rate. Phil, you mentioned 16% to 18% for 2016. And so it's just the first parts of this year. Should we think in terms of further reduction in the future?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

It's too early to say. We've done our projection at this point for this year. And as I said with the investment income, we'll update you as we go forward.

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**Q - Vinay Misquith** {BIO 6989856 <GO>}

Sure, all right. Thank you.

**Operator**

Next we'll go to Ryan Tunis with Credit Suisse.

**Q - Ryan J. Tunis** {BIO 16502263 <GO>}

Hey, thanks, good morning. I guess my first question is more on the reserve side. And now that ACE and Chubb are on the same platform, I guess at some point we'd expect to see some harmonization of the two legacy books to some kind of common reserving in terms of one. And just hoping maybe you could give us some color on what that could potentially look like in terms of either when that happens, what kind of impact that could have to the loss ratio? Or just anything along those lines.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, we're all looking a little puzzled. So I'm going to - let me walk it through with you a little bit. Both companies I think have a rigorous approach to reserve management. And I think you have years of track record of each to observe that.

The difference between us is not in reserve philosophy or in rigor or in knowledge of our businesses. The difference is a bit in process of how each go about it. And it's on the margin. It's not in the main event substance of it. We each have pricing actuaries separate from reserving actuaries. We each review our - all of our portfolios on a regular basis. We each have outside actuaries review our portfolios as well as our independent auditors.

And so it's really a process difference to a degree and some inside baseball that we're dealing with. We will amalgamate it to the ACE processes. That will happen through 2016. It's already been substantially mapped out by our - led by our chief actuary with the team of both organizations. We have mapped out a new actuarial organization that brings legacy Chubb, legacy ACE actuaries onto the same teams. And we mix it. So all of that moves forward. And frankly I think you should feel it as sort of a business as usual.

**Q - Ryan J. Tunis** {BIO 16502263 <GO>}

Okay; that's helpful. Then I just had one quick one for Phil. And might actually be better for offline. But just in terms of the NII guide, I wanted to make sure I know what that encompasses. That's got all of the normal net investment income of both companies. And it also has like the limited partnership income for Chubb. Is that correct?

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

It does. The piece that we would ultimately put into our investment income.

**Q - Ryan J. Tunis** {BIO 16502263 <GO>}

Okay.

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

And obviously - it obviously reflects the reduction to the portfolio for the distribution made in connection with the sale.

**Q - Ryan J. Tunis** {BIO 16502263 <GO>}

Understood; thanks.

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

Okay.

**Operator**

And now we'll go to Jay Cohen with Bank of America Merrill Lynch.

**Q - Jay Arman Cohen** {BIO 1498813 <GO>}

Yes, thanks. Another question for Phil. So you had talked about some of the P-gap adjustments not being included in operating earnings. The adjustment to investment income, the amortization of the Chubb debt. Can you give us roughly what those numbers would net out to? Because they will impact your net income and our book value forecast.

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

You know what I'll do? We'll be updating our S-4 - well, a document like that in just a few weeks. But by the end of March. And it'll have pro forma adjustments for all that stuff that are up to date with the exist - with the mark on the portfolio and on the mark on the debt that's more current. You could also refer back to the S-4 to get order of magnitude at that point in time.

**Q - Jay Arman Cohen** {BIO 1498813 <GO>}

Great. And then secondly, intangible amortization. Can you give us some guidance on what that's going to look like?

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

Yeah. And again, that's right in the S-4. I think it's page 158. It shows the nature of each of the amortizable pieces and the amortization by year. So you'll be able to see - and if you want to call, I can walk you through it.

**Q - Jay Arman Cohen** {BIO 1498813 <GO>}

Okay; great. Thanks, Phil.

**Operator**

Next we will go to Ian Gutterman with Balyasny.

**Q - Ian J. Gutterman** {BIO 18249218 <GO>}

Great; thanks. I guess first just to follow-up on what Jay was asking there. Phil, if I can make a request, when you do give us a pro forma with the new segmentation, if you can give us as many quarters back as you're capable of. I'll just leave it at that. We can discuss later what that - what I - what might be a good number if you want. But in all seriousness, I think just given there's going to be new segments and there's a lot of moving pieces, if we can have a good string of prior quarters, that'd be helpful.

So my question first, Evan, is your - in your opening comments - yeah?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Before you ask your question, I'd like Phil - Phil needs to give you a response to that.

**Q - Ian J. Gutterman** {BIO 18249218 <GO>}

Sure, sure.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Because we don't want you to over...

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

It'll take some time. Right? At some point from an SEC standpoint we'll be required to show some earlier quarters. But initially it'll take some time before we can reconstruct the earlier period.

So the initial cut will for the current quarter. And then as we go forward, we'll try to build in the prior quarters. But we can talk offline about what the requirements are and when it'll happen.

**Q - Ian J. Gutterman** {BIO 18249218 <GO>}

Got it. Great. So, Evan, in your comments about the meetings you've had internally about getting everyone prepared to pursue growth opportunities, I was wondering sort of the other side of that, which is the distribution. Right? And sort of how have you been reaching out to agents, and especially particularly the Chubb agents, to get them comfortable with what you're thinking of? And what's been the receptivity to the plans that you're looking at? And just sort of how much beyond just sort of their willingness - just sort of -- what's the right way to say -- just sort of what hurdles are there as far as just time that needs to be spent explaining things and getting them comfortable that sort of maybe distracts from the actual selling of business?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, the last part of that is where I'm going to start. It is cathartic and it is soul cleansing to get on with value creation and writing business. And agents have business to grow. They are a business. They are not - I'd say most of their time is hardly obsessed with being distracted about this. They got practical questions. They want practical answers. And they

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observe what they see. They don't just imagine. Because they live day to day. They have clients. They're building business. And they need those to thrive.

Executives at all levels of the organization have been reaching out to agents and meeting agents. Everyone has. Our field organization - and I say our field organization, it is one. Legacy Chubb and legacy ACE at all branches, all regions are knitting themselves together quickly. And they are out visiting agents. And they are out delivering the message of, we are open for business. What you saw from us before individually, you can expect of us united as one. And we're bringing more to you. They are all out delivering that.

The senior executives from Paul Krump, John Lupica, John Keogh, Harold Morrison, everyone is out. We're doing it around the world. I'm out there seeing agents. I was out last night seeing agents. And I mean our business comes from producers. And they need to feel comfortable.

I don't mind saying - and let's just say it. Where is the most sensitive part? It's really not on the commercial end and with brokers and agents. It's more on the personal lines end. And how are you going to handle Fireman's Fund versus ACE versus Chubb. And the communication to all personal lines agents has been a major focus and is a major focus of Fran O'Brien and her team.

And I'm going to ask Paul Krump to maybe add a little color.

**A - Paul J. Krump** {BIO 5211397 <GO>}

Sure, Evan. I think you're spot on it when it comes to the personal lines piece. There is some concern that among some of the producers that we'll take advantage of our competitive position to the detriment of both them and their clients. But I can say emphatically that nothing could be further from the truth.

We clearly intend to use our combined capabilities to improve our product and service offerings. Our risk and pricing related insights now that we're bring all three organizations together is going to be terrific. And we're going to be advancing our leadership position, so more customers and more agents want to do even more business with us. When it comes down to it, we know that we are here to help them grow their business.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

No one - I think, Ian, the question, are we internally focused? That has been a lot of discussion in the organization. And from before we closed, and I can guarantee you from the day we closed, and that is no. The value creation is not on the inside. Value creation is out there. And that's where we live.

**Q - Ian J. Gutterman** {BIO 18249218 <GO>}

Perfect, perfect. And then if I could have just one last one, just a little bit on that topic. Is the growth opportunities you anticipate - I guess leaving aside for the moment any

changes in the pricing environment, are those growth opportunities – should we think about that as obviously helping premium? But should we assume that they're sort of margin neutral to your current mix? Or do you expect them to be helpful or detrimental to your margins, again leaving the pricing impact aside?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Well, that's the hard part, leaving things aside. We're leading – as you would, it's common sense. We lead with products that are the most compelling, that have the nicest margin opportunity. So that are compelling for both the insured, the agent, and ourselves. And that's what you lead with, number one.

Number two, I think the way to think about it – because I don't want people to overestimate. We have a good focus and activity to be on the front foot, not just promoting what we have, but bringing to our various channels and various segments of customer product that each didn't have. But that takes time. We'll launch it but the – and there will be launches throughout 2016. But building revenue that casts a shadow in that takes time. Particularly you think about middle market or you think about small commercial, you can do a lot of volume of policies, but average premiums are relatively small.

**Q - Ian J. Gutterman** {BIO 18249218 <GO>}

Right.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

So it takes time to build. But you know what? What does it do? It energizes the organization. It energizes producers and the imagination. It establishes further your image and your relationship with clients. And over time it just burnishes your franchise. It makes it that much stronger, as it builds revenue. And so we're going to be activity rich in that regard this year, more than it'll cast a shadow of revenue.

**Q - Ian J. Gutterman** {BIO 18249218 <GO>}

Makes sense, got it. Thanks so much.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

You've got it.

**Operator**

Now we'll go to Meyer Shields with Keefe, Bruyette, and Woods.

**Q - Meyer Shields** {BIO 4281064 <GO>}

Thanks, good morning. I appreciate your taking my question. Evan, you mentioned a pretty big disparity in the U.S. book between the renewal rate measured in premiums and the renewal rate as measured in policies. And I'm wondering whether that has any positive implications for the expense ratio?

**A - Philip V. Bancroft** {BIO 4621336 <GO>}

What is it all?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

That's an interesting question. No, the answer is not really. It's larger trades that will distort it in the quarter. So you might be losing some smaller premium flow business that impacts it. You got some business that has one-time premiums in it. And that will impact a policy count particularly at lower levels. So imagine an Inland Marine project related business. And - but then the balance is larger trades in particular. John Lupica, you want to add anything?

**A - John Lupica** {BIO 4213297 <GO>}

I would just add the comment that the submission activity is also there. So it's not like we lose that flow. Our new binders are up in our targeted areas, so we're still servicing the new business. So even though you're seeing a renewal retention below what we would normally see, it will not impact our expenses, because we still have a vibrant business that we're running in all segments.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

No, the question - and I got you, Meyer, is, okay. So policy count versus that average premium, that premium renewal retention on premium. And no, that won't affect - that won't impact expense ratio.

**Q - Meyer Shields** {BIO 4281064 <GO>}

Okay. Perfect. That's all I had.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

You're going after the -- you got the same machine going after the business.

**Q - Meyer Shields** {BIO 4281064 <GO>}

Understood.

**Operator**

And now we'll go to Jay Gelb with Barclays.

**Q - Jay Gelb** {BIO 21247396 <GO>}

Thank you. I had a couple questions about the broader industry. The first is with regard to the large reserve charges we've seen from a couple major commercial players, like AIG and Zurich. While at the same time the new Chubb obviously has shown reserve redundancies over time. And I'm trying to get your perspective on whether you think these large companies, taking reserve charges, does that have any implications for the cycle at this point?

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## **A - Evan G. Greenberg** {BIO 1444445 <GO>}

I don't think so. I think that - I don't think that those that have taken reserve charges are in a position - a leadership position at this moment in the cycle to influence industry pricing. I think there are a lot of players out there who are chasing business. Many are "diversifying" into areas that they don't have much data on or know much about. They simply have underwriters who rely on spot market pricing to determine whether it's reasonable or not.

On the larger business the only place that I imagine is when you get to where it's real capabilities related. And that is primary layers, where you rely on services. And it is - there are very few who are capable of doing that on a global or national basis versus sophisticated companies. There, the market is more disciplined and remains more disciplined, because it's a few players who can handle that. And it's in those areas it could keep and just reinforce the need to remain disciplined in those areas by those larger players. But other than that in general market, I don't see their travails swinging a stick on market cycle at this time.

## **Q - Jay Gelb** {BIO 21247396 <GO>}

Thanks for that color. The next issue I wanted to touch base on is multiyear deals in the U.S. in the large corporate market. Based on our discussions with a number of risk managers, we're seeing an increased presence of multiyear deals in large commercial policies, where it seems like the insurers are trying to lock down accounts and have kind of a known perspective on what the next couple years will hold in terms of client retention. Is this something you see as good? Or maybe a challenge going forward for the industry and the new Chubb?

## **A - Evan G. Greenberg** {BIO 1444445 <GO>}

It's - first of all it's nothing new in the soft part of a market cycle. And let's see, a customer wants the low - wants to lock in at a low price. And we get that. And we will hardly play that game.

On the other side of the coin there are some classes where the - where you will judge the price as quite adequate. And if it is, then for stability purposes on the margin, because you don't want to restrict your flexibility. You will follow along with that.

But I got to tell you most of what I see right now is more locking in price that way on for instance property business, where rates are becoming too cheap. And they've dropped precipitously. And in that case I just don't think that's a very good strategy to preserve. I think you're preserving market share at the cost of underwriting.

## **Q - Jay Gelb** {BIO 21247396 <GO>}

Thanks for the insight.

## **A - Evan G. Greenberg** {BIO 1444445 <GO>}

You're welcome.



**A - Helen Wilson** {BIO 2078659 <GO>}

Thank you. We have time for just one more person to ask a question please.

**Operator**

Thank you, ma'am. Our last question will come from Larry Greenberg with Janney.

**Q - Larry Greenberg** {BIO 16478161 <GO>}

Good morning, thanks. Not much left to ask. But, Evan, maybe if – can you just give us a little bit of an update on the Life segment? You had some adverse development. Earnings have been trending down, in part because of the VA reinsurance runoff. Can you just discuss the interplay between maybe the underlying business and that runoff business? And how we should think prospectively about the opportunities there?

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Yeah, sure. First of all you – I think there's an interplay of three things. And then I'm going to give you just a little general sense of pattern that I imagine going forward.

The VA is in runoff. And you'll see a – as you know, as you rightly know, you're just going to see a natural decline in income. On the other side of the coin international Life is growing. And it's – I told you that its income will emerge over the next few years and cast a bigger shadow. And this year its business will continue, will produce, should produce an increasing profit as the year goes along.

But what has been impacting international Life, no different than our international P&C business, is foreign exchange. And we just don't control the foreign exchange market. So I can't predict that part. But I don't believe you're going to see going forward the same kind of impact year on year from foreign exchange that we saw in 2015, because I don't think the dollar is going to continue strengthening to the degree that it did. I don't think anyone does. So that will benefit.

Combined, it's growing in North America. We did have some noise around this year around reserves for the prior, because the development showed that it – we maybe under-pegged its loss ratio in a couple of prior years. But the margin is healthy on that business.

And you're comparing a year on year, when in fact we had releases from prior years. And – but I think that business is growing, as we've showed you. And I think its margin over a period of time is pretty stable. And so it will naturally have a growth in earnings. I can't tell you what quarter that happens.

So I imagine that in total the earnings as we look forward in the Life business will from quarter to quarter as the year goes along improve. Not dramatically, but improve. And I think that trend of VA going down, but international Life's earnings emerging, that part will accelerate over the next couple years.

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**Q - Larry Greenberg** {BIO 16478161 <GO>}

Great, thank you.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

Does that help you?

**Q - Larry Greenberg** {BIO 16478161 <GO>}

Yeah, it does. Thank you.

**A - Evan G. Greenberg** {BIO 1444445 <GO>}

You're welcome.

**A - Helen Wilson** {BIO 2078659 <GO>}

All right. Thank you everyone for your time and attention this morning. We look forward to speaking with you again at the end of next quarter. Thank you and good day.

**Operator**

That does conclude today's conference. We thank everyone again for their participation.

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