Q2 2021 Earnings Call

Company Participants

- Evan Greenberg, Chairman and Chief Executive Officer
- Karen Beyer, Senior Vice President Investor Relations
- Peter Enns, Chief Financial Officer

Other Participants

- Brian Meredith, Analyst
- David Motemaden, Analyst
- Elyse Greenspan, Analyst
- Gregory Peters, Analyst
- Meyer Shields, Analyst
- Michael Phillips, Analyst
- Ryan Tunis, Analyst
- Tracy Benguigui, Analyst

Presentation

Operator

Ladies and gentlemen, please standby. Good day and welcome to the Chubb Limited Second Quarter 2021 Earnings Conference Call. (Operator Instructions). I would like to turn the conference over to Karen Beyer, Senior Vice President of Investor Relations. Please go ahead.

Karen Beyer {BIO 6404488 <GO>}

Good morning everyone and welcome to our June 30, 2021, Second Quarter Earnings Conference Call. Our report today will contain forward-looking statements, including statements relating to company performance, pricing and business mix, growth opportunities and economic and market conditions, which are subject to risks and uncertainties and actual results may differ materially. Please see our recent SEC filings, earnings release and financial supplement, which are available on our website at investors.chubb.com 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. 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 Greenberg {BIO 1444445 <GO>}

Good morning. As you saw from the numbers Chubb had an outstanding quarter, highlighted by record operating earnings and underwriting results, expanded margins, and double-digit premium revenue growth globally. The best in over 15 years. Powered by commercial P&C and supported by continued robust commercial P&C rate movement. Chubb was built for these conditions. We have averaged double-digit commercial P&C growth over the past 10 quarters the breadth of our product and reach combined with our execution oriented underwriting culture and our reputation for service and consistency enable us to fully capitalize on an opportunity globally. And conditions such as these sizes and scale are our friend. Core operating income in the quarter was $1 billion and 620 million, or 362 per share, again both records, on both a reported and current accident year ex cat basis underwriting results in the quarter were simply world-class. The published P&C combined ratio was 85.5 and current accident year was 85.4 compared to 87.4 prior year. The 2 percentage points of margin improvement were almost entirely loss ratio related,. Current accident year underwriting income of a billion $2 was up 27% while on the other side of the balance sheet adjusted net investment income of $945 million, also a record was up nearly 9.5% from prior year. Peter will have more to say about cats and prior period development, investment income and book value.

Turning to growth and the rate environment, P&C premiums were up 15.5% globally with commercial premiums excluding agriculture up nearly 21%. The 15.5% growth for the quarter and 12.6% for the first six months were the strongest growth we have seen since 2004. Growth in the quarter was extremely broad based with contributions from virtually all commercial P&C businesses globally, from those serving large companies to mid-sized and small and most regions of the world and distribution channels. We continue to experience a needed and robust commercial P&C pricing environment in most all important regions of the world with continued year-on-year improvement in rate to exposure on the business we wrote both new and renewal. Based on what we see today. I'm confident these conditions will continue. In North America, commercial P&C net premiums grew over 16%, new business was up 24% and renewal retention remained strong at 96.5% on a premium basis. In our North America major accounts and specialty commercial business net premiums grew over 13% with each division, major accounts Westchester and Bermuda having its largest quarter in history in terms of written business and the standout was our middle market and small commercial division, which had its biggest quarter in about 20 years, driven by record new business growth and strong retentions.

Overall rates increased in North America commercial by a strong 13.5% which is on top of a 14.7% rate increase last year for the same business, making the two-year cumulative increase over 30% and remember, in North America rates have been rising for almost four years. However, they have exceeded loss costs for only about 2 years now. Loss costs are currently trending about 5.5% and very up or down depending upon line of business. General commercial lines loss costs for short tail classes are trending around 4% while long tail loss cost excluding comp are trending about 6%. Let me give you a better sense of the rate increase movement by division and line in North America. In major accounts, rates increased in the quarter by about 16% on top of almost 18% prior year for the same business, making the 2-year cumulative increase over 36%. Risk management related primary casualty rates were up almost 9, general casualty rates were up 27% and varied by category of casualty. Property rates were up nearly 12 and financial lines rates were up almost 20%. In our E&S wholesale business, the cumulative 2-year rate increase was 39% comprised of an increase of CIRCA 18% this quarter on top of 18% prior year second quarter. Property rates were up about 16.5, casualty was up about 21 and finite financial lines rates were up over 21%.

In our middle market business, rates increased in the quarter over 9.5% on top of over 9% last year making the 2-year cumulative increase 20%. Rates for property were up over 10.5, casualty rates were up 11 excluding workers' comp and comp rates were down at about 0.5%. Financial lines rates were up over 17.5% in our middle market business.

Turning to our international general insurance operations, commercial P&C premiums grew an astonishing 33% on a published basis, 24% in constant dollars. International retail commercial grew 27% and our London wholesale business grew 60%. Retail commercial P&C growth varied by region. With premiums up 36.5% in our European division. It's equally strong growth in both the UK and on the continent. Asia Pacific was up over 29%, our Latin America commercial lines business grew over 14.5. Internationally, like in the US in those markets where we grew, we continue to achieve improved rate to exposure across our commercial portfolio. In our international retail commercial P&C business, the 2-year cumulative rate increase was 35% comprised of increases this quarter and prior year of 16% each, two territories in particular, the UK and Australia stand out in terms of rate achievement, In our UK business, rates increased in the quarter by 18% on top of a 26% rate increase prior year with the same business, making the 2-year cumulative increase 48%. In Australia, the 2-year cumulative rate was 42% comprised of an increase of 23 this quarter on top of 16 prior year. And our London wholesale business rates increased in the quarter by 13 on top of a 20 percent rate increase prior year. So making the 2-year cumulative 36%. International markets began firming later than the US and again like with the US rates has exceeded loss costs for about 2 years now.

Outside the US loss costs are currently trending 3 percent. So that varies by class of business and country. Consumer lines growth globally in the quarter continued to recover from the pandemic's effects on consumer-related activities. Our International Consumer business grew 13% in the quarter. And that's on a published basis, it grew 5% in constant dollars. Breaking that down for you, International personal lines grew 20% on a published basis, while our international A&H grew 6.5, but it was essentially flat in constant dollar. Within our A&H book, nascent recovery in our leisure travel business outside of Asia is beginning to result in growth although passenger travel activity is still well below pre-pandemic levels in both our Group A&H business, with its employer-based benefits and our consumer focused direct marketing business, premiums were up mid single digits still impacted by the pandemic but beginning to improve. Net premiums in our North America high net worth personal lines business were up over 2.5%; non-renewals in California and COVID auto related renewal credits had almost to a point of negative impact on growth in the quarter. Our [ph]true and [ph] high net worth client segment, the heart of our business, grew almost 8% in the quarter.

Overall retention remained strong at over 94% and we achieve positive pricing, which includes rate mix exposure of 13% in our homeowners' portfolio. Loss cost inflation in homeowners is currently running about 11%. Lastly, in our Asia-focused international life insurance business, net premiums plus deposits were up 55% in the quarter, while net premiums in our Global re-business grew up grew over 32%. In sum, we continue to capitalize on a hard or firming market for commercial P&C in most areas of the world. Both growth and margin expansion are two trends, then I am confident will continue. Our organization is firing on all [ph]cylinders [ph], we're growing our business and our exposures and we continue to expand our margins. Our leadership and employees are energized and driven to win. I couldn't be more proud or humbled by the results they are producing and I want to thank them more publicly for their efforts. I am confident in our ability to outperform and and deliver strong sustainable shareholder value.

I'll now turn the call over to Peter.

Peter Enns {BIO 15133959 <GO>}

Thank you Evan. And good morning. First, I'd like to acknowledge Phil Bancroft almost 20 years of service and leadership with the company. I'm excited to be in my new position and build upon all that he has achieved all of the achieved under his leadership and I'm honored to be leading a very strong team he has built going forward. Turning to our results, we completed the quarter in an excellent financial position and continue to build upon our balance sheet strength. We have over $75 billion in capital and a AA-rated portfolio of cash and invested assets that now exceeds $123 billion. Our record underwriting and investment performance produced strong positive operating cash flow of $3.1 billion for the quarter. Among the capital related actions in the quarter, we have returned $2.3 billion to shareholders, including $1.9 billion in share repurchases and $352 million in dividends. Through the six months ended June 30 we returned $3.1 billion, including $2.4 billion in share repurchases and dividends of $704 million.

We recently announced a one-time incremental share repurchase program of up to $5 billion through June 20-22. As Evan said, adjusted pre-tax net investment income for the quarter was a record 945 million higher than our estimated range benefiting from increased corporate bond call activity and higher private equity distributions. We increased the size of our investment portfolio by $2.4 billion in the quarter after the buybacks. Due to strong operating cash flow and high portfolio returns including $694 million in pre-tax unrealized gains from falling interest rates. At June 30, our investment portfolio remained in an unrealized gain position of $3.3 billion after tax. During this challenging investment return environment, we will remain consistent and conservative in our investment strategy and do not expect to materially adjust the portfolio assets allocation over the near term. We will be selective, but active and we'll continue to focus on risk-adjusted returns and we will not reach for yields. There are a number of factors that impact the variability in investment income including the amount of operating cash flow available to invest, the reinvestment rate environment and the assumed prepayment speeds on our corporate bond calls and variability around private equity distributions.

Based on the current interest rate environment and a normalization of bond calls and private equity distributions, we continue to expect our quarterly run rate to be approximately $900 million. Our annualized core operating ROE and core operating return on tangible equity were 11.5% and 17.7% respectively for the quarter. And as a reminder, we continue to present the fair value mark on our private equity funds outside of core operating income, as realized gains and losses instead of net investment income as other companies do. The gain from the fair value mark this quarter of 712 million after-tax would have increased core operating ROE by 5 percentage points to 16.5% and core operating income by $1.59 per share to $5 and $0.21. Book and tangible book value per share increased by 4.2% and 5% respectively from the first quarter. Due to record core operating income and realized and unrealized gains of 1.4 billion after-tax in our investment portfolio, which again primarily came from declining rates and mark-to-market gains on private equities, the increase in book value per share also reflects the impact of returning over $2 billion to shareholders in the quarter.

Our pre-tax P&C net catastrophe losses for the quarter were $280 million, principally from severe US weather related events. There was no overall change to our aggregate COVID-19 loss estimate. We had favorable prior period development in the quarter of $268 million. This included a charge for molestation claims of 68 million pre-tax compared with $259 million in the prior year. Excluding this charge, we had favorable prior period development in the quarter of $336 million pre-tax split approximately 30% in long-tail lines, principally from accident years 2017 and prior and 70% in short-tail lines For the quarter, our net loss reserves increased $1.1 billion in constant dollars and our paid to incurred ratio was 80%. Our core operating effective tax rate was 15.8% for the quarter, which is within our expected range of 15% to 17% for the year. Now I'll turn the call back over to Karen.

Karen Beyer {BIO 6404488 <GO>}

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

Questions And Answers

Operator

Ladies and gentlemen, (Operators Instructions) We will begin with Michael Phillips with Morgan Stanley.

Q - Michael Phillips {BIO 21023048 <GO>}

Thanks, good morning Evan and thanks for all the comments. First question is on growth, I guess maybe specifically North America commercial lines. Are you pleased with the growth there relative to the rate you're getting and I guess what I'm what I'm implying is how much of the growth you're getting this through market share gains versus versus just all rates.

A - Evan Greenberg {BIO 1444445 <GO>}

Well I think it's a. I think it's a serious combination of both. You just heard me provide you new business growth rates and strong renewal retention rates and that means exposure growth, that means in your parlance gaining market share, and so all in very very strong growth, fundamental growth in the business.

And by the way actual exposure growth was negative in the quarter. And, but new business and renewal retention and rate well overcame that you saw 21% growth in commercial P&C.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay, Thanks Evan and sticking with North America commercial lines is the core loss ratio relative to 1Q was up a little bit and was there some impact from portfolio transfer in the second quarter or is that just a normal second quarter event that happens, just wondering what impact It wasn't bad and in a quarter that maybe.

A - Evan Greenberg {BIO 1444445 <GO>}

It's, just normal, it's normal quarter -on -quarter seasonalization. There wasn't, some impact from LPTA or that and you know the mix of business changes quarter-on-quarter and that's that's it. I think the thing you're more focused on is the year-on-year change and looks pretty strong.

Q - Michael Phillips {BIO 21023048 <GO>}

Perfect, okay thank you Evan and Peter [ph]. Congrats on the quarter.

A - Evan Greenberg {BIO 1444445 <GO>}

Thanks a lot.

Operator

We will now take a question from David Motemaden with Evercore.

Q - David Motemaden {BIO 18818634 <GO>}

Hi, thanks, good morning. Just wanted to follow up on that last question Evan just on the North American commercial loss ratio. How much of the 2.4 points year-over-year improvement was driven by mix versus versus rate in excess of trend.

A - Evan Greenberg {BIO 1444445 <GO>}

Fewer, you're really asking me the question I want to help you with it of LPTs and the impact of writing so much LPT last year versus this year, which can inflate loss ratio last year versus this year. If you adjust for the LPT impact and a little bit of other one-time noise, the year-on-year combined ratio adjusting for that improved 1.8 points, it was 0.7 on expense and it was 1.1 loss ratio related.

Q - David Motemaden {BIO 18818634 <GO>}

Got it. That's perfect. That's exactly what I was looking for. Thanks and that's good to see that accelerate a bit from the improvement last quarter. I guess, just another question, just overall, on the expense ratio maybe this is also for Peter. I think in the past you've talked about some of the improvement being driven by some non-sustainable COVID related impacts T&A and things like that. was it, if that come back those, there is one times it impacts or are we still realizing some sort of benefit from that.

A - Peter Enns {BIO 15133959 <GO>}

No, you're fundamentally looking overall. a pretty good run rate. And you know, look, if, if things opened up more and as they open up more there'll be more travel related expense, little more entertainment related expense. We don't, we don't anticipate it to have a big impact, a material impact. Going to pretty good run rate there. And that's on the OpEx ratio. Remember that the acquisition ratio bounces around with mix of business.

Q - David Motemaden {BIO 18818634 <GO>}

Right. Yeah. Perfect, thank you.

A - Peter Enns {BIO 15133959 <GO>}

You got it.

Operator

Our next question will come from Greg Peters with Raymond James.

Q - Gregory Peters {BIO 3111497 <GO>}

Good morning. So the first question, we'll focus on just took pricing commentary. You really laid out some very robust results in terms of price achievement, not only in the recent quarter, but for the last almost 2 years. And in your press release, I think you said you're confident these market conditions will continue. So I have and you know, our main goal with this, which is, there is, there is growing.

A - Evan Greenberg {BIO 1444445 <GO>}

Don't actually Greg, I think there is a lot but I don't know where you're going. Go ahead.

Q - Gregory Peters {BIO 3111497 <GO>}

Well, it's going to listen. There is a lot of rhetoric in the market that the rate environment is going to start to soften. And so where I'm going with it is from where you sit today, you're producing an 85% combined ratio, that's pretty darn good. Is, are we going to be in an environment, say, 2 years from now we'll go back to negative rate increases across many lines a commercial or talk about your views on how you see the market developing?

A - Evan Greenberg {BIO 1444445 <GO>}

You know, look, I can't tell you what we're going to see 2 years from now. I can give you a sense in my own judgment, because I don't have a crystal ball of based on the current market conditions. And where I think they're going over the medium term right now. I think loss cost, I think rates will continue to exceed loss cost, our exceeding loss costs right now by a reasonable margin and the industry overall forget Chubb, the industry overall has been number one achieving loss rates in excess of loss costs were just 3 years now.

Secondly, the industry starts at a loss ratio, that is, that is quite high. And to achieve a reasonable risk-adjusted return, it has to continue to achieve rate in excess of loss cost for a prolonged period of time. Interest rates are so low. There is no joy on the other side and then you have when external environment that is, that has has risk around it from cyber to climate to the litigation environment and all of that is baked into. I think the mood in the thinking among those in the industry underwriting today. And so, in my judgment, from everything I see it is natural that you know I gave you year-on-year. Movement in pricing, in rate, so that you would have a perspective, and as you think about the rate of increase declining going forward that is natural, but it's well in excess of loss cost and I believe that will continue.

Q - Gregory Peters {BIO 3111497 <GO>}

Perfect. Thanks a Lot. Yes, sir.

A - Evan Greenberg {BIO 1444445 <GO>}

But to a good question, that I think deserved a fulsome response.

Q - Gregory Peters {BIO 3111497 <GO>}

Well, I, in your comments about loss costs are interesting because there's two and you mentioned litigation. So there is a perspective that the legal environment because of COVID was shut down last year and that's going to come back in spades and then the second piece on loss cost is, there is all this rhetoric about inflationary pressures especially on things like auto and do you see that sort of manifesting itself in terms of higher loss costs for the industry as we think about the next 12 months.

A - Evan Greenberg {BIO 1444445 <GO>}

Yeah. So here, so I see it, When we look at the long tail lines, we're using a historic trend ignoring COVID and the shutdown. Assuming a reversion to the mean and which was recognizing what I think is a relatively hostile legal environment and litigation environment. So there is -- the actual, at the moment is running better than the trended [ph]6% [ph] we are using, but we think that's a head fake in it and under timing question and how we imagine trend and therefore what you really need in pricing.

On the short tail side of the business, I really gave you two numbers, I gave you homeowners and I gave homeowner's running a double-digit observed inflation today, I gave you a long tail I gave you a short tail commercial that were trending at 4%. On the commercial property side, from what we see and all of our data currently at the moment it's actually running below that. Both frequency and severity, but we see enough of what we see is inflation externally, we see enough of what we see in the homeowner's book that we continue to trend it in both pricing and reserving at that 4% range.

Q - Gregory Peters {BIO 3111497 <GO>}

Got it, thank you for your answers.

A - Evan Greenberg {BIO 1444445 <GO>}

You got it.

Operator

We will now move to Elyse Greenspan with Wells Fargo.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Hi, thanks, good morning. My first question. And then going back to some of the pricing commentary you gave it seems like most lines on still healthy levels above loss trend, so we've heard from some folks in the industry is certain lines are getting to rate adequacy and momentum following but it sounds like just really across the board, most lines are still in need of rate, I guess, would you characterize any lines is being rate adequate or just general kind of pushing consistently for rate apart the majority of the commercial lines.

A - Evan Greenberg {BIO 1444445 <GO>}

I'm not sure Elyse I heard your commentary, but I'm not sure I got the question.

Q - Elyse Greenspan {BIO 17263315 <GO>}

I, we just wanted to get a sense like broadly across commercial lines and you make your commentary about it. There'll be a third market, do you see every line billing need healthy robust rate increases or any lines maybe more at adequate levels right now.

A - Evan Greenberg {BIO 1444445 <GO>}

Elyse. It really varies across the board. When I look at the industry overall, I think in many classes. The industry in aggregate if I roll that all together is one big portfolio, these rate when I look at it for the Chubb portfolio most of our business is at or approaching risk adjusted rate adequacy.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, that's helpful.

A - Evan Greenberg {BIO 1444445 <GO>}

As I will go that's how, but it varies by line by territory. Likewise.

Q - Elyse Greenspan {BIO 17263315 <GO>}

That's helpful. And then my second question, you guys outlined a pretty robust 5 billion capital share repurchase plan last week. As you think about the opportunities your excess capital position, do you think that should we think about the capital return being pro-rated over the next year depending upon where your share prices, may be to come sooner than later. How are you thinking about share repurchase, given the 5 billion and also understand, I mean, I thought that a good amount of your Bob. In the second quarter as well.

A - Evan Greenberg {BIO 1444445 <GO>}

Nice try, lease, stay tuned.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, thanks. Evan.

A - Evan Greenberg {BIO 1444445 <GO>}

You're welcome.

Operator

Now, we will hear from Ryan Tunis with Autonomous Research.

Q - Ryan Tunis {BIO 16502263 <GO>}

Hi guys, good morning. One observation I guess we had is the Overseas General segment loss ratio improvement has actually been keeping out pretty well in North America commercial loss ratio improvement. And I guess it's a little bit surprising to us. Just given the mix and I was just curious is is that surprises you view as well.

A - Evan Greenberg {BIO 1444445 <GO>}

No. Not at all.

Q - Ryan Tunis {BIO 16502263 <GO>}

So when you think about overseas General in North America Commercial, you think today have pretty similar margin profiles at this point given pricing conditions?

A - Evan Greenberg {BIO 1444445 <GO>}

Well, they are running different combined ratios, it varies by segment of overseas general, by country, by the mix, varies wholesale versus retail by Overseas General continues to improve at a pace. That's very similar to North America's pace.

Q - Ryan Tunis {BIO 16502263 <GO>}

I got it.

A - Evan Greenberg {BIO 1444445 <GO>}

I'm a little confused. Beyond that. Ryan and I want to help you if I can.

Q - Ryan Tunis {BIO 16502263 <GO>}

No, I just Overseas General is not a segment where we've been used to seeing a lot of loss ratio for a long time. I thought that was more attributable to A&H mix, but it's been in services.

A - Evan Greenberg {BIO 1444445 <GO>}

No here it is, but the over half the Overseas General business is commercial business and but you haven't been in a market where you take Europe or you take the London market, both wholesale and retail, those were soft markets for an extended period, and we were scratch and dirk for growth, but we were getting growth and, but we are very disciplined in in underwriting and we were making good money and good margins, a decent return not off the charts risk adjusted return but a decent return in relative to the market, we were well outperformance, got you have seen and what you get is particularly with Europe and then with the UK slower to react. But you see that reaction taking place, and that was just an opportunity for us to drive right now, both growth and rate.

Q - Ryan Tunis {BIO 16502263 <GO>}

Got it and then follow-up on to Lisa's question your response that for the Chubb book in terms of the low lines are approaching risk adjusted rate adequacy. I guess just from a growth perspective. How much is that driving when you're the topline like (inaudible) nd you see line to the year ago was in the rate adequacy and now it is. Is that a substantial marginal contributor to the top line growth we're seeing, is it a more incremental than that?

A - Evan Greenberg {BIO 1444445 <GO>}

Hey, that is how it goes around here. Number one underwriting, we'll never destroy book value, so if it's running over 100, you have to fix it or chill it immediately. In this kind of environment, If you're, you have to strive in your business to achieve an adequate risk adjusted return, if the market will allow an adequate risk adjusted return on that cohort of business-- and more broker relations more brokers and agents and drive to write that business.

Q - Ryan Tunis {BIO 16502263 <GO>}

Yeah Got it. Thank you.

A - Evan Greenberg {BIO 1444445 <GO>}

We know our minds clearly and and that's the point I was really trying to make. We've been growing commercial at double-digit now for ten quarters, no one's really noticed that. And that's because we saw an improving, an improved environment, short of that, you know how many years where people saying, show us the benefit of Chubb and ACE coming together in this and that, we said it's about underwriting discipline, and it's about a market environment. Now you're surprised to see it, don't think -- are you still there.

Operator

As a reminder, (Operators Instructions) We will now move to Tracy Benguigui. Please go ahead.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Good morning, I'm going to give you a brief on pricing and loss trend. On there is a lot of market -- no problem. I don't know if you like this question, but there is a lot of market attention paid to your Century subsidiary with respect to the BSA bankruptcy since identities and run off, not made it, not guaranteed and not part of an intercompany [ph] borrow [ph]. So I'm not trying to box you in on the BSA side, but I'm wondering structurally could you conceivably let that into these assets run dry or could there be circumstances so you may see theoretically be under any obligation to contribute capital. I mean, I recognize Centuries regulated by Pennsylvania, which is also your group supervisor.

A - Evan Greenberg {BIO 1444445 <GO>}

Tracy in our 10 K, we have fulsome disclosure around Century and our obligation, it is under a statutory order negotiated by and and consummated between Sigma and the State of Pennsylvania before Ace purchased Cygnus P&C business which included Century.

And that 10-K disclosure around our obligation to Century speaks for itself. It's it's quite clear and it is a limited obligation and and I will leave it at that.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. And I also recognize that Bermuda is opposing the G7 tax proposal in theory if this minimum 15% global tax rate floor hold, how would you be thinking about Chubb's seating arrangement with overseas affiliate.

A - Evan Greenberg {BIO 1444445 <GO>}

--how would I think about what, what about affiliate

Q - Tracy Benguigui {BIO 21808177 <GO>}

Seating arrangement. Yeah. Your seating arrangements.

A - Evan Greenberg {BIO 1444445 <GO>}

With our seating arrangements.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Yeah.

A - Evan Greenberg {BIO 1444445 <GO>}

--You know, we see risk for pooling and capital efficiency purposes. That's the reason we do it, we don't do it for tax purposes.

I'll give you a very simple example so you'll get it really clearly. Imagine --that on Chubb's balance sheet, I can take $10 million net per risk on a given class of business, but imagine that in all the countries we do business and around the world. I can't take that kind of retention because of my limited amount of capital. If I try to take it in each jurisdiction and I had a loss in Malaysia or add a loss in X, Y, Z country, I'd have to be dividending out of one place contributing capital and another, it's the most inefficient way to run a business. So the pooling of risk and internal reinsurance is what allows you to leverage our global balance sheet to the benefit of local operations.

And it provides in one place the stability of spread of risk against an amount of capital. So that's the fundamental reason that you start with that Chubb uses internal reinsurance. Thanks for the question. Tracy

Q - Tracy Benguigui {BIO 21808177 <GO>}

Thank you.

Operator

Our next question will come from Brian Meredith with UBS.

Q - Brian Meredith {BIO 3108204 <GO>}

Yes, thanks. Evan just curious. The big $5 billion share repurchase authorization, you announced. Does that all indicate kind of what your view is of inorganic growth opportunities here, opportunities or at least your appetite.

A - Evan Greenberg {BIO 1444445 <GO>}

No. nothing has changed, steady as she goes. The, we're disciplined, everything I've ever said about M&A with disciplined money doesn't burn a hole in our pocket, it's, it has to. It has to advance what we're doing strategically, it has to be good for shareholders in terms of value creation all of that, nothing changes. Our earnings generation power as we see it, our current capital position and surplus capital together led us to the decision that the right thing to do and the prudent thing to do, just walk in the talk. We've said about we will hold capital and have capital flexibility for risk and growth, organic and inorganic. I mean will return. Other than that to shareholders. So what we're doing.

Q - Brian Meredith {BIO 3108204 <GO>}

Great, thank you and I. Another question here, you are fairly meaningful player in the Cyber Insurance marketplace. I'm just curious, can you give us kind of your thoughts on that marketplace right now. I know there were some issues with losses last year but understand that the pricing environment is pretty good right now and just your view of opportunities there.

A - Evan Greenberg {BIO 1444445 <GO>}

Yeah, look, the pricing environment is is is pretty good. The, but that's not, that's not that is not addressing by itself, the fundamental issue that the industry has to vessel and Chubb is beginning to respond to, but others are slow to react to. That are the fundamentals around cyber, like pandemic Cyber has a a catastrophe profile to it and the nature of cat potential that has no time nor geographic boundary to it. And you take the growing it digital interconnection of the world today, in everything, personal and business and that potential for catastrophe the concentrations of exposure are only growing and and you see the specter of risk raising its head in all the cyber attacks we see malicious cyber attacks, both nation state and non-nation state actors for various reasons, one to disrupt society, another to make money. And so you have a frequency of loss on one hand and rate and some some some adjustment to coverage can manage that. On the other side of the coin, you have a systemic nature of this and. And I can tell you in the way Chubb underwrites, we are facing it and we are beginning to address it.

And then on the underwriting. And then on the other side or the real public policy questions and we are involved in raising our voice in the public policy arena. Number one, when you look at ransomware, while I don't think the government should outlaw ransome where payments at this time, I do think that we ought to be looking at whether we allow crypto payments I do think the nature because who you are paying? terrorists? Secondly, treasury right now, you should require should be, you should be obligated under under current laws anti-money laundering laws to get to get permission to make a ransomware payment. We should be removing the incentive out of the system for ransomware attacks which are all about money for the most part and on mask what is the social or the, the intention to disrupt our country politically and on mask that part of it and show it.

Secondly, there are all kinds of things that the private sector and public sector could be doing together, sharing of information is one of them right now and understanding where systemic risk aggregations are is another. So I'll stop right there, but it is more than about achieving rate in Cyber today.

Q - Brian Meredith {BIO 3108204 <GO>}

Thanks. Evan

A - Evan Greenberg {BIO 1444445 <GO>}

Sorry Brian more than you expected. But we have clear views about this.

Operator

And as a reminder, star one if you do have a question. We will now hear from Meyer Shields with KBW.

Q - Meyer Shields {BIO 4281064 <GO>}

Good morning. Do, I guess, mobile questions. I mean you talk about the general expense ratio, but I'm hoping you could give a little color on what drove the actual decrease in administrative expenses in North America Commercial, year-over-year?

A - Evan Greenberg {BIO 1444445 <GO>}

(inaudible), Meyer. How about we take that one offline with you will will go through the accounting of it?

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. I mean nothing.

A - Evan Greenberg {BIO 1444445 <GO>}

There was nothing substantial.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay, fair enough. The same sort of tone. Other income or expenses in North of our commercial that was negative 14. Is there anything unusual in terms of what's building up that number.

A - Evan Greenberg {BIO 1444445 <GO>}

No, nothing unusual and no, it's just noise, a quarter, quarter-to-quarter noise.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay, perfect. Thank you.

A - Evan Greenberg {BIO 1444445 <GO>}

You are welcome.

Operator

No additional questions in the queue, I will turn the call back over to your host for any additional or closing remarks.

A - Karen Beyer {BIO 6404488 <GO>}

Thanks everyone for your time and attention this morning. We look forward to speaking with you again next quarter. Have a great day.

Operator

Ladies and gentlemen, this will conclude your conference for today. Thank you for your participation and you may now disconnect.