Q3 2021 Earnings Call

Company Participants

- Evan G. Greenberg, Chairman and Chief Executive Officer
- John Lupica, Vice Chairman, Chubb Group President, North America Insurance
- Karen Beyer, Senior Vice President of Investor Relations
- Peter Enns, Executive Vice President, Chubb Group Chief Financial Officer

Other Participants

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

Presentation

Operator

Ladies and gentlemen, please standby. Good day and welcome to the Chubb Limited Third Quarter 2021 Earnings. Today's call is being recorded. (Operator Instructions) For opening remarks and introductions, I would like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. Please go ahead.

Karen Beyer {BIO 6404488 <GO>}

Good morning, everyone and welcome to our September 30, 2021 third 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 G. Greenberg {BIO 1444445 <GO>}

Good morning. We had a very strong third quarter, highlighted by outstanding P&C premium revenue growth globally of 17% and simply excellent underwriting results on both the calendar and current accident year basis, despite elevated catastrophe losses. Our results were powered by double-digit commercial lines growth, strong continued underlying margin expansion, the strength of our reserves and our broad diversification of businesses.

Core operating income in the quarter of $2.64 per share was up 32% or $250 million over prior year to $1.2 billion, while net income of $1.8 billion was up 53% from prior year. For the year on both the net and core operating income basis, we have produced record earnings. Again, it was an active quarter for natural catastrophes, yet with over $1.1 billion of CATs, we reported a 93.4% combined ratio with P&C underwriting income up 58% to $617 million, which speaks to the underlying strength of our businesses and again, broad diversification of our company's sources of revenue and earnings, both domestically and globally. Year-to-date we have produced $2.4 billion in underwriting income for a combined ratio of 90.4% and that includes $2.1 billion of CAT losses and what is shaping up to be another year of sizable weather related loss events, kind of the new normal brought on by climate change and other societal changes.

Speaking again to our underwriting health. On the current accident year ex-CAT basis underwriting income in the quarter was $1.4 billion, up 23% with a combined ratio of 84.8% compared to 85.7% prior year, a quarterly underwriting record. If we exclude the one-time positive adjustment, we took last year due to lower frequency of loss because of the COVID-related shutdown, our current accident year combined ratio unaffected improved 2 points. This is more reflective of our margin expansion and we included a simple exhibit in our press release showing the detail. The strength of our balance sheet and conservative approach to loss reserving was again in evidence this quarter as we reported $321 million in favorable prior period reserve development. Net investment income in the quarter was $940 million, up 4.5%. Peter is going to have more to say about CATs and prior period development, investment income and book value.

Turning to growth and the rate environment. As I said at the opening, P&C premiums were up nearly 17% globally or 15.5% in constant dollars with commercial premiums up 22% and consumer up 4%. The 17% growth for the quarter and 14.2% for the first nine months, top the last quarters and was the strongest organic growth we have seen again since 2004.

Growth in the quarter was broad based with contributions virtually all commercial P&C businesses globally from our agriculture business to those serving large companies to midsized and small and most regions of the world and distribution channels. The robust commercial P&C pricing environment remains on pace 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.

In North America, total P&C net premiums grew over 17%, with commercial premium up about 22.5%, excluding agriculture, which had a fantastic quarter in its own write with premium growth of over 40%, commercial P&C premiums were up over 16.5% in North America. New business was up 13% for all commercial lines and renewal retention remained strong at over 97% on a premium basis. The 16.5% commercial premium growth is a composite of 15.5% growth in our major accounts and specialty business and over 18% in our middle market and small commercial business, simply a standout quarter for this division.

Overall rates increased in North America commercial lines by over 12%, once again, loss costs are currently trending about 5.5% and vary up or down depending upon line of business. And again, like last quarter, just to remind you, in general commercial lines loss costs for short-tail classes are trending around 4%, though we anticipate to this to increase in the future, while long-tail loss costs, excluding comp are trending about 6%.

Let me give you a better sense of the rate increase movement in North America. In major accounts, which serves the largest companies in America rates increased in the quarter by just over 13%. Risk management related primary casualty rates were up over 6%. General casualty rates were up about 21% and varied by category of casualty. Property rates were up 12% and financial lines rates were up 17%. In our E&S wholesale business rates increased by 16% in the quarter, property rates were up 13%, casualty was up 20% and financial lines rates were up about 21%. In our middle market business rates increased in the quarter nearly 9.5%, rates for property were up over 11%, casualty rates were up about 9.5% excluding workers' comp with comp rates down 2% and financial lines rates were up 18%.

Turning to our international general insurance operations. Commercial P&C premiums grew 20.5% on a published basis or 16% in constant dollar. International retail commercial P&C grew nearly 17% or 12% in constant dollar. While our London wholesale business grew over 31%. Retail commercial P&C growth varied by region with premiums up almost 28% in our European division, Asia Pacific was up 15.5%, while Latin America commercial lines grew about 6.5%.

Internationally, like in the US and those markets where we grew, we continued to achieve improved rate to exposure across our commercial portfolio. In our international retail commercial P&C business rates increased in the quarter by 15%, property rates were up 11%, financial lines up 33% and primary and excess casualty up 7% and 11% respectively. And in our London wholesale business rates increased in the quarter by 11%, property up 13%, financial lines up 14%, marine up 8%.

Outside North America, loss costs are currently trending about 3%, though that varies by class of business and country. Consumer lines growth globally in the quarter continued to recover from the pandemic's ongoing effects on consumer-related activities. Our international consumer business grew almost 10% in the quarter on a published basis or 5% in constant dollar. And breaking that down a little further, international personal lines grew almost 11% on a published basis, while international A&H grew over 8.5% or just 5% in constant dollar. Latin America had a particularly strong quarter in consumer with personal lines and A&H premiums up 18.5% and 17.5% respectively, powered by both our traditional and digitally focused distribution relationships.

Net premiums in our North America high net worth personal lines business were up just over 1%, adjusted for non-renewals in California and COVID-related auto renewal credits, we grew 3% in the quarter. Our true high net worth client segment, the heart of our business grew 11% in the quarter. Overall retentions remained strong at 95.7% and we achieved positive pricing, which includes rate and exposure of 14% in our homeowners portfolio. The severity trends in personal lines in the US remain elevated. Lastly, in our Asia-focused international life insurance business net premiums plus deposits were up over 52% in the quarter, while net premiums in our Global Re business were up over 22%.

In sum, we continue to capitalize on broad-based and favorable market conditions and improving economic conditions. All of our businesses did well or are improving from agriculture to all forms of commercial P&C globally, both retail and wholesale serving large companies to middle market and small to our improving global personal lines in A&H businesses, to our Asia life businesses, to our Global Re business. In one sentence, both growth and margin expansion are two trends that will continue.

In the quarter, as you saw, we announced a definitive agreement to acquire the life and non-life insurance companies that has the personal accident, supplemental health and life insurance businesses of Cigna in Asia-Pacific for $5.75 billion in cash. As you saw or can see from our investor presentation, these operations generate approximately $3 billion in premium revenue, have favorable underwriting margins and are not exposed to the P&C cycle. This highly complementary transaction advances our strategy to expand our presence in the Asia-Pacific region, including our company's Asia-based life company presence and adds significantly to our already sizable Global A&H business. Upon completion of the transaction, which we expect during 2022, Asia-Pacific share of Chubb's global portfolio will represent approximately 20% of the company.

For many years we have admired Cigna's business in Asia, including its people, product innovation, distribution and management capabilities. The underlying economics and value creation of the transaction are very attractive and these businesses will contribute to our company strategically for decades to come. The transaction once again demonstrates our patience in advancing our strategies and confirms our consistent and disciplined approach to holding capital for risk and growth, both organic and inorganic. Our company has considerable earning power and a patient hand to deploy capital effectively over time. We return excess of what we need to shareholders in the form of dividends and share repurchases, while we continue to build future revenue and earnings generation capabilities.

In conclusion, this was another excellent quarter of growing our business and our exposures, expanding our margins and investing in our future. All in a period with substantial CATs, which are not unexpected. My management team and I have never been more confident in our ability to continue to outperform and deliver strong sustainable shareholder value.

I'll now turn the call over to Peter and then we'll be back to take your questions.

Peter Enns {BIO 15133959 <GO>}

Thank you, Evan and good morning again, everyone. As you've just heard from Evan, our overall franchise continues to deliver outstanding top line growth, margin improvement and profit growth.

Now, let me discuss our balance sheet and capital management. Our financial position remains exceptionally strong, including our cash flow, liquidity, investment portfolio, reserves and capital. It all starts with our operating performance, which produced $3.3 billion in operating cash flow for the quarter and $8.5 billion for the first nine months. We continue to remain extremely liquid with cash and short-term investments of $5.1 billion at the end of the quarter even after our significant capital management actions.

Among the capital related actions in the quarter, we returned $1.9 billion to shareholders, including $1.5 billion in share repurchases and $346 million in dividends. Through the nine months ended September 30, we returned over $5 billion, including almost $4 billion in share repurchases or over 5% of our outstanding shares and dividends of over $1 billion. The agreement to acquire Cigna's A&H and Life Insurance businesses in Asia-Pacific is not expected to impact our share repurchase and dividend commitments.

Our investment portfolio of $122 billion continues to be a very high quality and we have not made any material changes during the quarter to our investment allocation. The portfolio increased $759 million in the quarter and at September 30, our investment portfolio remained in an unrealized gain position of $2.9 billion after-tax. Adjusted pre-tax net investment income for the quarter was $940 million similar to last quarter and $40 million higher than our estimated range benefiting from higher private equity distributions.

As I noted on the second quarter earnings call, our investment income is based on many factors and notwithstanding our better than expected results over the last few quarters, we continue to expect our quarterly run rate to be approximately $900 million. Pre-tax catastrophe losses for the quarter were $1.1 billion with about $1 billion in the US, of which $806 million was from Hurricane Ida and $135 million from international events, of which $95 million was from flood losses in Europe.

Our reserve position remains strong with net reserves increasing $1.7 billion or 3.2% on a constant dollar basis reflecting the impact of catastrophe losses in the quarter and 2021 growth, in particular from our agricultural business which has a seasonality impact on reserves. We had favorable prior period development of $321 million pre-tax, which include $33 million of adverse development related to legacy environmental exposures.

The remaining favorable development of $354 million was split approximately 30% in long-tail lines, principally from accident years 2017 and prior and 70% in short-tail lines, principally from our 2020 North American personal lines. Our paid-to-incurred ratio was 73% or a very strong 75% after adjusting for CATs, PPD and agriculture. Book value decreased by $744 million or 1.7%, reflecting $1.16 billion in core operating income, and a net gain on our investment portfolio of $190 million, which was more than offset by foreign exchange losses of $305 million and the $1.9 billion of share repurchases and dividends.

Book and tangible book value per share increased 0.6% and 0.4% respectively from last quarter. Our reported ROE for the quarter and year-to-date was 12.3% and 14.4% respectively. Our core operating ROE and core operating return on tangible equity were 8.2% and 12.6% respectively for the quarter. As a reminder, we do not include the fair value mark on our private equity funds in core operating income, as many of our peer companies do. For comparison purposes, our core operating ROE increases by 5 percentage points to 13.2% and our core operating income increases by $1.61 per share to $4.25. Year-to-date, our core operating ROE, including the fair value mark on our PE funds would be 13.8%.

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

(Operator Instructions) We will begin with Michael Phillips with Morgan Stanley.

Q - Michael Phillips {BIO 21023048 <GO>}

Thank you. Good morning, everybody. Evan, in your comments and in the press release you talked about some actions because of climate change, thoughtful and swift actions you are going to take. Maybe can you talk about what some of those are and what we can expect to see from those actions either, I don't know, exposure changes or CAT load changes that may change in the future because of what you're doing?

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

Yeah, I'm going to answer it a little differently than that. I mean, it's a broader statement that I'm making and in the press release, it was not simply about Chubb, it's the industry. The industry and Chubb included has seen in recent years a rise in the frequency and severity of insured losses globally from commercial and personal property arising from nat CAT. And especially losses from less well- modeled or non-modeled causes. Our objective with all of this is twofold. Price business adequately get paid for the risk.

Secondly, understand and manage accumulation of exposures, against weather-related perils, modeled and non or less well-modeled.

Factors that are contributing to the rise in loss actually fall into three categories. First, we're seeing today changes globally in the frequency and severity of the perils such as tropical storms, wildfires and floods. However, the historical record provide some interesting context when thinking about today's risk environment. For example, recent land falling US hurricane activity is not especially anomalous and either frequency or frequency of intense storms, as measured by wind speed compared to say, the first part of the 20th century. And repeats of storms from this earlier period would in fact generate losses far greater than any modern storm in terms of industry loss, all of which is already contemplated in our modeling and risk management. And with all that said though, there is evidence now, that the amount of precipitation contained within the storms appears to be greater and that is increasing the amount of loss emanating from events.

The second factor that contribute is changes to the exposure footprint of insurable personal and commercial properties, increases in actual exposure units and values from GDP growth, demographic shifts to higher risk geographies and aging building stock are all examples of factors that are leading to higher loss potential.

And finally, the third. The impact of natural events is further amplified by increasingly vulnerable infrastructure. For example, the levee failures during Hurricane Katrina in 2005 and the systemic electric grid failure during the 2021 Texas freeze. We're actively working to reflect the impact of all of these trends in our pricing risk selection and exposure management. We have significant advances in modeling, especially secondary perils such as floods and wildfires but there is still a way to go.

Our loss costs consider recent experience together with explicit recognition of factors that can be quantified such as sea level rise, exposure growth or demographic shifts and we continue to refine our portfolio. Management -- our portfolio management to manage risk aggregation at an ever more granular level. The net results for us are dynamically risk adjusted rates that appropriately reflect changes and charges for both recent loss experience and exposure concentrations. So we're striving to stay on top of this, and we have an awful lot of resources dedicated to the effort. And frankly, I think we're in pretty good shape.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay. Thank you for the details. Appreciate that. I guess, second question then on, I appreciate the details you gave a little bit.

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

(inaudible) a little bit.

Q - Michael Phillips {BIO 21023048 <GO>}

Yeah, sure. Is that better, Evan?

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

Yeah, it's a little better.

Q - Michael Phillips {BIO 21023048 <GO>}

Okay. I'll shuff my headset. I appreciate the details on the loss trend numbers that you gave this quarter. I guess, clearly lots of debates going on the casualty side with loss trends specifically on the casualty side here. The long-term that you gave the 5.5% or 6% ex-comp I guess, what pieces of that if you can kind of break that down would be most worrisome to you that could make that number change? So again, because of all the debates going on some financial inflation, some social inflation different things that are happening there, any piece of that that you'd be more worried about there that could make that number go up?

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

No. There is no one ingredient, I'm not worried. So, I wouldn't characterize it is worry, if you're worried don't be in the casualty business. These are dynamics that are enduring. And so all of the ingredients, whether it is social inflation, the trial bar and as a business litigation funding. At this moment in time understanding the latency because courts are closed and not taking the head -- have been closed and not taking the head fake on the lag.

And then you have simply economic inflation and science and legal environment changing with legislation, all of that has been our consistent factors some rear their head a little more than others at times and we're mindful of all of that. And that's what we try to do a good job of anticipating. And by the nature of it, you can only anticipate so much of it and the future is unknowable till it arrives in fact. And so therefore you manage conservatively, declare bad news early and good news late. Thanks for the question.

Q - Michael Phillips {BIO 21023048 <GO>}

Thank you.

Operator

We'll now move to a question from David Motemaden with Evercore ISI.

Q - David Motemaden {BIO 18818634 <GO>}

Hi. Good morning. I was just hoping to just get update on the upset -- excess capital position. Capital return has been a highlight so far this year. But so as earnings power and capital generation. And I know in the past, I think at the end of last year, you said excess capital was about a 2 point drag on the ROE, but since then you've returned about $5 billion through buybacks and dividends. So I guess, long-winded way of asking where do you guys think the excess capital position was at the end of the quarter?

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

Yeah, it's in the range of about -- it's come down from about 2 to about 1.5.

Q - David Motemaden {BIO 18818634 <GO>}

Got it. And then just thinking about potential uses of capital, obviously still have some headroom on the $5 billion share repurchase. And then the Cigna acquisition. I guess, I'm also just wondering just any sort of thoughts around the timing of buying up the additional ownership stake in Huatai and sort of how we should think -- should be thinking about that?

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

When it comes to Huatai the ownership stake buying that up, which buying it up to over 50%. And good luck prognosticating specifically with China over the next few months, number of months and then going well in excess of that potentially is I would say, through 2022.

Q - David Motemaden {BIO 18818634 <GO>}

Got it. That's helpful. And then maybe if I could just sneak one more in. Another good quarter of growth across the board, but wanted to just drill down a little bit in North America commercial. Last quarter you talked about exposure being negative and I was wondering if that's still the case and obviously pricing and new business sounded like they were very strong. But I'm wondering if you could maybe break down some of the other components of the strong growth this quarter?

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

Yeah. So look exposure growth in aggregate net-net, had about a 0.5 point impact on our North America commercial lines growth and that includes both positives from economic activity and then structural changes like deductible increases and retentions et cetera, that would go the other way and it all nets out to about 0.5 point.

Q - David Motemaden {BIO 18818634 <GO>}

Great. Thank you.

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

You're welcome.

Operator

Next we will hear from Elyse Greenspan with Wells Fargo.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Hi. Thanks. Good morning. Evan, you talked about robust price increases that we've seen for a while across the industry. As you think out over the course of the next year, do you think the industry can broadly maintain rate in excess of loss trend just as you think about the underlying dynamics out there?

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

Elyse, I do. I think -- look, I don't have a crystal ball, but from everything I see right now about rates and the shape and pattern of how, when I look over a number of quarters what I would call is simply a moderation in the rate of increase. When I look at that and I look at the loss cost environment and then I look at our retention rates against the kinds of rates we're achieving. So, we achieved certain rate increases but then a retention rate on business, which then tells me about the tone of the marketplace. All of that tells me that the industry should continue to achieve rate in excess of loss cost for some time to come.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. Great. And then in terms of North America commercial, the underlying loss ratio there was around 150 basis points year-over-year improvement. Since you guys didn't call anything out, obviously the COVID frequency impacted other segments, is -- was there any one-off noise or is that a pretty good indicator of the underlying margin improvement within North America commercial?

A - Peter Enns {BIO 15133959 <GO>}

It's a pretty good underlying run rate number. There is not one-offs.

Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay. Great. Thanks for the color.

A - Peter Enns {BIO 15133959 <GO>}

You're welcome.

Operator

Next question will come from Mike Zaremski, Wolfe Research.

Q - Mike Zaremski {BIO 22348763 <GO>}

Hey, great. Good morning. I guess, I'm going back to loss costs. I might have missed some of the exact wording Evan. But, I think you said you expected some of the short-tail commercial classes to increase in the future. If you could provide some color around that?

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

Right now, in short tail there is evidence of inflation in the homeowners line and has been for some time, but not so much in commercial property paid losses. Given labor costs and commodity prices and supply chain problems and scarcity and materials, we expect costs to rise and we're building that view in the future claim payments and our pricing, which is only prudent and that's all I'm saying. We're anticipating and we're -- we're anticipating just in the common sense way ahead of it not waiting for to be on top of.

Q - Mike Zaremski {BIO 22348763 <GO>}

I guess as a follow-up Evan, that's interesting because I was looking at some of the carriers. It seemed like paid losses are down in the casualty lines due to some of the courts being let's just say delayed or clogged or running at a slower pace. Is Chubb seeing that too in the casualty lines?

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

Yeah, let's not confuse though, what I said about short-tail and what you just said about casualty. We and all the whole industry, we've been saying for over a year and a half now, that obviously with courts closed, dockets full, it has a delay in the processing or the final adjudication of casualty related claims. And that's a pattern, a paid pattern and change, but any good underwriter is not going to take that head fake and believe that change of pattern means a change in ultimate loss. And so therefore, we don't believe that's a change of the trends and so therefore, as I said earlier, we remain with a 6% trend factor and the paid will ultimately come through.

Q - Mike Zaremski {BIO 22348763 <GO>}

Okay, understood. Lastly just...

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

As well as the lag and incurs.

Q - Mike Zaremski {BIO 22348763 <GO>}

Understood, okay. And then lastly, just thanks for the granular details about the underlying loss ratio benefits 3Q of last year. I heard your answer to -- we heard your answer to Elyse's question in North American commercial. But I guess, I just want to make sure, since you guys didn't break out the granular benefits last year or early 2021, we should be assuming there were some benefits in those same segments, when we're thinking about kind of future quarters, year-over-year results mostly from personal lines?

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

I don't know what you're saying, I'm not sure...

Q - Mike Zaremski {BIO 22348763 <GO>}

(Multiple Speakers) I guess, just the frequency benefits Evan -- those just didn't -- okay. But the frequency benefits. Yeah, but they happened later, not just 3Q right in 4Q and probably 1Q of this year, so we should be taking that to account.

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

No, not that we see.

Q - Mike Zaremski {BIO 22348763 <GO>}

Thank you.

Operator

We will now move to Tracy Benguigui with Barclays.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Thank you. Good morning. Looking at the Cigna deal, can you describe any cohesiveness of those different markets across seven countries or those marketplace dynamics more siloed?

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

Tracy, it's like describing. These are countries, they are not markets, they are individual countries with their own cultures, their own social economic dynamics, their own social systems, their individual languages, these are -- this I wouldn't view it in a sterile way it's like -- it's Asia is vast and no different than saying, well, can we talk about the United States and France in the same breath. No, or the United States, France and Brazil, you have to think of them each independently. That's the whole point of managing a global business. You understand the local market idiosyncrasies, opportunities and risks, the geographies are greatly vary by each.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Thank you. Maybe just going back to capital management, back in February you shared S&P's decision to lower its capital benchmark to AA from AAA, which help you unlock excess capital. And as you know, S&P has published an advance noted that plans to update it's capital model. We do not know a lot about it, that will come in request when it comes out. But I guess, what I am getting at does this development compel you to sit on the sidelines with respect to capital deployment until more is understood or will you cross that bridge when more information is known?

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

We'll cross that bridge when more information is known. We have very close and productive dialog always on an ongoing basis with rating agencies.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Thank you for taking my questions.

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

You're Welcome. Thanks for asking.

Operator

Next question comes from Greg Peters with Raymond James.

Q - Greg Peters {BIO 3111497 <GO>}

Good morning, everyone. Evan, I guess, I'd like to focus my first question around retention and recruiting. You talked about in one of your previous answers labor shortages and there is a lot of news in the marketplace around the availability of workers. I think the St. Louis Fed was out something earlier this week about 3 million workers may have retired due to COVID. So, maybe you could give us your perspective around what's going on at Chubb with retention and recruiting?

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

Yeah. Thanks. Like with all companies, it's a constant effort and it's a difficult marketplace for recruiting and retention rates are modestly lower. And it's a combination of people moving around and more retirements and just making different choices in their lives an outcome of clearly of COVID in many ways. We have to manage -- we've significantly beefed up and improved our resource capabilities around recruiting. And we have such an intense focus on it. And in aggregate, the number of open positions we had in June in North America is down today from what it was then. We're making progress and continue to make progress.

But you have to grind on it. People want -- many people want a different way to work. They want more flexibility in the days that they work or the hours that they work. And while we remain work-from-office company and will be, we have adjusted and recognize that given the ability with technology today that has been proven over the -- and has accelerated the proving of that over the last year and a half since we went into shutdown or closer to two years now, or I guess about a year and a half.

Our ability to productively work not simply from the office but from home allows for greater flexibility and we recognize that. And therefore are adjusting our own expectations around that. So, we're mindful obviously and that we're in a marketplace to compete for talent. We want the best and the brightest and those and the most ambitious, I should say, really the most ambitious to want to work for Chubb.

We are an ambitious company, we're not going to moderate our goals and our objectives because of employment concerns. We're going to just step up our game to make sure we're a place where those who share our ambition and want to work hard, but want a different kind of work life balance and where they work from, we want them to work here. And we want them to be motivated to be here. And so we're making strides in that I think good strides. And as I said, the overall number of open positions here is down and down not a small amount.

Q - Greg Peters {BIO 3111497 <GO>}

Thank you for that answer. And I guess, it's sort of related, but we're hearing -- we're seeing in the news a lot of changes going on in distribution, broke versus roll-ups private equity involved in roll-ups, we're seeing large companies hire producers from other companies. And then you highlighted your higher retention ratios of your business. Can you talk about what the changes are in the distribution outside of Chubb how that's affecting your business? It doesn't seem like it is. Is there some risk out there as we look forward that it might be disruptive to your renewal ratios?

A - Peter Enns {BIO 15133959 <GO>}

No, I don't believe so. Chubb has -- enjoys an extremely strong position with all of the top brokerage and agency plant in the country. Strong dialog, strong presence, our spread of product and capability and our local capability, we are simply a very compelling offering to any broker who has to -- were a agent who has to make a market that's their job to make a market and pretty hard to make a market without Chubb. And so we bring a lot of compelling capability and tools and frankly as they compete against each other and it's a fierce market within the brokerage community of how they compete for business. Chubb is an important ingredient in helping them in their effort to compete and our partnership between ourselves is very well balanced.

Q - Greg Peters {BIO 3111497 <GO>}

It seems like a fair answer. Thanks for your time.

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

You're welcome.

Operator

Ryan Tunis with Autonomous has the next question.

Q - Ryan Tunis {BIO 16502263 <GO>}

Hey, thanks. Good morning. Another quarter of solid improvement in the policy acquisition cost ratios, I think especially in the commercial lines segment. Curious what's driving that? Is that better terms on reinsurance? How sustainable is that trend Evan?

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

No. Not better terms on reinsurance. It's sustainable. It's a mix of business driven predominantly within commercial lines and it's -- there is fee business, there is commissioned business. And what you see is pretty steady and on the margin and though not unimportant commission rates in some lines of businesses rates have increased have come down, and that also benefits to a degree. We think it's sustainable.

Q - Ryan Tunis {BIO 16502263 <GO>}

Got it. And then a follow-up more in terms and conditions. If I recall at the beginning of a hard market one of the things that kind of bother you was I think on excess casualty business. I think I remember, you're talking about $1 million attachment points and how that will become stable over the years? Is that -- I guess, two years later into the hard market, is that something that's been corrected those attachment points kind of broadly self corrected. I'm just wondering if there's something that might help us in addition to rate?

A - Peter Enns {BIO 15133959 <GO>}

Yeah. And it doesn't self-correct. But it is definitely within -- when you're in a hard market, it is one of the ingredients that also helps clients to ameliorate rate increase. And they are motivated and incented, because you go from $1 million to a $2 million attachment point and what you pay you get out of $1 swap layer with us. The difference between $1 million and $2 million is adequately priced so it's rational you retain that for yourself.

And so attachment points and deductibles and limits for different exposures within a policy, are all ingredients that have been and continue to be adjusted to today's economic environment and a more rational construction of policy terms and conditions. And that is taking place and has been taking place on a broad basis.

And I'll remind you, Ryan. So, that completely transparent about it. Within how we -- when we look at rate increase, we include that within our definition of increase in rate, because in the areas in the lines where we can measure it definitively and we can in certain lines very well.

Q - Ryan Tunis {BIO 16502263 <GO>}

Yeah, I mean, you mentioned that happens in a hard market. Is that the type of thing that down the road when we're not in a hard market that those terms and conditions, there's new limits deductibles attachment points. Do those tend to stick maybe a little bit better than headline rate?

A - Peter Enns {BIO 15133959 <GO>}

Yeah, the attachment point and the deductibles tend to be much stickier than rate is. And depending on the business, particularly in middle market more than stickier it endures, it tends to endure.

Q - Ryan Tunis {BIO 16502263 <GO>}

Thanks.

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

You're welcome.

Operator

(Operator Instructions) We will now move to Brian Meredith with UBS.

Q - Brian Meredith {BIO 3108204 <GO>}

Yes. Thanks. Two quick questions here for you. First, what happened with the ag business the massive growth here, was it a new client, was there something happened from an accounting perspective?

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

Brian, if it was a new client, they were like, they must have had form the size of...

Q - Brian Meredith {BIO 3108204 <GO>}

Yeah, exactly. Client portal which just take over the Western US.

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

John Lupica?

A - John Lupica {BIO 4213297 <GO>}

Thanks, Brian. It is simple as the base prices were up significantly year-over-year in our spring crops, corn and beans were up 18% and 29% respectively. And we had another record year in terms of policy count acquisition growth and new acres by our producers. So, that really drove the 0.3 point growth that you see.

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

The base price, John's referring to in a simple way, you apply a rate against the exposure and exposure is the commodity price of say corn or beans and that price, which is a February price that's when you price the policies is up significantly over the prior year because commodity prices were up.

Q - Brian Meredith {BIO 3108204 <GO>}

Yeah, makes sense. I think my second question is, just want to talk a little bit about your Global A&H...

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

One diet farm that was like 200,000 acres that you referenced.

Q - Brian Meredith {BIO 3108204 <GO>}

And then the next, I just want to talk a little bit about the Global A&H business, I know there is a component, a big component that it's travel related. But any indications that's going to turnaround here, I would have thought that with the economic growth, we're seeing that would have already started to seeing some nice growth out of it?

A - Peter Enns {BIO 15133959 <GO>}

Our travel business is predominantly Asia and Latin America. And if you've been following it, Asia has been locked down until very recently, where it's just starting to open. Countries like Australia that have been closed for a year and a half, they're just going to open in November. Singapore, Thailand, Korea, Hong Kong, Taiwan they've all been lockdown and they're are just starting to open now through November. And we're starting to see growth pick up. In fact, and one Luis can remind us, I think it's the month of September or October is our first month where we've seen real growth and it was like let's say 8% and we're all jumping up and down about it. However, to remind you, our travel is off about 85% from what it was in 2019. So 8% is got a ways to go.

Q - Brian Meredith {BIO 3108204 <GO>}

Great. Thank you.

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

You're welcome.

Operator

And we will take our last question from Meyer Shields with KBW.

Q - Meyer Shields {BIO 4281064 <GO>}

Great. Thanks for fitting me in. One brief questions to start with. Evan, are you looking to add or shrink exposure in homeowners in Florida and California?

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

Well, Meyer, I'll remind you, we were -- we gave some forward information that in California, we were shrinking. We were shrinking not a small amount in our footprint that is exposed to wildfire both highly exposed and even moderately exposed to wildfire, which is not a small amount and we gave an amount of premium that related to that that would impact us.

And that's because in the State of California, in their own wisdom we cannot charge an adequate price for the risk and not by a small amount. So, someone else will have the pleasure of writing that business unfortunately. And so we've been shrinking that and in particular, Florida, we've been pretty steady.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. That's helpful. And then maybe a broad question, can you talk about maybe the opportunities and potential risks to Chubb of the infrastructure bills that Congress is now considering?

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

Well, the opportunities are great. It's going to -- over time, it's going to add a lot of activity to construction around infrastructure. Now, you passed the bill and then putting a shovel in the ground takes a period of time and the infrastructure bill if I recall correctly, is to generate infrastructure improvements over a decade, but a $1 trillion is an awful lot of infrastructure.

Now, the issue of labor will be very interesting to see. It's one thing to want to realize those infrastructure projects that our country sorely needs. And on the other hand, the labor to affect those projects is something that Congress is going to have to wrestle with and read into that immigration and temporary work visas for Mexicans and others south of the border, who were very capable in executing that labor.

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And by the way, want to go home after they -- after working here and want to necessarily remain here. And we have to rationally recognize that and address that as part of $1.2 -- a $1 trillion dollar infrastructure package if were to spend it and make the difference we expect, and the insurance industry, will be a beneficiary of that because those projects need to be insured both construction and surety.

Q - Meyer Shields {BIO 4281064 <GO>}

Okay. Perfect. Thank you so much.

Operator

And ladies and gentlemen, this concludes our question-and-answer session. I'll 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 this morning. We look forward to speaking with you again next quarter. Have a great day.

Operator

With that, ladies and gentlemen, this does conclude your conference for today. We do thank you for your participation and you may now disconnect.