# Q2 2019 Earnings Call

## Company Participants

- Evan G. Greenberg, Chairman and Chief Executive Officer
- Juan Carlos Andrade, Executive Vice President
- Karen L. Beyer, Senior Vice President, Investor Relations
- Philip V. Bancroft, Executive Vice President and Chief Financial Officer

## Other Participants

- Brian Meredith, Analyst
- Elyse Greenspan, Analyst
- Greg Peters, Analyst
- Jay Gelb, Analyst
- Meyer Shields, Analyst
- Mike Phillips, Analyst
- Paul Newsome, Analyst
- Ryan Tunis, Analyst
- Yaron Kinar, Analyst

## Presentation

### Operator

Good day, and welcome to the Chubb Limited Second Quarter 2019 Earnings Conference Call. Today's call is being recorded. (Operator Instructions)

For opening remarks and introduction, I would like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. Please go ahead, ma'am.

### Karen L. Beyer {BIO 6404488 <GO>}

Thank you, and good morning, everyone. Welcome to Chubb's June 30th, 2019 second quarter earnings conference call.

Our report today will contain forward-looking statements, including statements relating to company performance and growth opportunities, pricing and business mix, and economic and market conditions, which are subject to risks and uncertainties, and actual results may differ materially. 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, it's my pleasure to introduce our speakers this morning. First we have Evan Greenberg, Chairman and Chief Executive Officer, followed by Phil Bancroft, our Chief Financial Officer. We'll then take your questions. Also with us to assist with your questions are several members of our management team.

And now, I'll turn the call over to Evan.

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

Good morning. As you saw from the numbers, we had a very good second quarter, highlighted by excellent underwriting and strong premium revenue growth globally and constant dollars that is benefiting from favorable underwriting conditions and our various growth initiatives. In fact, the positive pricing and underwriting environment continued to improve through the quarter and spread to more classes and segments of business.

Core operating income was $1.2 billion or $2.60 per share, down 3% due to modestly higher year-on-year cat losses. Book and tangible book value per share were up 3.2% and 4.7% respectively in the quarter, and they are now up 7.7% and nearly 12% for the year, a combination of income and the mark derived from falling interest rates.

Our combined ratio of 90.1% included 3.8 points of cat losses and 2.6 points of favorable prior period reserve development. So on a current accident year basis, excluding cat, the combined ratio was 88.9%. Phil will have more to say about investment income, book value, cats and prior period development.

Turning to growth, P&C premium revenue in the quarter in constant dollars was quite strong. Net premiums written grew 6% with foreign exchange having a negative impact of 1.8 percentage points. The pricing environment continued to firm through the quarter, and we took advantage of some of the best pricing we've seen in years. The rate of increase of prices accelerated, while at the same time, it spread to more classes of business and more classes of risk.

Rates continued to firm in the US for major accounts in E&S specialty to the middle market. We continued to observe favorable conditions in London wholesale market and in Australia, with early signs firming conditions are spreading to the UK company market and certain classes of risk on the Continental Europe and in Southeast Asia. Overall, while rates are moving, they are firming broadly to varying degrees in most all short and long tail classes. Accompanying price increases, terms and conditions are tightening in certain classes. In my judgment, given some of the market dislocation we have observed, including a reset of risk appetite on the part of some, this firming trend is sustainable and will likely continue to accelerate and spread. It is income and loss reserve driven, not capital driven.

Overall prices increased in North America commercial on a written basis by about 7% in the quarter versus a loss cost trend in aggregate of just under 4.5%. Renewal price change includes both rate and exposure, and rate was up 6.3 points and exposure 0.5 point. Pricing improved throughout the quarter in many property and casualty related areas, including general casualty, both primary and excess, D&O and professional lines. As more business comes into our underwriting appetite and price range and other carriers take corrective actions, we are benefiting from a flight to quality. All things being equal, many buyers prefer Chubb.

New business in our North America commercial lines was up over 11% in the quarter with major accounts in specialty up nearly 15%. Retention of our customers remained strong across all of our North America commercial and personal P&C businesses with renewal retention as measured by premium of 93.5%. In major accounts in specialty commercial, excluding agriculture, premiums were up 7%, with major up 5.5% and Westchester E&S up over 9%. Renewal price change for major accounts was 8.5% with risk management pricing up 6.3%, excess casualty up almost 10% and property up 18.5%. Public D&O rates increased 11%. In our Westchester business, renewal pricing was up over 9.5%.

Turning to our middle market and small commercial business. Premiums overall were up over 4.5%, renewal retention in our middle market business was 92%. Middle market pricing was up over 4.5%, and if you exclude workers' comp, it was up nearly 5%. Again, this is the best we've seen in a number of years. Middle market pricing for primary casualty was up 4.5%, property 6.5%, excess umbrella up over 6%, and public D&O rates were up 18%.

In our North America Personal Lines business net premiums in the quarter were down 2%, but adjusting for the expanded reinsurance that we have discussed in the past and an accounting change that impacted growth prior year, net premiums written were up about 2.5%. Retention remained strong at 96%. And for homeowners, pricing was up nearly 10% in the quarter.

Turning to our international business, growth accelerated in our Overseas General Insurance operation with net written premiums in constant dollar up 9%. FX then had a negative impact of almost 6 points. Net premiums for our London market wholesale business were up over 24%, while our retail division was up 7.5% with growth led by Latin America up almost 11% and Asia up about 9%. In our London wholesale business, we continued to see a reduction in capacity and rates firming across multiple lines of business. We are also seeing a significant increase in submissions to Chubb, as brokers worry about the continuity of markets and as they look to us as a preferred carrier of choice. Overall rates in our London open market business were up over 9%. Property was up 23.5%, marine cargo almost 7.5%, aviation was up 12% and onshore energy was up 15%. D&O rates in the London wholesale market were up 20%.

Our life insurance business had a strong quarter and half year with a contribution to earnings of $76 million year-to-date. John Keogh, John Lupica, Paul Krump and Juan Andrade can provide further color on the quarter, including current market conditions and pricing trends.

In closing, this was a good quarter for Chubb. We have momentum from a firming market, flight to quality in our various global growth initiatives. We're achieving rate, which is supporting margins and helping ameliorated exposures we observe on the loss side. In sum, we have some wind on our sails and we're taking advantage of it. Our organization is focused, energized and hungry.

With that, I'll turn the call over to Phil.



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

Thank you, Evan. Our balance sheet and overall financial position remain quite strong. We have $107 billion portfolio of cash and high quality investments that is well rated and liquid, and we are generating substantial capital and significant positive cash flow. Cash flow in the quarter was $1.4 billion.

Among the capital-related actions in the quarter, we returned $720 million to shareholders, including $344 million in dividends and $376 million in share repurchases. Year-to-date, through yesterday, we have repurchased over $800 million in shares at an average price of $140 per share. In June, we paid off $500 million of debt that matured and issued $1.3 billion of 8 and 12 year debt in the European market. The net proceeds will be used to repay our $1.3 billion senior debt at maturity in November 2020. The debt was issued at an average rate of 1.14%.

We grew tangible book value per share by 4.7% in the quarter and 11.9% year-to-date. Since the close of the Chubb acquisition in 2016, tangible book value per share has fully recovered from the initial 29% dilution, even excluding the favorable impact of unrealized gains. Our annualized core operating ROE in the quarter was 9.3% and our annualized core operating return on tangible equity was 15.2%.

As a reminder, Chubb records a change in the fair value mark on its private equity funds as realized gains. So therefore, it is not included in core operating income. Other companies record the impact of the mark as part of their investment income. This quarter, we had after-tax realized gains up $237 million, which would increase our core operating EPS by $0.51 and our annualized core operating ROE to 11.1%.

Adjusted net investment income for the quarter was $902 million pretax, which was higher than our estimated range and benefited from a one-off accrual adjustment of $9 million and increased corporate bond for all activities. During the quarter, interest rates continued to decline as financial markets anticipated a shift in Fed policy towards monetary easing.

This favorably impacted our portfolio of mark-to-market, resulting in an after-tax unrealized gain of $1 billion. Although market yields have declined significantly in recent months, we will remain conservative in our investment strategy and do not contemplate any significant shift in asset allocation.

Our investment income going forward will continue to benefit from growth in our invested assets and will be impacted by the level of market interest rates. Despite the negative impact of lower rates, we expect net investment income to grow moderately due to our growth in invested assets and strong cash flow. We now expect our quarterly adjusted net investment income run rate to be in the range of $890 million to $900 million going forward.

Adjusted interest expense was $145 million pretax in the quarter. Factoring in the debt that matured and the new Euro debt issued in June, we expect our quarterly adjusted interest expense to remain the same for the balance of the year. Pretax catastrophe losses for the quarter were $275 million, principally from US weather-related events. We had favorable prior period development in the quarter of $188 million pretax or $152 million after-tax. This included $48 million of pretax adverse development on prior year catastrophe losses, principally brought for Hurricane Irma and Typhoon Jebi, primarily in our assumed reinsurance operation, and $25 million pretax adverse development related to our runoff, non-A&E casualty exposures. The remaining favorable development of $261 million is split approximately 90% from long-tail lines, principally from accident years 2015 and prior, and 10% from short-tail lines.

Foreign currency movement adversely impacted core operating income by $23 million in the quarter. On a constant dollar basis, net loss reserves increased $831 million, reflecting catastrophe losses in the quarter and the seasonal increase in our crop reserve, offset by favorable prior period development. The paid-to-incurred ratio was 87%. Our core operating effective tax rate for the quarter was 15.3%, which is in line with our annual expected range of 14% to 16%. Through 6 months, our core operating effective tax rate was 15%.

I'll turn the call back to Karen.

## Karen L. Beyer {BIO 6404488 <GO>}

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

# Questions And Answers

## Operator

Thank you. (Operator Instructions)

And we'll take our first question from Mike Phillips with Morgan Stanley. Please go ahead.

## Q - Mike Phillips {BIO 21023048 <GO>}

Thank you. Good morning, everybody. First question on -- Evan, on your comments of what's driving the rate activity and, I believe, you said something like it's income and reserve driven, not capital driven. So I guess, I wonder if you can expand upon -- that kind of implies there's going to be some timing of reserve issues and maybe what you've seen and why you mentioned reserve driven?

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

Well, just simply, the rate has not kept pace with loss cost trend, and that puts pressure on income and it puts pressure ultimately on reserves. You are either -- I think that it just imply, it says what it implies. The balance sheets over time have less redundancy in them, and for some, are adequate, for others -- and become negative for others. And you have a loss cost environment that in many ways in the headlines is stable, but you have areas of casualty and catastrophes and other areas within the business where there is volatility and there is trend pressure, and so my comments meant to imply all of that. What I was saying to you is, income and balance sheet not capital driven that there is a dearth of capital. There is plenty of capital around and -- but it is more disciplined at this moment and it comes to -- it's deployed when the rate and terms are more adequate.

## Q - Mike Phillips {BIO 21023048 <GO>}

Okay, no, thank you. That's helpful. I guess, if I could turn specifically to North America commercial lines, where, I guess, depending on what you use for 2Q '18 with your comments from last year, the structure settlement term had some impact there. So the core loss ratio deteriorated either by 70 bps or 170 bps depending on how you adjust for that. Obviously [ph], that looks like kind of one of the highest core loss ratios for this segment in a while. We heard Trevor just talking about non-cat weather. I'm not sure if any of that came into play here for that segment for you or what else drove the uptick. And maybe has your view of loss trends in that segment changed since last quarter?

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

Yeah. Let's look at North America commercial P&C, let's look it at on a current accident year ex-cat. Last year ran an 87.4% combined ratio. This year it ran an 87.9% combined ratio. I mean, simply outstanding, world-class and in the 80s. So let's have that perspective. We wrote the same volume of LPTs this year that we did last year, and so no impact from that. It was simply rate and trend naturally, not non-cat, weather or any of that, just simply rate and trend, something I've been saying for many quarters. Thanks for the question.

## Q - Mike Phillips {BIO 21023048 <GO>}

All right. Thank you.

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

You're welcome.

## Operator

We'll take our next question from Elyse Greenspan with Wells Fargo. Please go ahead.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Hi, good morning. My first question, Evan, is also -- just going back, I guess, to some of your comments to the previous question on just what you're seeing with loss trend. Are you guys seeing any changes in the tort environment? And I know there's a lot of different classes that blends together, but that 4.5% of trend that you said in the book for North America commercial, can you give us some perspective on how that would compare? And maybe it's not number, is it more qualitatively, to what you've seen in some recent quarters?

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

Sure. Elyse, in the aggregate, in the round, the loss cost trend is stable. We haven't seen a change in it. As you rightfully note though, within that, it varies by class of business and area of business. We've talked for a number of quarters for quite some time now about professional lines, D&O in particular, and I won't repeat or go into what we've talked about, but -- simply about the increase in frequency, and in some areas, severity in that.

You know in the tort environment, generally, there has been less of an increase of frequency, but there have been headlines of increase in severity, in jury awards, cases, and you see it from commercial auto to products liability that is chemical related. And then the trend from -- of tort from #MeToo and molestation and the specter in the future of the reviver statutes which is unknowable at the time. So there is -- and then, the Australian market behaves a certain way in tort and the London market, the UK, where D&O had deteriorated. So you have -- it varies by area and by class of business. Comp on the other hand behave very well. General liability behaves in a steady way, reasonably steady. So I hope that helps you.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Yeah. That's helpful. And then, you said kind of talking through the core margin within North America commercial that the delta between this Q2 and last Q2 is really just due to rate versus trend. You seem, in your comments this quarter and also last quarter, pretty bullish on pricing and the fact that you would think it would continue. So do you think we're reaching the point where -- obviously, it takes a while to earn in the rate. But if you keep getting this rate and accelerates, do you think as we get into 2020, you can think about that being an environment where there will be some core margin improvement?

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

We're in the risk business, so I can project the numerator reasonably well to you. I can't project and prognosticate the denominator -- the denominator I can project. I can't quite project the numerator the same way to you because we are in a risk business. And so, look, rate exceeding trend is a simple statement. It's an ameliorating factor, and that's a good thing. We'll see what its impact is on margin in the future.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, thank you. And then one last quick numbers question. You guys mentioned you added a little bit to your Jebi loss in the quarter. What are you guys pegging that as for insured loss for the overall industry right now?

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

I don't have a number in my head. My colleagues around the table don't, but we'll take it off-line with you and we'll give you a number.

## Q - Elyse Greenspan {BIO 17263315 <GO>}

Okay, thank you very much.

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

You're welcome.

## Operator

We'll take our next question from Yaron Kinar with Goldman Sachs. Please go ahead.

## Q - Yaron Kinar {BIO 17146197 <GO>}

Thank you, good morning. Going back to North America commercial, so Evan, you're talking about world-class margins there and loss trends that are stable. I guess, do you need more rate in that segment today? Or is this maybe an opportunity to try and take market share while others are still pushing for rate?

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

It varies by class of business. There is no general statement. Some classes are adequately priced, some classes need rate and terms and condition changes, and some classes need substantial rate. And so it varies. It's -- there is not a simple box for that. But as I think you can see, our new business is up. Our renewal retention is high. We're in a more favorable underwriting environment. And where it makes sense to us, and we've got a lot of data and a lot of experience, we're leaning right into it.

## Q - Yaron Kinar {BIO 17146197 <GO>}

Okay, thank you. And then, I guess, if I shift to the investment portfolio. So it sounds like -- apart from the comments that you're not really looking for any change in direction here even with the change in monetary policy, one thing I did notice was an increase in duration sequentially. Is that a strategic move? Or was that just kind of normal quarterly noise or movement?

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

It was simply technical. At the end of last year, we had decreased the duration because we weren't getting paid to take duration risk. And over the course of this year, it's drifted up slightly. But to the extent this would -- half a point or half a year or 4 years, we don't think there's any material impact on our investment income.

## Q - Yaron Kinar {BIO 17146197 <GO>}

Okay. So you're not necessarily looking to extend duration here?

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

We are not.

## Q - Yaron Kinar {BIO 17146197 <GO>}

Okay, thank you.

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

Welcome.

## Operator

We will take our next question from Ryan Tunis with Autonomous. Please go ahead.

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

Thanks, good morning. So clearly, terms and conditions rate have accelerated and improved throughout the year. Evan, would you say on the other side that, that loss trend today is -- it's a more challenging environment than it was 6 months ago?

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

No. I'd say it's -- if I compare 6 months ago to today, it's stable.

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

Fair enough. And then, I guess, I'll be the annoying one to ask about the crop, but just curious what the thought process was? And how you're thinking about the planting season? It didn't look like you put up a loss fig in agriculture. I'm not sure if you did, but just interested in your thoughts there.

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

Sure. Let me make just a couple of comments about that and It's not annoying. I would be surprised if one of you didn't ask about. First of all, we did put up the loss ratio about 2.5 points this quarter. So -- but what you have to recognize, it's on a low earned premium base at this time of year. And it is not signaling at this point what you should imagine for third quarter or for fourth quarter at all. Given the wet weather conditions this spring and the potential impact on prevented planting or delayed planting along with the volatility in commodity prices, impact by trade and other factors, it's natural.

The questions are raised about what kind of year we're anticipating for crop? So in a word, it's unknowable. Our models under various scenarios point to a roughly average year. However, the actual tally of prevented planting claims, the summer growing season conditions and -- therefore, the result and quality of the crop, commodity prices and then the fall harvest weather conditions are all to play out. All of that's in front of us. So we simply raised our loss ratio modestly in the second quarter as a naturally conservative action with very little bit that we could say. But it's unknown. If you know, then I'll tell you what, but come on over here, we're going to make a lot of money in hedging in commodities.

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

Thank you.

## Operator

(Operator Instructions) We'll take our next question from Paul Newsome with Sandler O'Neill. Please go ahead.

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

Good morning, I want to ask if I make my own assumption about where we are from a pricing versus loss cost spread, is there anything in either the North America commercial or the overseas business mix and business exchange that would affect that sort of easy -- that simple calculation for me?

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

I'm -- you have to explain. I'm not really sure what you're asking me, Paul?

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

So what I'm asking is the natural business mix, all things being equal, going to be for a business that has lower or higher combined ratios because I think we're all making an assumption of whether or not Chubb hit a point where the earnings or the price increases are above claim cost inflation that gives us an estimate of when we think we're going to see an inflection in margins. But that calculation assumes basically that the business mix is the same in the various segments.

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

The business mix within the segments is reasonably steady. There's not -- this is a big book of business. So there is not big shifts taking place. There's always -- every quarter it changes. It's jittery. But in the round, it's -- the mix is quite steady.

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

Okay. That's great. And then -- I'm sorry, I'm going to beat on crop a little bit. But is there a chance that given the delay in the -- potential delay in the harvest, we can see a change in the premium recognition from mainly in third to more in the fourth?

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

No. It's formulaic, so no.

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

Okay, thank you.

## Operator

We'll take our next question from Brian Meredith with UBS. Please go ahead.

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

Yes, thanks. A couple here for you. First, I'm just curious, in the overseas area, Evan, reserve release is going to really slow on a year-over-year basis. Was there any kind of one-timers there that was going on?

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

No. There was not.

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

Okay. And then the growth you're seeing, no one-timers. Got you. And the growth you're seeing in overseas, where is it coming from? Is that some of the distribution relationships you have, other things going on?

## A - Juan Carlos Andrade {BIO 16371272 <GO>}

Brian, this is Juan Andrade. The growth is actually pretty broad-based. As Evan said in his opening remarks, we certainly are seeing pretty good growth coming out of our London wholesale market operation as we see the market continuing to firm and we see contraction in capacity there. But underlying all of that and particularly for our retail businesses is really our strategies continuing to gain traction, and I'm talking about our strategies in the small commercial, the middle market, accident and health, Personal Lines on a global basis. The distribution agreements are certainly doing well. We're getting good traction on all of that. So I would say it's really a combination of our organic strategies in addition to the rate that we're continuing to see now.

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

great, thank you.

## Operator

We'll take our next question from Jay Gelb with Barclays. Please go ahead.

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

Thank you and good morning. Given the ongoing shifts we're seeing and tightening in the commercial property, casualty and insurance market, Evan, I'm wondering if in this environment, it might shift your thinking on mergers and acquisitions at all?

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

No. Steady. And it doesn't shift with the times that way. So we know -- I have been very consistent in -- when asked this for many years now. We are builders, and we're a company of builders. And we have a strategy to grow our company organically.

Acquisitions complement that strategy. They help to advance it or improve upon it in any -- and the strategy is product, segment of customer, distribution and territory oriented. And when we identify the right target or partner and financials and we judge it to advance our strategy in a positive way and will be accretive to our shareholders, their capital, then we are -- we know our minds, and we will pull that trigger.

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

That's helpful. Thank you. Just to follow up on that, with the potential for acquisitions to complement organic growth, does that imply you're more focused on bolt-on acquisitions as opposed to something larger or transformational?

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

We're agnostic. I know you want me to say more, but I'm sorry. There's not really more to say there.

## Operator

And we will take our final question from Meyer Shields with KBW. Please go ahead.

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

Thanks, good morning And I was hoping you could talk about what you're seeing in reinsurance. We're hearing a lot of commentary that's very positive, especially on the catastrophe side, didn't see tremendous amount of growth in Global Reinsurance this quarter.

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

Yes. The reinsurance market is, I think, modestly tightening. I think, for the most part, reinsurers are riding on the backs of primary writers. And if they feel pressure in their own income or balance sheet statements, then they are more taking action by the seasons they select and they are banking on seasons to get better rates and terms that ultimately will feed into their results. It's more unusual than we've seen in the past. Typically, we would have seen a change in market pricing cycles, more reinsurance led. That hadn't happened. And I think in many cases, reinsurers are -- their results are inferior to that of insurers results. And other than Chubb, I'm surprised they don't take more action in their underwriting positions on reinsurance and -- that they don't drive higher pricing, better terms for themselves. We'll -- I can't prognosticate the future, but so far I see it's relatively modest, the changes in terms and conditions and pricing in the reinsurance market.

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

Okay. That's very helpful. And second, Chubb came out with a fairly strong statement on climate change in the context of which entities you're willing to underwrite? Has that changed the, I guess, loss trend assumptions for property risk?

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

No. You're referring to the position we took on coal and...

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

Yes.

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

And it's a de minimis portion of our writings.

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

Okay, perfect. Thanks so much.

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

You're welcome.

## Operator

And ladies and gentlemen, we will take our next question from Greg Peters with Raymond James. Please go ahead.

## Q - Greg Peters {BIO 3111497 <GO>}

Good morning. Thanks Evan, in the past you've commented on the impact of the tariffs and trade wars that seem to be evolving from quarter-to-quarter. And I wanted to give you an opportunity to give us an update on how you think the current environment has affected your business? And what we should be thinking about in our calculus about the results going forward?

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

Yes. I don't -- we grew our overseas business by 9% in the quarter, and you see it's broad-based. So I don't see a linkage between tariffs and the health of Chubb's business. And our business is more idiosyncratic. We are active in local markets around the world where you're impacted by their local economic plus their trade and their trade-related economic expansion. So yes, both. Look, when it comes to -- I'm not in favor of tariffs as a strategy. And I'm not in favor of putting the walls up and bringing your supply chains home. This is a globalized world in terms of trade and world led by a vision -- America's vision of global trade. I continue to stand behind that, and I think that's the best path to peace and prosperity for the citizens of our nation.

And so, I hope that we will engage more in reaching conclusions to trade agreements than imposing further tariffs. Obviously, to the degree that tariffs and other actions, other protectionist actions taken slow down economic growth around the world, this country is not immune and the insurance industry is not immune because we grow -- we're exposure driven, not about premium. Premium is a proxy for exposure, and we grow based on growth of exposure globally when economic activity grows or contracts exposure.

## Q - Greg Peters {BIO 3111497 <GO>}

Okay. Speaking about industries, one of the themes that has emerged for, I guess, a couple of years now is pricing -- price increases in commercial auto. And I'm trying to reconcile the desire by the insurance market to raise prices on the trucking industry. With the news, it seems like every other week we're hearing about troubles in the trucking industry, whether it's LME or Timmerman Starlite. And so I'm curious what your perspective is on the balance between rate and fiscal survival of an industry?

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

Well, we're not responsible for the fiscal survivor of any industry except our own. And I know from my perspective, I'm a fiduciary of shareholder capital that expects a reasonable return if we deploy that capital towards the trucking industry to take insurance risk. I can tell you that Chubb writes a fair amount of trucking-related long, medium and short-haul exposure. We work with clients who do -- who are embracing modern technology and -- that exists today and they've got strong balance sheets to lower their loss costs, to reduce their exposures, to police driver behavior. And that results in amelioration of loss cost rises and therefore, the premiums we charge. It's a pretty rational circle of life there. And for those who simply operate in a less professional manner and can't police their loss cost will be -- to buy insurance is going to -- the price is going to be reflected. That's it.

## Q - Greg Peters {BIO 3111497 <GO>}

Right. I'm not trying to suggest that you have financial responsibility for the trucking industry. I just realized that everyone wants to raise prices on long-haul trucking, etc. And yet, it seems like a lot of the long-haul truckers are having a lot of headwinds and their survival is in question. So there is a balance to be had I suppose between charging higher prices and actually not being able to have a customer insured at all.



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

Yes. But if it was -- and I understand what you're saying. If it was to raise prices to earn unreasonable margins or to earn any margin -- I mean, right now, the trucking business is not -- that's never been an easy business and to make any money in trucking. So is it better if you can't make any money to just say then I won't insure it at all. They are uninsurable, they can't buy insurance now, you go out of business instantly versus you're going to work with those who can work with themselves and help to reduce loss costs and ameliorate price. And so I tell you there is not a one size fits all in trucking. There are those who are quite professional and we work with them, and they have far more modest price increases than, say, those who don't have the wherewithal or capability or desire to embrace technologies that will help to ameliorate that rise in their loss cost. It's the best I can do for you.

## Q - Greg Peters {BIO 3111497 <GO>}

Okay, great, thanks for the answers.

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

You're welcome.

## Operator

And this does conclude today's question-and-answer session. I'd like to turn the call back over to Karen Beyer for additional or closing remarks.

## A - Karen L. Beyer {BIO 6404488 <GO>}

Thank you all for your time and attention this morning. We look forward to seeing you again next quarter. Thanks, and have a great day.

## Operator

And this does conclude today's conference. Thank you for your participation. You may now disconnect.