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# Q1 2015 Earnings Call

## Company Participants

- Dino Robusto, EVP & President of Commercial and Specialty Lines
- John Finnegan, Chairman, President & CEO
- Paul Krump, EVP & President of Personal Lines and Claims
- Ricky Spiro, EVP & CFO

## Other Participants

- Brian Meredith, Analyst
- Cliff Gallant, Analyst
- Jay Cohen, Analyst
- Jay Gelb, Analyst
- Josh Shanker, Analyst
- Josh Stirling, Analyst
- Kai Pan, Analyst
- Meyer Shields, Analyst
- Mike Nannizzi, Analyst
- Paul Newsome, Analyst
- Ryan Tunis, Analyst

## Presentation

### Operator

Good day, everyone. Welcome to The Chubb Corporation's First Quarter 2015 earnings conference call. Today's call is being recorded. Before we begin, Chubb has asked me to make the following statement. In order to help you understand Chubb, its industry. And its results, members of Chubb's Management team will include in today's presentation forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. It is possible that actual results might differ from estimates and forecasts that Chubb's Management team makes today. Additional information regarding factors that could cause such differences appears in Chubb's filings with the Securities and Exchange Commission.

In the prepared remarks and responses to questions during today's presentation, Chubb's Management may refer to financial measures that are not derived from general accepted accounting principles, or GAAP. Reconciliations of these non-GAAP financial measures to the most direct comparable GAAP measures and related information are provided in the press release and financial supplement for the First Quarter 2015, which are available on the Investors section of Chubb's website at www.Chubb.com.

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Now, I will turn the call over to Mr. Finnegan.

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## John Finnegan {BIO 1735942 <GO>}

Thank you for joining us. As we said in our press release, Chubb produced solid financial results in the First Quarter of 2015. These were achieved even with the adverse impact of both cat and non-cat weather-related losses, primarily in the Homeowners line, stemming from the harsh winter in the United States.

The market remained relatively stable and we were pleased that we were able to secure rate increases, while again achieving strong renewal retention in all three of our business units. Operating income per share was $1.57, a 5% increase over the $1.50 in last year's First Quarter. The effect of catastrophes were $0.69 per share in this year's First Quarter, compared to $0.52 per share in last year's.

Annualized operating ROE was 10.2% for the First Quarter of this year. The combined ratio for the First Quarter was 93.9 this year compared to 93.2 last year. Excluding the impact of cats, the combined ratio for the First Quarter improved to 85.8, in 2015, from 86.6 a year ago. Net written premiums, which grew 1%, were negatively effected by currency. Excluding the effect of foreign currency translation, premiums were up 4%. First-quarter net income per share was $1.60, resulting in an annualized ROE of 9.2%. GAAP book value per share at March 31 was $70.33, up slightly from year-end 2014. And a 6% increase since March 31, a year ago.

Our capital position is excellent and we continue to actively repurchase our sharers. In addition, during the First Quarter, we increased our common stock dividend by 14% to $2.28 per share on an annualized basis. It was Chubb's 33rd consecutive annual dividend increase, a continued indication of our consistent performance and financial strength. Now, I will turn it over to Dino.

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## Dino Robusto {BIO 15021398 <GO>}

Thanks, John. In a marketplace that, while competitive, remained relatively stable with regard to price and terms and conditions, CCI and CSI both had strong performance in the First Quarter. Each unit produced solid underwriting profitability and continued to execute our business plan, which emphasizes the retention of our profitable portfolio, while seeking rate increases on those accounts that still require them. We also leveraged our distinct underwriting and claims service advantages to write new business in our targeted niche markets.

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Beginning with CCI, the First Quarter combined ratio was 90.8 compared to 88.5 in the First Quarter of 2014. The First Quarter impact of catastrophe losses accounted for 3.4 points of the combined ratio in 2015 and 6.1 points in 2014. Excluding the impact of catastrophes, CCI's combined ratio in First Quarter of 2015 was 87.4 compared to 82.4 in the First Quarter of 2014. This 5-point increase was almost all due to a reduction in the amount of favorable prior-year reserve development in CCI, which in turn was mainly driven by a swing from favorable development in the year-ago quarter to modestly adverse development in this year's First Quarter in the commercial property lines, including multiple peril property.

CCI's ex-cat accident year combined ratio remained very strong at virtually the same level as in the First Quarter a year ago. Drilling down into the CCI lines, the all up, multiple peril, combined ratio was 96.9 compared to 91.8 in the First Quarter of 2014, with a similar impact of catastrophes in both periods. Property and marine produced a combined ratio of 89 in the First Quarter of this year and 89.1 in the same period last year, with a lower impact of cats this year. The casualty combined ratio for the First Quarter of 2015 was 93.7, which was higher than the 89.7 we reported for the First Quarter last year. But was more in line with our full-year results for casualty last year.

And our workers' compensation combined ratio continued to be outstanding at 84.1, essentially unchanged from the 84 that we posted in the First Quarter of 2014. In recent conference calls, we reported to you that in light of the rate increases we had secured over the past several years, we were increasingly focused on retention, while at the same time taking advantage of better-priced new business in the market segments we target. This focus is contributing to our positive growth.

In CCI, First Quarter net written premiums grew 2% to $1.4 billion. Growth, excluding the impact of foreign currency translation, was about 5%. The multiple peril and property and marine lines grew at 3% and 1%, respectively, despite the drag from currency. In workers' comp, which is largely a US business, growth was a strong 11%. But as we have pointed out in the past, this line can fluctuate substantially from quarter to quarter, due to the presence or absence of a few larger premium accounts.

Lastly, in casualty, net written premiums declined 5%, largely due to the adverse impact of foreign currency translation, which was slightly higher than the impact on overall CCI business, due to casualty's higher percentage of business outside the United States in the First Quarter. Overall, renewal retention for CCI in the First Quarter was 87% in the US. This is in line with our last three quarters and high by historical standards. Even with this high retention, we were able to achieve an average written renewal rate increase of 1% for the US booked. This was a 16th consecutive quarter in which CCI secured rate increases, amounting to three years on rate on rate. Outside the US, CCI's average renewal rate increases in the First Quarter were flat to slightly positive.

With respect to new business, we continue to take advantage of our unique expertise in products and services to target the market segments in which we specialize. In the First Quarter, in the US, our new to lost business ratio was 1.4 to 1, equal to the ratio in the Fourth Quarter of 2014. This reflects the high retention rate and solid new business writings that we believe will meet our performance target. Indeed, the vast majority of our

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new business was written for customers within our proven niche market. Because we focus almost entirely on those target market segments where we offer value-added products and services, as well as unique expertise, winning the business is not exclusively a price-driven transaction, which in turn helps us generate strong profit margins over time.

Turning now to Chubb Specialty Insurance, we experienced another very strong quarter, with the combined ratio of 81.9. This is a 7-point improvement over the First Quarter of last year. Professional Liability, which represents the majority of the CSI portfolio, our combined ratio of 85.2 in the First Quarter was similar to the 84.6% combined ratio in the First Quarter of last year. The continued strong underwriting profitability of our Professional Liability business is a product of our disciplined underwriting, skillful management of the portfolio's business mix. And culling actions informed by our use of advanced analytics and predictive modeling. Of course, the compound effect of the rate increases on our US book, which have exceeded 25% since January 2012, also contributed to our excellent combined ratio.

With respect to growth, Chubb Specialty Insurance net written premiums in the First Quarter were flat at $621 million. Growth, excluding the impact of foreign currency translation, was about 4%. Net written premiums of the Professional Liability portion of CSI were down 1% to $545 million, reflecting growth in the United States and the adverse impact of foreign currency translation on our business outside the US.

In the First Quarter, we secured average renewal rate increases of 4% for Professional Liability in the US, just as we did in the Fourth Quarter of last year. The First Quarter was the 14th consecutive quarter that we achieved Professional Liability rate increases in the US. Despite our pressing for rate increases, we achieved strong renewal retention of 87% for that book. In markets outside the US, average renewal rates continued to be flat.

In terms of new business, Professional Liability had another good quarter in the US, with a new to lost ratio of 1.2 to 1. As the case with CCI, our strong underwriting expertise and value-added services enabled us to find better quality opportunities in our target markets following several years of rate increases and underwriting action.

Turning now to the Surety portion of the Specialty book, the combined ratio of 54.8 in the First Quarter represented a significant improvement over the 2014 First Quarter's combined ratio of 122.9, which was adversely impacted by a single large loss. Net written premiums of $76 million were up 6%.

Bottom line, for our CSI business overall, we are very pleased with the strategies we have implemented and we are well-positioned to continue to grow profitably over time. With that, I will turn it over to Paul, who will review our Personal Insurance operations and Corporate-wide claim results.

## **Paul Krump** {BIO 5211397 <GO>}

Thanks, Dino. Chubb Personal Insurance net written premiums increased 2% to $1 billion in the First Quarter of 2015. Growth excluding the impact of foreign currency translation was

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about 5%. CPI produced a combined ratio of 105.1 in the First Quarter of 2015 compared to 101.8 in the corresponding quarter last year. The impact of catastrophes on CPI's First Quarter combined ratio was 18.4 points compared to 11.2 points in the First Quarter of 2014. On an ex-cat basis, CPI's combined ratio was 86.7 in the First Quarter of 2015, nearly a 4-point improvement compared to 90.6 in the First Quarter a year ago.

For our Homeowners line, premiums grew 1% and the combined ratio was 112.7 compared to 104.9 in the corresponding quarter last year. Cat losses accounted for 30 points of the Homeowners combined ratio in the First Quarter of 2015 compared to 17.9 points in the First Quarter of last year. There were nine US winter storm catastrophe events in the First Quarter, which affected 29 states and the District of Columbia. The majority of our losses were from burst pipes and ice damming, most of which occurred in February. While the damage was widespread across much of the eastern section of the United States, our New York and New England customers were the most affected.

Excluding the impact of catastrophes, the 2015 First Quarter Homeowners combined ratio was 82.7, a 4.3-point improvement compared to 87 in the same period a year ago. Most of the improvement is attributable to the fact that fire losses this year were in line with our five; and 10-year averages. Whereas in the First Quarter a year ago, fire losses were considerably higher than average. Not surprisingly, the impact of non-cat weather-related losses in the First Quarter of 2015 was elevated compared to a typical First Quarter; however, it was slightly lower than the First Quarter a year ago.

During the First Quarter of 2015, we achieved an average Homeowners renewal rate and exposure increase of 5% in the United States compared to 6% in the Fourth Quarter of last year. For our Personal Auto line, net written premiums grew 2% in the First Quarter of 2015. The combined ratio was 92.9, compared to an unusually high 101.4 in the corresponding quarter of 2014. US renewal policy retention in the First Quarter of 2015 was a very strong 89% for both Homeowners and Personal Auto, identical to the Fourth Quarter of 2014. Net written premiums for other personal, which includes our Accident, Personal Excess Liability. And Yacht lines, grew 5% in the First Quarter. The combined ratio for other personal was 92.3 in the First Quarter, consistent with the combined ratio of 92.4 in the First Quarter a year ago.

Turning now to First Quarter claims Corporate-wide, as we announced on April 7, we had catastrophe losses of $250 million before tax, or 8.1 points on the combined ratio, compared to $199 million or 6.6 points in the First Quarter of 2014. The $250 million in this year's First Quarter reflected about $264 million from 2015 cat events, almost entirely from the ones in the United States, slightly offset by a $14 million decrease in our estimated losses from catastrophes which occurred in prior years. In the First Quarter of this year, roughly 80% of the total catastrophe losses were attributable to CPI. And 20% to CCI.

With that, I will turn it over to Ricky who will review our financial results in more detail.

**Ricky Spiro** {BIO 15061279 <GO>}

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Thank you, Paul. As usual, I will discuss our financial results for the quarter. And I will also provide an update on the April 1 renewal of our major property reinsurance program. Looking first at our operating results, underwriting income was $205 million in the quarter. Property and casualty investment income after tax was down 5% to $264 million, due once again to lower reinvestment rates in our fixed maturity portfolios. And to a lesser extent, the impact of foreign currency translation.

Net income was slightly higher than operating income in the quarter due to net realized investment gains before tax of $11 million, or $0.03 per share after tax, including $0.03 per share from alternative investments. For comparison, in the First Quarter of 2014, we had net realized investment gains before tax of $116 million, or $0.30 per share after tax, including $0.14 per share from alternative investments. Unrealized depreciation before tax at March 31, was $2.9 billion compared to $2.7 billion at year-end 2014. The total carrying value of our consolidated investment portfolio was $43 billion as of March 31, 2015. The composition of our portfolio remains largely unchanged from the prior quarter. The average duration of our fixed maturity portfolio is 4.1 years and the average credit rating is AA3. We continue to have excellent liquidity at the holding company.

At March 31, our holding company portfolio had $1.8 billion of investment, including approximately $470 million of short-term investment. Book value per share under GAAP at March 31 was $70.33 compared to $70.12 at year-end 2014. Adjusted book value per share, which we calculate with available-for-sale fixed maturities at amortized cost, was $64.75 compared to $65.03 at 2014 year-end. The change in book value per share and the change in adjusted book value per share for the First Quarter of 2015 both reflected an adverse impact of approximately $0.77 due to foreign currency translation.

As for loss reserves, we estimate that we had favorable development in the First Quarter of 2015 on prior-year reserves by SBU as follows. In CPI, we had approximately $5 million, CCI had $35 million, CSI had $70 million. And reinsurance assumed had none, bringing our total favorable development to approximately $110 million for the quarter. This represents a favorable impact on the First Quarter combined ratio of about 3.5 points overall, including a favorable impact of prior-year catastrophes of $14 million. For comparison, in the First Quarter of 2014, we had about $160 million of favorable development for the Company overall, including $5 million in CPI, $90 million in CCI, $65 million in CSI. And none in reinsurance assumed. The favorable impact on the combined ratio in the First Quarter of 2014 was about 5.5 points, including a favorable impact of prior-year catastrophes of $7 million.

For the First Quarter of 2015, our ex-cat accident year combined ratio was 88.9% compared to 91.7% in last year's First Quarter, an improvement of 2.8 points. During the First Quarter, our loss reserves decreased by $107 million. The impact of foreign currency translation on loss reserves during the quarter resulted in a decrease in reserves of about $370 million. And the effective cats with the increased reserves, by $184 million.

Turning to capital management, we repurchased 3.2 million shares at an aggregate cost of $326 million during the quarter. The average cost of our repurchases in the quarter was $100.77 per share. At the end of the First Quarter, we had $1 billion available for share repurchases under our current authorization. And as we said on our last earnings call, we

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expect to complete this program by the end of January 2016. In addition, as John mentioned, our Board raised the quarterly common stock dividend in February by 14% to $0.57 per share, or $2.28 on an annual basis.

I would now like to say a few words about our reinsurance program. On April 1, we renewed our major property treaties, including our North American cat treaty, our non-US cat treaty. And our commercial property for risk treaty. We renewed these programs with a similar limit structure to what we had in 2014. But with expanded coverage and improved terms and conditions. The reinsurance market was orderly and there was plenty of capacity to meet our needs in each treaty. As you might expect, we are an attractive (sedant). We achieved meaningful savings on all three treaties again this year, with double-digit price decreases on our two major catastrophe treaties, as well as a high single-digit price decrease on our commercial property for risk treaty.

In addition, in March, we successfully completed our seventh catastrophe bond offering to replace the maturing cat bond. The transaction was very well received by the market. And this enabled us to replace the existing limit of $250 million. And expand the perils covered relative to the expiring arrangement at attractive pricing. Under this new arrangement, we purchased fully collateralized five-year coverage to supplement our reinsurance program for our commercial and personal property exposures in the northeast United States, running from Virginia to Maine. In terms of pricing, the coupon of the new cat bond is approximately 45% lower than the maturing bond.

Similar to our previous cat bonds, we have an indemnity-based trigger, which means that our right to collect is based on our actual incurred losses, as opposed to the industry or index-based losses. We like the diversification that these cat bond arrangements bring to our overall reinsurance program, especially in our peak zones. Importantly, they provide us with a cost-effective, fully collateralized alternative to traditional reinsurance, with pricing locked in for several years. And now, I'll turn it back to John.

### John Finnegan {BIO 1735942 <GO>}

Thanks, Ricky. As you can see, the story of the quarter was the harsh winter weather in the United States, which drove catastrophe losses of $250 million. These cat losses reduced our operating income by $0.69 per share after tax. Nonetheless, we were still able to achieve operating income of $1.57 in the quarter, reflecting strong ex-cat performance. Our ex-cat accident year combined ration was an excellent 88.9%, which is 2.8 points of improvement over the First Quarter of last year. We are pleased with our ex-currency growth of 4% in the quarter. In the US, retention rates remained at high levels. And we were able to achieve renewal rate increases generally in line with the prior quarter. We also continued to focus on capital management in the quarter, raising our dividend by 14% and repurchasing 3.2 million shares at an aggregate cost of $326 million.

With that, I'll open the line to questions.

## Questions And Answers

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## Operator

(Operator Instructions)

We will first go to Josh Stirling from Bernstein.

## Q - Josh Stirling {BIO 17463087 <GO>}

Hi. Good afternoon. Thank you for taking the question. I would love to start the big picture around pricing. Over the last couple of years, John, you talked a lot about how you generally conservative underwriters look to try to cover their cost with something like a 3% to 4% assumption for long-term loss trends.

It doesn't always work out that you need all that. But with pricing now more like 1% to 2% in a lot of places, should we be thinking simplistically that, that means that the business's margins are going to start to decline, or is really the current business really adequately priced and at 1% to 2%, you're going to be able run in place and maintain the margins over the next few years?

## A - John Finnegan {BIO 1735942 <GO>}

Josh, let's level set. 1% to 2% is CCI. That is a big part of our business. But it's not a majority of the business. Professional Liability was 4% in the US. Personal lines was 5% in the US. When you look at it. And if you look now for the 2015 accident year, you are obviously also getting the benefit of the lag impact of earned premium based on written premium that was higher in 2014.

So if you look at the 2015 accident year. And then you look at loss trends, which if you properly stay at 3% to 4% -- 4% is long-term, we've made a point of saying. But those are mostly macroeconomic that would take into account underwriting action, we believe 2 to 3 points, let's say, 3 points is a more reasonable assumption. If you look at that, I would say all of our businesses, in net, in the US, we're probably on earned premium basis in the 2015 accident year, a little bit -- margin neutral to slightly margin profit positive.

With CCI, the one you alluded, being margin negative to some degree. But even CCI at current rates would have a 2-point earned premium. So it would only be slightly negative. Professional Liability being slightly positive in the US and personal lines being (1 or 2 points). And it's a couple of points, probably positive.

Obviously the challenge is in CCI. But right now it's not a terrible place to be. But overall, from our overall book, 2015 accident year does not necessarily imply margin contraction. It could be margin neutral to slightly positive at today's rates in the US. You'll obviously have to make your own assumption as to where rates are going and that could change it, although again, you basically have five quarters in of the 2015 accident year already.

## Q - Josh Stirling {BIO 17463087 <GO>}

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That's helpful. I'm wondering if we could just shift gears a little bit. You guys are best known for your high net worth Homeowners and Personal lines. And some day we all aspire the yachts so that you guys can insure us. But the question I struggle with, just because we don't always talk so much about strategy is, when you guys look long term, what is -- you have a great brand today, your agents love you, you have good products. And you are the one to beat. But there is a lot of energy and interest and focus targeting the sector. And I'm curious how you're thinking about either strategies or maybe tactics that actually maintain your position and really continue to grow that business over time?

## A - Paul Krump {BIO 5211397 <GO>}

Josh, this is Paul, I will take a stab your question. First off, we are all anxious to make enough to get that yacht. And I sure certainly hope you get there soon. I would start out by just level-setting. There is a lot of energy around the high net worth space amongst a small handful of competitors here, especially in the United States.

What's exciting people about it is there is real opportunity to differentiate and to also take market share from regional carriers and from the direct writers. I would estimate that about 80% of the high net worth space is large direct writers and regional carriers, oftentimes just by default.

Somebody comes out of business school and ends up being with a buddy from high school who is a local agent and they tend to stay there for 10 or 15, 20 years. They really don't know what an independent agent can bring to the party and what Chubb Personal Lines can bring to the party.

So one of the tricks and the energy around us is to have certain campaigns that are trying to peal people out of the direct writer market. Another is to make certain that we are working very closely with our agents to educate them so that they speak the language of the high net worth and the ultra high net worth people.

We are obviously adding to our products, as well. So that we can service them. Clearly, our international network gives us a huge advantage when it comes to the ultra high net worth, because as we all know they have homes and they park their yachts in all kinds of exotic places and that type of thing.

Clearly, the fine art market is another thing. The art schedules are absolutely staggering for a lot of these families and we have the ability to put together hundreds of millions of dollars in art coverage on a single phone call. So we have deep expertise when it comes to appraisal, to preservation. Just for example, we have 17 fine art specialists around the globe that are working on just helping with our customers preserve their fine art and that type of thing.

A lot of it is around product. A lot of it is around service. But we are working very hard to make certain our independent agents have the ability to really sell to these families and they know how to go out and pry them out of the channels that they are currently not tapping into.

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## Q - Josh Stirling {BIO 17463087 <GO>}

Okay. Thank you, guys. Good luck.

## A - Paul Krump {BIO 5211397 <GO>}

Thank you, Josh. Good luck with that yacht .

## Operator

And we'll now go to Josh Shanker from Deutsche Bank.

## Q - Josh Shanker {BIO 5292022 <GO>}

Good evening, everyone. I'm not going to try and get a yacht. I'm actually more interesting in the mass affluent market. Historically, I've always thought Chubb had a better positioning there than maybe in ultra high net worth. Can you break down -- there are two different products and where Chubb is both those products a little bit?

And when you think about -- one of your competitors mentioned that in getting new customers for their high net worth business, that the real opportunity is with people who were poorly insured by well-known carriers who are not really high net worth carriers. But when about that, that sounds very mass affluent-like to me, not yachts and paintings. What is the market opportunity for growth in the two different markets, locally in the United States and internationally?

## A - Paul Krump {BIO 5211397 <GO>}

Thanks, Josh. First off, we break it down a lot. But in three broad swipes. The first is our signature, which is the ultra high net worth. Then we have our VIP clients and then we have, what you are referring to as mass affluent. We just call them our regular Masterpiece customers.

I do think that is where a lot of the market resides that we can take away from the other channels. I'd tell you that is one of the areas where we believe we have a real distinct advantage against the other high net worth carriers that are obviously trying to build some scale there.

But we have had our Masterpiece product vehicle and our back office set up for over 30 years now. So quite frankly, when an agent comes to us with a block or a book of mass affluent customers, frankly, what is so attractive we have the back office to help them and can handle that volume. So we really have offerings for those three broad swaths of the market.

## Q - Josh Shanker {BIO 5292022 <GO>}

Is the ultra high net worth market under-insured currently, would be my first question? And two, in terms of the market as a whole, what percentage of the mass affluent market do you think is with the wrong kind of carrier?



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## A - Paul Krump {BIO 5211397 <GO>}

As I said, just taking the last piece, Josh, we think about 80% of the high net worth space is with carriers that don't specialize in the high net worth space. I'm not going to say they are with the wrong carrier because I think everybody that is not with us is with the wrong carrier. But we can't service everybody, as you well know.

When it comes to the ultra high net worth and are they under-insured, I would tell you, you would be surprised how many of them don't, for example, carry more than $5 million in excess liability coverage. They are always shocked when we sit down with them and talk to them about our ability to handle tens of millions of dollars in excess liability.

Then when we sit with them and we get them to get their artwork, for example, independently appraised, that market is absolutely on fire. Depending on their collection, it's not -- I don't see a week that goes by where somebody isn't bumping up their art scheduled at least by $10 million to $15 million in value and that is just off their current collection.

## Q - Josh Shanker {BIO 5292022 <GO>}

Then I will get off. One last question, with all that going on, I just would imagine that you would have more growth than we are seeing right now against that backdrop. Do you think there is a temporary lull or do you think that it's highly competitive? Where is the growth going to come from?

## A - Paul Krump {BIO 5211397 <GO>}

When it comes from competition, I always have a hard time distinguishing between highly competitive, competitive, all the rest. I have been doing this for so long, it's always competitive, just as a basis for that. The trick for Chubb and the others that are in this space will be around going after those people that are not in the channel.

Clearly, it's not about just trading accounts within a couple of other carriers and taking margin out of them. That is where the struggle is United States. Clearly, we are growing in other places. I would say if you are looking at our overall growth, it was down a little bit but you have to remember that we are also overseas and currency impacts us on the Homeowners business, in particularly the Canadian dollar, the British pound and the euro. And as well the Brazilian real came down. So those currencies all impacted our growth.

## Q - Josh Shanker {BIO 5292022 <GO>}

If you're looking for a new customer, you can talk to Josh Stirling and he might sign up. I wish you all the best. (Laughter.)

## A - Paul Krump {BIO 5211397 <GO>}

Maybe we could do a double discount. The Stirling and Shanker credit here .

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Our next question will come from Mike Nannizzi from Goldman Sachs.

## Q - Mike Nannizzi {BIO 15198493 <GO>}

Thanks, just a couple of quick ones. In Personalized, anything unusual in the underlying there, in terms of loss activity other than --or maybe some of the cat items you mentioned or weather items you mentioned find their way into the underlying?

## A - Paul Krump {BIO 5211397 <GO>}

I would tell you, Mike, that our clean trends overall were fine. Obviously, I'm looking at them on an ex-cat combined basis. But actually our claims (comp around) slightly compared to our growth in premiums. So it was really, outside of the weather, as John, outside of the harsh weather in the winter, it really was a benign loss cost environment and that is really across-the-board.

I'm not just talking about Homeowners, I'm talking about claims in general. Workers' compensation new arising claims were down 1%, which is terrific when you look at the growth in workers' compensation. And our new arise count, all up, were down about 3 to 4 points. So very good results.

## Q - Mike Nannizzi {BIO 15198493 <GO>}

Do you see a lot of reverse inquiries after periods like this from maybe folks that aren't your customers or neighbors with folks that are? Do you see that sort of activity, especially given the concentration of losses here being in your footprint?

## A - Paul Krump {BIO 5211397 <GO>}

Absolutely. I can't tell you -- we often joke, gee, we are not big on advertising. But quite frankly, when I look at the loss costs of this business, that is really where the advertising happens. Whether it is a hailstorm, whether it's a wildfire, whether it's a winter storm, the way we bring clients back after, say, a first pipe loss and make them whole to the fit and finish of what they had pre-loss and somebody -- a standard carrier is bringing in -- giving them $13 for a roll of wallpaper and we are bringing them back with their woven wallpaper and the rest of it, it is huge difference and that gets talked up throughout the affluent communities.

## Q - Mike Nannizzi {BIO 15198493 <GO>}

Got it. Then one question I have, just bigger picture, on volatility of earnings and these losses recently. Obviously, there is a benefit to them from a marketing perspective, if you will. But certainly earnings have been more volatile for you guys than for peers and that volatility has picked up, again, relative to peers over the last five quarters or so.

Do you think about; is that something that you want to try to get back into line with peers or look more like either you did before or they do now from that perspective? Or do you just feel -- are you comfortable with the earnings volatility that you have, even given just the availability of coverage out there and the relatively attractive cost? Thanks.

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## A - John Finnegan {BIO 1735942 <GO>}

We'd obviously prefer less volatility if we could get. But we're going to be subject a little bit more given our concentration in the northeast and its being prone to weather disruptions. Having said that, I hear the talk that we have been surprisingly volatile the last two years, five quarters, two or three quarters. But the fact was that in 2013 we rent a 3.6 cat load.

In 2014, after an initial 6-point First Quarter. And 10-point first half, 5 points on average in the year, we ran a 3.6, too. So we really didn't have unduly high cats over the last couple of years. If you go back a couple of years before that, Sandy and Irene, obviously, which back-to-back storms like that are unprecedented, cause problems. But we've got a quarterly blip here or there. But cats have not been unduly burdensome in 2013 and 2014.

## Q - Mike Nannizzi {BIO 15198493 <GO>}

Yes, I mean, if I look 2009 to 2013, you guys were running about 6 points on average for that period, similar to a large peer of yours. Since that point, your cat load is running about 50% higher. That's what I'm talking about. It's just that, from point to point, maybe it hasn't been that pronounced. But certainly over the 1.5 years or change, there has been just a separation was my point? That's what--?

## A - John Finnegan {BIO 1735942 <GO>}

It's only run 3.5 points over that period. So I don't know what the industry ran. But it can't be much, much less than that. If you go back to Sandy and Irene, you can't get away from the fact we are northeast concentrated. The storms have taken place in the last five to six years in the Northeast.

They haven't taken place in Florida. There haven't been any storms in Florida. So we have a little more volatility. But again with we focus on the quarter. And forget that the last couple of years have not been all that volatile in terms of annual cat load.

## Q - Mike Nannizzi {BIO 15198493 <GO>}

Okay. Thank you.

## A - Dino Robusto {BIO 15021398 <GO>}

One additional thought there, be careful when you're making comparisons of cat loads across companies because every company may have a slightly different definition of a catastrophe. We, as we have said on prior calls, we tend to use the PCS definitions in the US. Other companies may have their own version of what they are putting in cat. So you need to be just a little careful with that.

## A - Paul Krump {BIO 5211397 <GO>}

The only thing I would chime in here Mike is that other think you have got to keep in mind is what the bottom line is. And Homeowners, where there is volatility on a quarterly basis, when we compare our combined ratio to that of the industry over the period 2009 and

2013, which includes Sandy and Irene, we were a full 8 points better on the combined ratio than the industry. So it's really that is another data point you have to keep in mind.

## Q - Mike Nannizzi {BIO 15198493 <GO>}

Right, okay. Thank you.

## Operator

We will now go to Cliff Gallant from Nomura.

## Q - Cliff Gallant {BIO 1854853 <GO>}

I want to turn again back to the high net worth business. And was wondering if you could comment on your strategy in regard to the commissions you pay your agents. It looks to me that you're paying something along the lines of 17%. And a lot of your peers --even those that are focused on that area of business, seems like they are at least 1 point or 2 below that level. But given the product's reputation, the Company's reputation, I would think that you wouldn't need to pay a higher commission. Could you talk a little bit about what's the thinking behind that?

## A - Paul Krump {BIO 5211397 <GO>}

Sure, Cliff. First off, I don't know where you're coming up with the comparisons with the others in the high net worth space. When I look at them and try to compare them on a by-line basis because by-lined really matters. For example, we have accident and health embedded in our Personal Line's other. So when I break them out by line, we are actually very, very close to what everybody else is paying. But for one carrier who specializes in Florida and when you write standalone Florida only homeowners, you don't have to pay that much in commission.

## Q - Cliff Gallant {BIO 1854853 <GO>}

Okay. So you're--?

## A - Paul Krump {BIO 5211397 <GO>}

We are very much in line, Cliff, is what I'm saying, bottom line. We're not -- again to your point, we have got the respected brand. We are the pioneers in this high net worth space. We have the international network. We have the coverages and the expertise, the ability to customize, et cetera. Gosh, I would be awful upset with our team if they had to pay extra commission on top of that to get business.

## Q - Cliff Gallant {BIO 1854853 <GO>}

Okay. All right. Thank you very much.

## Operator

We will now move to Paul Newsome from Sandler O'Neill.



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

Was there any change in strategy or thoughts following this quarter's impact with currency on how you think about your businesses or think about running the investment portfolio?

## A - Ricky Spiro {BIO 15061279 <GO>}

It's Ricky. I would say broadly no. We like the diversification that we get from having our international businesses. Paul mentioned we think it is a competitive advantage in a number of our business lines, as well. We are very thoughtful about how we manage currency risk.

We match assets and liabilities in the local currencies to try to minimize any potential currency exposures. I would say, from a strategic standpoint, no change is anticipated. We are very happy with our international operations and their overall performance.

## A - John Finnegan {BIO 1735942 <GO>}

But I would say, while we had an impact on book value and decent sized impact on revenue, the impact on earnings per share was negligible. It was a couple of cents per share. It's the price of being overseas. I don't know what the alternative would be. Currencies go up and down and we want to be overseas, we want to be diversified. I think most people would think that is a good strategy.

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

I didn't mean to imply either way.

## A - John Finnegan {BIO 1735942 <GO>}

No. I understand. But I'd be interested in hearing what would be an alternative strategy. We do not keep undue amounts of investments, assets in foreign currencies. In fact, the impact on our investment income is relatively negligible. It's (1 point) or something of our overall investment income. But you do have to keep some assets there.

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

The only thing I could imagine is that would maybe increase or decrease your appetite for capital allocation one way or the other?

## A - John Finnegan {BIO 1735942 <GO>}

No, not currency, unless you thought it was permanent. But it's obviously a more -- it is a more complicated issue. It might decrease your appetite if the economies of the countries were poor. And of course, Europe has had some issues. You have issues now with Brazil in terms of their economy. Currency is part and parcel of it. But if economies remain strong, we can write business, we can profitable business. It won't change our strategy.

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

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An unrelated question. You have a successful piece of your business where you have outsourced the claims. Maybe you could talk about where you think, outside the obvious maybe in the personalized business. But in your commercial-sized business, where you think you should have control over those claims versus places where it's not as important?

## A - Paul Krump {BIO 5211397 <GO>}

Sure, this is Paul. I would tell you that the area where we typically use third-party administrators is in the accident and health business. The reality is there. It's oftentimes, let's say, business travel accident policies will have things like a lost luggage rider on them. It is just not economically feasible to have a Chubb adjuster sitting in the United States handling a $5,000 piece of lost luggage.

Quite frankly, these programs are often sold through affinity groups, say a bank credit card outside the United States. So they are not really looking for the Chubb hand-holding, empathetic claim experience. The only other place where we really use outside third-party administrators to any degree would be around large risk management accounts in the commercial space where they actually request that and they are breaking out their cost structure that way. I don't know, Dino, if you want to add anything to that?

## A - Dino Robusto {BIO 15021398 <GO>}

No. That is a good description.

## A - Paul Krump {BIO 5211397 <GO>}

Then there is the occasional loss of a secondary home up in Alaska or something and we -- it is just easier for us to use a third-party administrator to go up and look at that type of claim than to fly somebody up from Seattle. That is -- we have great relationships with those people and obviously have contracts written up with them, as well. And we have what we call Chubb business consultants that oversee those individual relationships and make certain that if we use an outside vendor, that they live up to our standards.

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

Great. Congratulations on the quarter.

## A - Paul Krump {BIO 5211397 <GO>}

Thank you.

## Operator

We will now go to Jay Gelb from Barclays.

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

Thank you. One of the other major P&C companies this quarter said that they thought that the amplitude of the commercial insurance cycle could be less severe going forward. And

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as pricing heads towards negative territory in commercial lines, I'm just wondering if you would agree with that or if you have a different view?

## A - Dino Robusto {BIO 15021398 <GO>}

It's Dino. It is difficult to know what is going to happen. Clearly, there's some things in the industry that would have you suggest that there is potentially some structural changes to the cycle: obviously, the low investment returns that you make, some of the increased analytics that are being used, some of the regulatory scrutiny, et cetera. Clearly, in this last several years, if you call it a hard market, you really didn't see rate increases the way you saw them in the last hard market cycle. So hopefully that portends that you're not going to see large rate decreases. But we will see. We will have to see how the cycle plays out.

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

Okay. Then my follow-up question is on reserve releases. If my data is correct, it looks like reserve releases of $110 million in the quarter, even including the benefit of favorable prior-year cat development, is the lowest level of any quarter in three years. A concern would be that this reserve release tailwind all of a sudden becomes a headwind. How are you preparing for that and do you think that is a possible outcome?

## A - John Finnegan {BIO 1735942 <GO>}

Come at it from both sides. I've said often, Jay, in the past, on calls, especially when asked about our guidance and what favorable development was implied in it, that we had no specific levels of favorable development implied. But that over the long run, it seems hard to believe that we could indefinitely sustain 6 points of favorable development. I proved generally wrong, although we've had some incremental decline in favorable development, say, 1.5 points from 2010 to 2014. But that's 6.5 to 5. So it's pretty darn good.

So pretty robust and it's fair to say the most surprising aspect of our recent overall reserve development has actually how significantly it has been sustained at such strong levels. You're right, the First Quarter was 3.5 points. But development can move around quite a bit in individual quarters without signaling a significant trend. I will give you an example -- two examples.

Development we experienced in both the Fourth Quarter of 2013 and the First Quarter of 2010 were $100 million to $115 million, very similar to the amount we had experienced in this year's First Quarter. The same concern could have been raised for those periods. As it turns out, development rebounded sharply in the ensuing quarters.

So in retrospect these less favorable development quarters turned out to be blips rather a tipping point in the level of development. I can't say whether or not this will also be true with development for the balance of 2015. In the end, our reserve development over time is a function of actual loss experience, which is obviously difficult to predict. But I do think it could be very premature to draw such a conclusion based on one quarter results.



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

I understand it. It just seems, in 2014, seasonally, First Quarter was a bit higher, actually it was pretty even over the year. But it doesn't seem like there is a seasonal factor there, is there?

## A - John Finnegan {BIO 1735942 <GO>}

No. This year, if we got hurt in the short tail lines -- there is a little bit of a season factor to short-term lines, since they don't last long. The Property, Homeowners lines, you see more development one way or another in the First Quarter than the Fourth Quarter of that year and this year, it wasn't -- we had a couple of big losses, it wasn't that positive, it was negative in fact. And last year it was more positive. So that accounted for a good amount of the (swing).

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

All right. Thank you.

## Operator

Our next question comes from Kai Pan from Morgan Stanley.

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

Thank you. And good evening. Want to follow-up on Jay's question. You mentioned you had some adverse development in the CCI segments in the quarter. Just wondering if you can provide a little more detail in terms of the lines that the accident year, as well what loss trend was actually above your original expectation?

## A - Dino Robusto {BIO 15021398 <GO>}

It is Dino. I will give you a little bit of additional color. In the short sale classes John was just mentioning, obviously the absence or presence of the few large losses, which can be lumpy from quarter to quarter, can make a difference as to whether we have favorable development or adverse development in the quarter.

In this year's First Quarter, a couple of large fire losses that occurred late in 2014 did swing the Commercial Property development adverse compared with the robust level of favorable development we had in the First Quarter last year for the Commercial Property lines. As I stated earlier, the 5-point increase in the ex-cat CCI result was mostly due to the swing in property development. So that gives you a little bit of a feel for what the amount actually is.

## A - Paul Krump {BIO 5211397 <GO>}

That is on the CCI site. In the other areas, in CPI, most of the favorable development came from our Personal Auto book, again. The Property lines were not as favorable this time around. Then in CSI, it was driven mainly, as it has been for the last number of

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quarters, driven mainly by professional liability. But we also were favorable in Surety as well.

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

That's great. Then on your guidance, it looks like the First Quarter cat (accounted Property), by my calculation, probably roughly about 50% of your full-year budget in your original guidance. I just wonder, is that you didn't change the guidance this time, is that because your confidence in the remainder of the year, you will catch up, or is it just a timing issue, you typically update your guidance at the Second Quarter earnings?

## A - Ricky Spiro {BIO 15061279 <GO>}

I'm not sure I can ever say confident about what cats are going to look like. I would say that one quarter, certainly, as you heard John say, does not a year make. He used the example, I will use it as well. But last year in the First Quarter, we had over 6.5 points of catastrophe losses and we ended up the year at only 3.6 points of losses, which were below our expectations coming into the year.

So we are not revisiting guidance at this time. We are not reaffirming guidance at this time. As you point out, we normally do relook at guidance at mid-year. And we will potentially address this then. But at this point, it's way too premature.

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

Okay, lastly, if I may, on the reissuance program, looks like the pricing has come down quite a bit. What is your thought about buying more reinsurance that lowers your limits and could potentially lower your earnings volatility?

## A - Paul Krump {BIO 5211397 <GO>}

What I'd say. And I'd said this on a couple of recent calls, we are always looking at ways to potentially use reinsurance, if we think it makes sense, to either lower volatility or help our growth or help our bottom-line results. We are quite comfortable with the reinsurance program we have today.

We are constantly looking at new ideas. We have put a couple of things in place in some of our businesses. But we have never been heavy users of reinsurance and we are not going to change our overall strategy, the way we approach the business. We are generally growth underwriters and will use reinsurance if we think it helps us. But it is never that simple to just say it is cheaper today and therefore makes sense. We don't like giving away profitability if we don't need to.

## A - John Finnegan {BIO 1735942 <GO>}

I would say from the First Quarter, there would be no reinsurance program that would have mitigated our costs. The biggest storm was $150 million. No one in the industry is carrying first-dollar coverage on reinsurance. That would be extremely expensive. So this isn't the type of storm or type of cat losses that are usually subject to having reinsurance coverage on. The storms are not that big.

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

Thank you. So much.

## A - Paul Krump {BIO 5211397 <GO>}

Thank you.

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## Operator

Our next question comes from Meyer Shields from KBW.

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

Thanks, one quick numbers question. The other income line, the K disguised that as miscellaneous, it was really strong the quarter. Can you talk about what is going on there?

## A - Dino Robusto {BIO 15021398 <GO>}

Not a whole lot that I would point out. We carry in that line a couple of small items, one of which is equity in the net income of some of our subsidiaries. And frankly, that number went up a little bit in the quarter. We are not talking large amounts of dollars here so it is not a very big deal and that does swing from quarter to quarter a little bit.

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

Okay. Also, there was a lot of improvement year-over-year in the other Personal line's expense ratio. I was wondering if you could explain what happened there?

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## A - Paul Krump {BIO 5211397 <GO>}

This is Paul. As I mentioned before, this line contains our A&H portfolio. And the expense ratio will move up or down based on how much more or less A&H business we write in each period. Since A&H typically has a higher expense ratio. But it obviously has a lower loss ratio profile than the other CPI businesses.

But then even within the accident business, there can be real fluctuations, driven primarily by the volume of that affinity accident business that I talked about before, where we are sourcing through, say, a department store or a credit card issuer, that type of a thing. Because that's where we have the highest expense ratio in all of our accident business.

Really depending upon the affinity volume within the overall mix of the accident. And then accident within the other Personal, that is where you see the expense ratio move up and down a little bit. Bottom line, it came down a little bit because of the movement within accident. But I wouldn't suggest that, that's a bellwether or a new load that we're going to be running with in the future.

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

Okay. Fantastic. Thanks so much.

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## Operator

And we will now go to Brian Meredith from UBS.

## Q - Brian Meredith {BIO 3108204 <GO>}

Thanks. Good evening. A couple of questions here. First, Ricky, on the cat program, is it possible to give us a sense of what do you think the rate reduction's impact on written premium are going to be. And how much that falls to the bottom line? Because I would see a gross to net written premium with the stuff that you disclosed. So I'm just trying to get a sense of what that might look like, if it would benefit by (20) basis points?

## A - Ricky Spiro {BIO 15061279 <GO>}

It would only be a (couple), a 1/10 point.

## Q - Brian Meredith {BIO 3108204 <GO>}

So not that much?

## A - Ricky Spiro {BIO 15061279 <GO>}

No.

## Q - Brian Meredith {BIO 3108204 <GO>}

Is it going to be mostly in the Homeowners area where you see the benefit?

## A - Ricky Spiro {BIO 15061279 <GO>}

All of our Property lines.

## A - Paul Krump {BIO 5211397 <GO>}

Our Property (for risk), too.

## Q - Brian Meredith {BIO 3108204 <GO>}

Got you. Okay. Next question, is it possible to get what the FX impact was on the Homeowners line? And you said on the professional liability line?

## A - Ricky Spiro {BIO 15061279 <GO>}

Brian, we are not going to disclose at the line level. In both Paul and Dino's remarks, they gave the overall CPI impact and the overall CSI impact. With the exception of the line Dino pointed out, which was casualty at a slightly higher impact, it's probably safe to assume a similar impact by individual line as to the overall for the SBU.

## A - John Finnegan {BIO 1735942 <GO>}

So think 3 points and you wouldn't be far off.

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## Q - Brian Meredith {BIO 3108204 <GO>}

Okay. Terrific. Then last question, I'm just curious, on your CCI business, you talk about rate activity in the US. What is looking like internationally?

## A - Dino Robusto {BIO 15021398 <GO>}

As I mentioned, we are getting probably flat to slightly positive rate activity. And our retention ratios outside the US are essentially close to what they are in the US, mid; 80%s, 85%, 86%, 87%. It's interesting, the rate has been quite stable actually. It had been traditionally lower than the increases we were getting in the US. But it has essentially stayed there so it is in the flat to slightly positive.

## Q - Brian Meredith {BIO 3108204 <GO>}

Great. Thanks for the answers.

## Operator

Our next question comes from Ryan Tunis of Credit Suisse.

## Q - Ryan Tunis {BIO 16502263 <GO>}

Great. Thanks. My first question was also on some of the (PYD), in particular, in Commercial. I know you guys said that the combined ratio -- I'm sorry, this is in Commercial Casualty -- the combined ratio there was a little elevated. But it was in line with last year. Was there any environmental toxic waste or asbestos type stuff that was in there this quarter?

## A - Paul Krump {BIO 5211397 <GO>}

A small amount. We incurred $1 million of asbestos losses and $5 million of environmental losses in the First Quarter.

## Q - Ryan Tunis {BIO 16502263 <GO>}

Got it, okay. Then it looked like to me, that underwriting results outside the United States actually looked pretty strong this quarter relative to where they have been running. And just curious how much of that you would either consider unusually strong versus -- I know you guys had taken some underwriting actions there? And also, where did you guys tend to see the help from that? Was that in Personal lines or Commercial or Specialty?

## A - John Finnegan {BIO 1735942 <GO>}

It was reasonably across-the-board. But I wouldn't point to it as the beginning of a trend. It was a good quarter. Quarters fluctuate. Given the fact we are not getting a sizable amount of rate overseas, it would be hard to say that it is going to be huge improvements on trend line basis. Obviously, quarters fluctuate by loss (externals). A lot of it is luck. We think we have good underwriting in place. But I wouldn't read too much into it. The last few quarters were a little high, this one was pretty good. We'll see.



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## Q - Ryan Tunis {BIO 16502263 <GO>}

Got it. Just one more, bigger picture just on capital return philosophy. Last quarter, you gave us a share repurchase authorization. It was a little less than last year. You also indicated you felt good about your excess capital position and you said that the reason was a little less than last year was you like to be able to move it around maybe based on where the share price is.

Just curious if Chubb would consider deployment of capital in some other form other than share repo? And longer-term, along those lines, how does Chubb think about the right amount of capital that's required to support the risk to this business through the cycle and how does that compare the way the business is currently capitalized? Thanks.

## A - Ricky Spiro {BIO 15061279 <GO>}

It's Ricky, I will take a shot at answering that. First off, what we said last quarter when we announced the new share purchase program was that it is in line with what our expected earnings are for the year, less shareholder dividends. And that is the overall philosophy. It wasn't the stock price that drove the size of the share repurchase.

We have philosophy that we have articulated over the last few years that our intent, obviously, market conditions and other things all being equal, that our share buyback will in essence be in line with our earnings less shareholder dividend. That is how we came up with the size of the program.

We do believe that we are in a very strong excess capital position. We do -- we think a lot about our deployment of capital and what's the right amount. We think about all the different types of capital deployment strategies. We are very comfortable with our share repurchase.

In years past, if you looked at what we've done when we have had more opportunity from a valuation perspective or others, we might do something slightly larger than our earnings less dividend. So we're very careful in how we manage it and we are very aware of being good stewards of our capital for our shareholders.

So we do think about all the different options. I'm not going to comment on which ones we may or may not think about in the future. I'll also point out, as John mentioned, we have increased our common dividend for the last 33 years, which is another piece of how we manage our capital position. So again, in sum, we feel very good about where we are and the way we approach this and nothing really different than what we have been doing over a number of years.

## Q - Ryan Tunis {BIO 16502263 <GO>}

Thanks, guys.

## A - John Finnegan {BIO 1735942 <GO>}

Jessica, we're going to take one more question.

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## Operator

Okay, our final question will come from Jay Cohen from Bank of America Merrill Lynch.

## Q - Jay Cohen {BIO 1498813 <GO>}

Most of my questions have been answered. Just one quick one, the currency impact, as you think short-term, the next several quarters, would you expect the impact on premiums from the stronger dollar to be similar to the First Quarter, stronger or weaker?

## A - Ricky Spiro {BIO 15061279 <GO>}

Obviously, it depends on the comparison of the movement of currency, quarter to quarter. I would think that in the second and Third Quarters -- remember most of the currency movement that has happened started in the Fourth Quarter of last year and then continued into the First Quarter of this year. All other things being equal, currency stays where it was at the end of March, then you will still see an impact on growth in certainly the second and Third Quarters.

I'm not saying whether it would be similar to what we had in the First Quarter. I don't know. But certainly there will be an impact. We did, in the guidance that we put out in January, we did say we expect a 2-point impact for the full year. So maybe that can give you some help there, as well.

As John mentioned, from an earnings perspective, it doesn't have a very large impact on a quarterly basis, a couple of cents a share in the First Quarter. Bear in mind, when you think about the investment income piece, a large part of our after-tax investment income comes from the municipal bond portfolio here in the US. So it is a slightly disproportionate impact on investment income in the US.

Last point I would make on book value is, again, if currencies don't change from where they were at the end of March, which is a pretty big assumption, the impact on book value will probably be meaningfully less in the Second Quarter than was in the First Quarter. It won't be zero because we have some of our foreign operations that report on a one-quarter lag, which we have highlighted in our 10-K. So there will be an impact. But it shouldn't be nearly as large as it was in the First Quarter. Hopefully that gives you some help.

## Q - Jay Cohen {BIO 1498813 <GO>}

That's great, Ricky. Thank you.

## A - John Finnegan {BIO 1735942 <GO>}

Great. Operator, we are finished.

## Operator

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That is all the time we have for questions today. Thank you for your participation and have a wonderful day.

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