

Company Name: Chubb Ltd
Company Ticker: CB US
Date: 2017-07-26
Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
Current PX: 148.33
YTD Change(\$): +16.21
YTD Change(%): +12.269

Bloomberg Estimates - EPS
Current Quarter: 2.661
Current Year: 10.267
Bloomberg Estimates - Sales
Current Quarter: 8577.000
Current Year: 32407.500

Q2 2017 Earnings Call

Company Participants

- Helen M. Wilson
- Evan G. Greenberg
- Philip V. Bancroft
- Paul J. Krump
- John Joseph Lupica

Other Participants

- Ryan J. Tunis
- Elyse B. Greenspan
- Kai Pan
- Jay Gelb
- Sarah E. DeWitt
- Ian J. Gutterman
- Jon Paul Newsome
- Brian Meredith
- Jay A. Cohen
- Meyer Shields

MANAGEMENT DISCUSSION SECTION

Helen M. Wilson

Financial Measures

We will also refer today to non-GAAP financial measures

Reconciliations of these non-GAAP financial measures to the most direct comparable GAAP measures and related information are provided in our earnings press release and financial supplement, which are available at investors.chubb.com

- In particular, all references to 2016 underwriting results will be on an “As If” basis, which excludes the impact of purchase accounting adjustments related to the merger

Evan G. Greenberg

Q2 Review

Q2 Highlights

- We produced strong earnings that were driven by world-class underwriting and record investment income

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

- After-tax operating income for the quarter was \$1.2B, or \$2.50 per share, compared to \$2.25 per share prior year, up 11%
- For the six months of this year, operating income was up 13% from 2016
 - Our combined ratio for the quarter was simply excellent, 88% compared to 90.2% last year, and it benefited from a substantial improvement in the expense ratio of about 1.5 points as well as lower catastrophe losses

Underwriting Income

- Total P&C underwriting income of \$808mm was up 20%
- The current accident year combined ratio, excluding catastrophe losses for the quarter was outstanding, at 87.5%, again, almost 1.5 points better than last year, driven by integration related expense savings that benefited both the expense ratio and the loss ratio
 - Those savings plus a loss adjustment expense reserve release mitigated a rise in the underlying current accident year loss ratio of 1.2 points

Market Conditions

- Given market conditions and the fact that we are in a multiyear soft insurance market, these results are truly distinguishing and clearly demonstrate the benefits of our global capabilities; our portfolio construction and underwriting management, hallmarks of our company
- They also speak to the quality and talent of my outstanding colleagues around the world, our culture of excellence and craftsmanship at all levels of the organization
- Net investment income for the quarter was a record \$855mm, above the guidance we gave you last quarter and up about 5% over prior year
 - Phil will explain why we exceeded recent guidance

Operating ROE

- Chubb's strong earnings produced a good operating ROE of about 10% for the quarter, while for the six month period, per share book and tangible book value have grown 4.4% and 7.6% respectively, and they have increased about 12.5% and 20% since the merger closing in January of last year
- Phil will have more to say about investment income, book value, cats and prior period reserve development

P&C Market

- The commercial P&C market is, with a few exceptions, soft globally, though conditions vary depending on territory, line of business and size of risk
- Most areas of the commercial P&C market are soft and highly competitive, as many companies reach for growth
- As noted in prior quarters, large account business, particularly shared and layered, remains very competitive, though pricing may be beginning to bottom
 - On the other hand, middle market business with the exception of commercial auto continues to grow more competitive by the quarter

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

Wholesale Business

- Wholesale remains more competitive than retail, particularly in short-tail lines
- In wholesale, certain stressed casualty classes are beginning to get rate, not enough to produce adequate returns, but nonetheless improving
- Globally, new business has been hard to come by in what simply can be described as a hungry market
- Competitive new business conditions are ameliorated for us to some degree when it's about more than rate and we bring the power of the organization to bear for a client or producer
- In the quarter, 11% of North America retail commercials, P&C's new business, and 6% of our international new business came from cross-selling in the power of the organization
- Also, our total capabilities, in terms of product, service reputation, ability to serve many different types of insurance customers, our deep distribution capability, and extensive geographic reach means our optionality or ability to capitalize on opportunity is exceptional, and will only improve with time
 - I will point to a few examples later

Pricing Improved

- With that as backdrop, the good news is that for the business we wrote, the trend for pricing improved
- Rates were essentially flat, or the rate of decline slowed in comparison to recent quarters
- And in some stressed classes, we were able to achieve rate, such as U.S. commercial auto, Australian property, and D&O, Mexican auto, where we're a large player, and U.S. E&S casualty
- In U.S. D&O, a class that needs rate, as we noted on our last call, pricing for the business we wrote went flat
- As we projected, revenue growth for the quarter continued to trend better on both the published spaces and when adjusted for merger noise
- In fact, this was our best quarter, since the merger in terms of growth
 - However, with the exception of our risk management business, which had nice growth and continued to benefit from a flight to quality and capability, we wrote less new business, trading new business growth for better terms
- When we lost price, business for price, we aren't losing by a few points

Renewal Retention

- Our overall renewal retention in the quarter was steady, and that was true among the various lines of business with the exception of one that we've discussed before, which is North America property and casualty coverage through real estate related risks
- The tough class with Chubb has been a leader
- For the quarter, P&C net premiums written globally were flat in constant dollars
- Foreign exchange had about a 0.5 percentage point impact
- Adjusted for merger-related underwriting actions and reinsurance, P&C net premiums were up over 2.5%

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

- As a reminder, the impact from these merger-related items has and will continue to ameliorate as we move through the year
- Rate movement for the business we wrote in the quarter varied by territory and market segment
 - Renewal rates were down about a 0.5% in our U.S. middle market business, with exposure change a positive 1%

U.S. Major Accounts Business

- In our U.S. major accounts business, renewal pricing was down about a 0.5%, and exposure change was an additional negative 0.5%
- In our international retail commercial P&C business, pricing was down 1%, again, overall these were the best rate results we've seen in quite a few quarters for the business we wrote
- By major class of business, beginning with North America retail, general and specialty casualty-related pricing was down about a 0.5%
 - Financial lines pricing was down about a 0.5% with D&O flat and property-related pricing was down 1%

International Market

- Internationally, general and specialty casualty-related pricing was down 2%, financial lines pricing was flat, and property-related pricing was down 3%
- The UK commercial P&C market remains highly competitive, but overall we achieved better pricing with rates mostly flat
- The Continent of Europe on the other hand became marginally more competitive
- In Australia, we achieved meaningful rate in property and D&O, a rational sign for what is a very competitive market
 - The balance of Asia and most of Latin America largely remain status quo in terms of pricing strength

Revenue Results

- Now with that as context, let me give you some more detail on revenue results for the quarter
- In our North America Commercial P&C business, net premiums were down 1.3%, normalizing for merger-related underwriting, net premiums were up about 1.5%, and the renewal retention ratio for retail was at 88%
- Overall, new business writings for North America Commercial lines were up about 3.5% over second quarter 2016
- Again, with the exception of risk management, we wrote less new business than prior year, a trade we're not happy to make, but we'll take all day long to secure adequate underwriting terms
- In our North America Personal Lines business, net premiums written were up 2%
- Excluding the 6-point impact of additional reinsurance, growth was 8%
- Rates were up 2% and exposure change added 3%
 - Retention remains very strong at about 95%

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

Overseas General Insurance

- Turning to our overseas general insurance operations, net premiums written for our international retail P&C business were up about 1.25% in the quarter in constant dollars and over 3% excluding underwriting action
- As a few highlights, Asia Pacific commercial P&C business was up 9% on the back of Australia and New Zealand
- Japan P&C was up 12%
- Latin America, A&H was up 11.5%, and international personal lines were up over 9%
- Mexico continues to be a bright spot for us, up strong double-digits overall for the quarter
- John Keogh, John Lupica, Paul Krump, and Juan Andrade can provide further color on the quarter, including current market conditions and pricing trends
- We are in good shape with the remainder of our integration activities
 - Operationally and financially all areas of integration are on track or ahead of schedule

Savings Run Rate

- As you saw in the press release, we've now increased the total annualized run rate savings we will achieve by the end of 2018 to \$875mm, up from \$800mm, which is up from the original \$650mm when we announced the merger
- These savings are directly contributing to our margins in the face of declining rates and continuing loss cost trends, while giving us room to invest in our competitive profile, including our technology, our talent, new lines of business and future operating efficiency
- We are investing substantial sums, talent and time, and positioning this company to be a leader in a digital age because the economy globally is digitizing
- This includes our organization structure, cycle times have changed, expertise and skill sets of our people, data and analytics, robotics, the frontend customer experience to the customer backend claims experience
- And the very definition of the products we sell
 - This is not just strategy, we are quietly executing

Summary

In closing, we are operating in a highly competitive P&C market and navigating it well

There is no other company better diversified and positioned with the breadth of capabilities, culture, talent, broad distribution and presence around the world that we have today at Chubb

We have built and are building a revenue machine, governed however by our underwriting discipline, and it gives us great confidence and optionality in uncertain times, and makes us more relevant to our customers and business partners

- The entire organization is intently focused on execution, and we're optimistic about our ability to continue to outperform

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

Philip V. Bancroft

Financial Performance

Financial Highlights

- Chubb's overall financial position grew stronger in the quarter as we continue to generate substantial capital and positive cash flow
- We have a very strong balance sheet to support our business around the globe with total capital exceeding \$63B
- We grew our tangible book value per share by 4.3% in the quarter
- Concerning tangible book value per share growth, you will remember that at the close of our merger, the initial dilution to our tangible book value per share was 29%
- Since then, we have reduced that dilution to about 10%
- Among the capital related actions in the quarter, we returned \$667mm to shareholders, including \$332mm in dividends, and \$335mm in shares repurchased
 - YTD through June 30, our share repurchases have totaled \$475mm

Investment Income

- Investment income of \$855mm was a record and was \$20mm higher than our expectations
- Half of that increase was due to higher than estimated private equity distributions, and the other half from increased call activity in our corporate bond portfolio
- Net realized and unrealized gains for the quarter were \$747mm pre-tax, and include \$588mm gain from the investment portfolio, primarily from decreases in interest rates and gains from our private equity portfolio
 - We also had \$116mm gain from FX and an \$80mm gain in our variable annuity reinsurance portfolio

Net Loss Reserves

- Net loss reserves increased \$226mm for the quarter
- The paid-to-incurred ratio in the quarter was 99%
- Adjusting for cat losses and prior period development, the ratio was 95%
- We had positive prior period development in the quarter of \$170mm pre-tax or \$144mm after-tax
 - This included \$43mm pre-tax of adverse development related to our run off non-A&E casualty exposures, which is included in corporate, and \$57mm pre-tax favorable development relating to our industrial accident workers compensation coverage from the 2016 accident year
- The remaining favorable development was split 40% long-tail lines, principally for the 2012 and prior accident years, and 60% short-tail lines

Catastrophe Losses

- Our catastrophe losses in the quarter were \$200mm, or \$152mm after-tax, compared to \$390mm or \$311mm after-tax in the prior year

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

- Catastrophe losses this quarter were primarily from U.S. weather related events
- Integration realized and annualized run rate savings are ahead of expectation
- Total incremental integration related savings realized in the quarter were \$105mm, leading to total inception to-date realized savings of \$554mm
- On an annualized run rate basis, savings through June are \$775mm
- As Evan noted, we now expect to achieve annualized run rate savings of \$875mm by the end of 2018, up from our prior estimate of \$800mm
- We are also expecting integration and merger-related expenses to be \$903mm, up from our prior estimate of \$809mm
 - As we disclosed in our press release, the benefit of these integration-related savings is reflected in our combined ratio

Combined Ratio

- Our combined ratio in the quarter reflected the incremental impact of integration-related savings of \$104mm, \$45mm benefit related to the harmonization of the company's pension and retiree healthcare plans and the release of loss adjustment expense reserves of \$30mm
- These favorable items were partially offset by increased spending to support growth and the impact of salary increases and inflation
- We noted in Q4 2016 that we expect the incremental annualized impact of our U.S. retirement plan harmonization to be approximately \$100mm pre-tax
- Through six months, we have realized \$80mm
- The remaining \$20mm is expected to be recognized in H2 2017
- The operating income tax rate for the quarter is 16%, which is at the low end of our expected range, principally due to higher level of catastrophe losses occurring in the U.S.
 - We expect our annual effective tax rate to remain within the 16% to 18% range for the remainder of the year

QUESTION AND ANSWER SECTION

<Q - Ryan J. Tunis>: I guess my first question was just thinking about these merger-related underwriting actions and reinsurance, I guess, at this point that's a pretty substantial number. And I guess the way we see it, so far it feels like it's only shown up in the form of lower net written premium. I'm wondering if that's the right interpretation or there's other places that we're seeing it. Whether it's, like, was the cat load lower this quarter than it would have been had you not done that? Is there a meaningful free-up in capital or is it actually serving as a pretty major tailwind on like the expense ratio or the loss ratio? Just any help on that would be useful. Thanks.

<A - Evan G. Greenberg>: Yeah. Well, first of all, you wouldn't be able to see it in the cat load because we don't give guidance. So you don't actually know what our cat load is. But, as an example, we have told you this before. First of all, you get the annualized impact of reinsurance, it has to run its course. So we bought a quota share treaty last year, Northeast quota share, it's also in our Qs and Ks. And we bought that and we were very clear in – I'm giving you one example. In Q3 last year, that the trade off of premium vs. buying straight cat excess on a risk reward basis made much more sense to us and that did lower our cat profile, as one example.

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

Secondly, merger-related underwriting actions, both for concentration exposure on a per-risk or a cat basis as well as portfolios that haven't met our underwriting standards of making a reasonable underwriting return. When you look at the accident year loss ratio, it is benefiting and that it is in fact flat year-on-year, that's illogical when you think about rate and trend, mathematically not possible if you're mathematically honest.

However, what ameliorates that? What ameliorates it is expense savings and also underwriting actions that we have taken merger-related that help to ameliorate that. I hope that answers your question.

<Q - Ryan J. Tunis>: No, that's helpful. And then, I guess, my follow-up is just on the – on some of the commentary about the competitive environment. I think you said shared and layered remains competitive, though pricing is beginning to bottom, on the other hand middle market is becoming more competitive. I guess at this point in the cycle, what do you think is driving that dichotomy and what do you think it's going to take for the middle market, in particular, I guess to reach a bottom and the new business to become more attractive? Thanks.

<A - Evan G. Greenberg>: Yeah. Well, large account and shared and layered has been competitive for longer. I mean, there's been both rate and trend, that's been grinding on for a few years, between the wholesale market feeding it and the direct retail market and reinsurers, all participants have been involved in the competitive environment there, and it has been going on. At some point, what happens? Losses start coming in, broader terms and conditions, they start catching up to pricing, and combined ratios rise, you see it. It's not hiding itself. And that eventually causes rates to begin to flatten out, not necessarily in a place that's adequate, but the first thing you have to do is start flattening out. So, the market wears itself out at some point.

In the middle market, the middle market is always more orderly than the large account, particularly shared and layered. And that began late. That has just only begun in the last number of quarters to become more competitive where companies are trying to reach for growth. Economic growth is reasonably slow, and companies are reaching for more growth because they don't have another way to go in choosing EPS. And that'll go for a little while, is my sense. I don't see a catalyst except that really combined ratios, underwriting cash flow. So, Ryan, I can't forecast the future. I don't sit with a crystal ball, but my sense is it's more competitive and it'll remain that way for a little while.

<Q - Elyse B. Greenspan>: My first question is on the premium growth. I appreciate all the color in terms of merger and the reinsurance. Evan, you mentioned obviously the increased reinsurance took place last year starting in Q3. So when we kind of tie together your commentary about the market and how you see the business, are we reaching the point where in Q3 this year on an ex-currency basis we should start to see your growth in net premiums written?

<A - Evan G. Greenberg>: We don't give forward guidance. But I don't see a reason why the trend that we're seeing in our underlying growth doesn't continue and merger-related underwriting actions will continue to ameliorate as the year goes along. And you are correct, there was a large – last year not only did we buy it, we also did an un-earned premium transfer that also impacted net written premium at that time. So, you are correct, it was more penalty last year.

<Q - Elyse B. Greenspan>: Okay. Great. And then in terms of revenue synergies, first off, if we could just get the number for the quarter. And then second, Evan, I know in the past you had kind of tied your long-term view just to kind of give a ballpark figure to, at least, being equal to the level of expense saves for the deal in terms of revenue synergies. As expense saves have been increased, has your view on revenue synergies also increased, and if you can just talk high-level about the revenue synergies that have come about to-date compared to your expectations?

<A - Evan G. Greenberg>: Yeah. And remember, what I spoke to was a, and I don't have my exact words in front of me, but that they would – that we'd have revenue, we'd have expense saves that translated to operating income and that we'd have income from additional revenue opportunities that would approach of some proportional, either equal or within a range. I haven't changed my view on the revenue side. We haven't really updated that frankly to look forward in the next two years or three years about that. All things being equal, the revenue synergies that we have projected remain on track. We're growing the small commercial business. We said that would take years to occur. That is happening. We said that we would gain in middle market around the globe and small commercial around the globe. That is on track. We have been planting the seeds for that and placing and building operations in targeted markets around the world that will beat that growth.

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

We said cross-selling and by really more than cross-selling the strength of the organization, bringing more products to the distribution in North America's vast middle market capability that we [ph] haven't chopped (28:58) and that is happening. We are driving that and we can measure that, whether it is cyber insurance, environmental liabilities, specialty casualty, international coverages for middle market companies, we are seeing that, we can measure that. And on the other side of the coin, the governor in all of it for us is underwriting because it's a soft market with a lot of headwind and that's what governs it the other way. Sometimes you get more joys to the efforts, sometimes you get less, we stay steady.

<Q - Elyse B. Greenspan>: And the number of...

<A - Evan G. Greenberg>: We told you that 11% of new business and 6% of new business. And I think, Phil...

<A - Philip V. Bancroft>: We have for the quarter \$110mm of gross written premium that relates to synergies.

<Q - Elyse B. Greenspan>: Okay. Perfect. And one last question. Can you just give a little bit of color on what drove the adverse development within your North America Personal Lines segment in the quarter?

<A - Evan G. Greenberg>: Yeah. So I'm going to give that to Paul Krump, who is waiting for you to ask that question.

<A - Paul J. Krump>: Let me unpack this a little bit for you, Elyse. Q2 PPD amounts reflects unfavorable loss development from a combination of prior period cats, rec marine and auto liability. Let me just dispose of rec marine quickly because that was one single claim. When you think about cats, that was about a third of the amount and a third was coming from auto liability.

Recall Elyse that we brought together legacy ACE, Fireman's Fund and Chubb. And in doing so, we have integrated the reserving processes for all three companies. And we've also then brought together far more credible data than we previously had available for automobile. And that data has caused us to increase our expectations slightly on some portions of the book. Now recall though that this is over several accident years and just about a third of the amount of the PPD is related to the auto. So it's very much a de minimis amount. And I think it's important to note that that data has informed our pegs, our thinking about pricing, and our underwriting moving forward.

<Q - Kai Pan>: First question on the cost savings target and could you talk more about where is the \$75mm additional cost saving coming from? And how much you plan to reinvest in the business, how much do you think can flow through the bottom line?

<A - Evan G. Greenberg>: Yeah. Well, you're already seeing it flow through the bottom line substantially. And so, and we are investing in the business as I gave you on the commentary. Where it comes from, it's spread broadly across the organization. It's fundamentally not in the underwriting units or in sales, in marketing, it's more in support operations. And it is personnel cost related, it is outside services related, it is IT related, and it's to some degree, real estate related.

<Q - Kai Pan>: Okay. Then, my second question, a follow-up on the reserves. Outside the personal line in the, North American Commercial business also see a y-over-y slowing down in terms of reserve releases. Just wondering if you can provide additional sort of color on that?

<A - Evan G. Greenberg>: Yeah. It was a positive reserve release, which speaks to strength of our reserves. Our prior period reserve development has variability, it varies by quarter, it depends on the reserve studies that we do in the quarter and which we do – we study all major lines through the year and quarter-to-quarter there is variability because it depends on what you did study. Again, our reserves are strong. Q1, I'll remind you was essentially flat with the prior year. I think it was down \$10mm or \$15mm. I can't predict the future. I don't know future trends, frequency and severity vs. the inputs we use to create our reserves in any given line of business. But, again, what I'm very comfortable with is, our reserves are quite strong.

<Q - Kai Pan>: And if I may, just one quick one. Is the favorable release in unallocated claim handling expense contributed to the loss ratio improvement, the 1 point. Is that one-off?

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

<A - Evan G. Greenberg>: Well, it can be. Yes, we study it every year, and – or more than once a year. We look at what we have put away for future claim development. And so like any other reserve, we study that and this quarter the actual projected and what we've seen as trend vs. what we're holding reserve resulted in the release. I can tell you last year when we did Q2 review, we also had a reserve release spend on unallocated loss adjustment expense.

<Q - Kai Pan>: Great. Thank you.

<A - Evan G. Greenberg>: But I can't predict the future of that. It's not like, well, it just is – you're going to harvest the reserve release in [indiscernible] (35:27) area. You don't know this. You can't project it.

<Q - Jay Gelb>: I was hoping you could comment on the recent favorable trend that's been identified in the slowdown, in the number of lawsuits being filed in state courts, and whether that would have a positive trend on Chubb's loss cost inflation?

<A - Evan G. Greenberg>: We've seen the same thing that it slowed, but we read the same headlines you read, and we see that out there. We haven't noticed it, particularly in our casualty loss cost development. Though I can say that in general casualty, in particular, reserve releases have come from trends lower than we projected. So, that is a fact. On the other hand, when you look at litigation related to directors and officers, there is no improvement in that area, and in fact, frequency and severity have worsened. The article that you read referred to general litigation of nuisance suits, and others in that where Americans would freely reach for a legal remedy to any misfortune that came to them, and that there is a decline in that. That you don't see in directors and officers.

<Q - Jay Gelb>: I appreciate that. And then, more broadly, given all the back and forth we're having, we're seeing from the administration on various topics, I thought you could help us out by updating us on your views around tax and trade?

<A - Evan G. Greenberg>: You want to get me in trouble, don't you? My views remain as they were. For our country, and for our economy to reach its full potential, which it is not right now, we need tax reform, we need infrastructure, the state of infrastructure in our country is shameful, and is a competitive disadvantage and we are somehow lackadaisical about that. I can tell you, I travel around the world, you go to China, you go to other countries that are growing their economies and will grow their economies more rapidly than us, their infrastructure is far superior and that is a tax on us.

Regulation and deregulating is so important, but an awful lot of this requires legislation, and we need an administration that is focused, that is working with Congress, and we need a Congress that comes together to address these issues of our country. There is just no doubt about it. When it comes to trade, I stand firm, our country has benefited sustainably, in particular NAFTA. And it is a competitive advantage to our country and that, that agreement is up for negotiation right now to modernize it. And I am hopeful, and I believe there are so many in the administration who understand it that it is important for us to modernize it and to recognize the benefit to our citizens that all three countries gain, who are parties to NAFTA from NAFTA, it makes a competitive North America in a global marketplace.

<Q - Sarah E. DeWitt>: I wanted to ask a question on the agriculture business. How is the year looking in that business? It seems like grow conditions are worsening, so, any color you could give on what's going on there would be helpful.

<A - Evan G. Greenberg>: I'm going to turn it over to farmer, John Lupica.

<A - John Joseph Lupica>: Yeah, thanks.

<A - Evan G. Greenberg>: And – but you're obsessing in that about the Western part of the Corn Belt and not Eastern part.

<A - John Joseph Lupica>: Yeah, Sarah, thanks. It's John. So, yeah, our early focus this year was on winter wheat and the growing conditions for the spring crops that you mentioned. Right now, the winter wheat appears to be in line with our expectation, which is good news. And then the planting acreage may have dropped a little bit, but we expect

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

that to show itself when we see the final revenue come out from the spring crops.

As for the spring crops, as you know we're in the midst of the growing season now, so we don't have final, final look at it. The weather was a bit early in the – wet early in the season, but later in the summer we're witnessing the Western Corn Belt get hot and dry, so we're watching that. We can certainly use some rain out west. The Eastern Corn Belt is doing terrific, and that looks to be in better shape. So, right now we're watching the pattern. There's nothing out there that leads us to believe that we wouldn't have anything but an average year, and I'll just remind you last year was just one of the best we'd ever seen in this business.

<Q - Ian J. Gutterman>: If I can start, Phil with just a follow-up on that ULAE. First, does that \$30mm show up in PPD or is it just in the regular loss ratio? And then secondly, was it concentrated in any one line or was it spread across all the different segments?

<A - Philip V. Bancroft>: First of all, we consider that current accident year. It's not in PPD.

<Q - Ian J. Gutterman>: Got it, okay.

<A - Philip V. Bancroft>: Paul, would you say there was any concentration?

<A - Paul J. Krump>: By segment, North American Commercial...

<A - Philip V. Bancroft>: Yeah, North America Commercial, but – so let's leave it at there.

<Q - Ian J. Gutterman>: Okay, makes sense. I guess, Evan, on personalized growth, the 8% sort of adjusted is a pretty strong result. Obviously it sounds like a decent part of that is rate and exposure, but it seems like there's some maybe accelerating unit growth as well. Can you just talk about what's driving that? It's obviously a tough time at least on the auto side. I know it's a smaller part of the book, but for peers just are you finding opportunities to take business from people or was it mostly the home driving? I'm just curious.

<A - Evan G. Greenberg>: First, I'd say this to you. Our auto book is not a huge book. We're not a general auto market writer, and we are earning an underwriting profit in automobile. That's the key perspective. The growth, we had unit growth in the quarter. We wrote double-digits number of new policies. Some of that is multiple policies on a customer, and so we'd say high-single thousands, or mid-single thousands of new policy count. We're trying to get a handle, better data on buying policies back to customers in aggregate and making sure we have that exactly right. So, I don't want to mis-speak about that.

But we are getting growth, and it is coming – our growth is coming in all three areas. We're getting it from the mass affluent; we're getting it from the higher segments of high net worth, all the way up to very high net worth, both number of customers but as well their own exposures grow as they acquire more assets, homes et cetera, and we're up-selling there.

I'm pleased with the progress we're making in personal lines. I can tell you, as you get it, it's like talking about small commercial. It comes in small bites. It takes a long time to affect change that really shows in numbers in a significant way, but I like the way our marketing and sales is organized in our field operations. I like how we're being able to now begin to target county by county of the United States, where our target market is, and beginning to put in place the capabilities in the sales, and agent process to be able to target those customers to go after. That's not a six-month project. That's a multiyear project to really show itself, but we're doing that. I like what's going on in our branding, I like what's going on in our new product capabilities as we roll out coverages in farm and ranch and cyber and directors and officers liability not for profit in a better way.

I like what we're doing in our service and underwriting with a very high net worth and being able to underwrite them between admitted in E&S and global in a better way. And we can do even better. The game plan we've put in place, if anything, we're just crystallizing our focus on it. We're operationalizing better. We have more talent that we brought into high net worth from both inside and outside the organization. We've restructured so that we can get a better focus on individual markets and as well speed of how we make change. But at the same time, this is a filed product, state-by-state; rate and product changes and system changes take time. I love the future ahead of us in that line of

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

business.

<Q - Ian J. Gutterman>: Got it. Thanks. If I can ask a quick one on commercial. Just – you sounded a little bit, I don't know if optimism is the right word, but certainly less pessimistic on where rates are. Is it fair to say though that even if this is a sign of a bottom we're still trailing loss trends. So, I'm not trying to ask you for guidance obviously. If I'm looking ahead beyond this year, there's still probably pressure on accident year margins before any improvements you can make from mix or other changes?

<A - Evan G. Greenberg>: Absolutely, Ian.

<Q - Ian J. Gutterman>: Okay.

<A - Evan G. Greenberg>: Look, I'd say this. What we saw in pricing, I don't know if one robin makes a spring, so I can't tell, number one. Number two, but, look, I recognize it for what it is and it's better than we've seen on our book in a number of quarters, number one.

Number two, it was on our book of business and the business we're not writing, new or that we're losing, I said it in the commentary, I mean, a underlying, we're not losing for a couple of points. And so, it is a hungry market out there. When we look at terms and conditions, we lose for terms and conditions that we find, it'll go across the board that make us shake our heads, that are just plain old, irresponsible, we're dumb. And so, we see the market continuing. On the other hand, we do even see, in the market generally pricing in a number of classes bottoming. But it's at a level that absolutely will not earn an underwriting profit.

<Q - Jon Paul Newsome>: With the exposure seeming to be improving broadly, how do you think we should think about the portion of the exposure increases in your book-of-business that acts like rate vs. that which is actual exposure or increases? I'm just trying to think about the impact...

<A - Evan G. Greenberg>: I know what you're saying. But Paul, I'm curious, where do you see exposure improving?

<Q - Jon Paul Newsome>: Maybe it's my hope that the economy improves in the U.S.

<A - Evan G. Greenberg>: Okay. But be careful, don't wish cast here because I'm not sure you're seeing it. I don't see exposure growth improving. I see it flat, and in some cases, down actually from what we saw, say, a year ago. I think the economy is solid, but I don't think it's exciting. Just kind of ticking along. The way to think about that is, there is an element and it varies by line of business. Exposure growth, for instance, in personal lines, a portion of the exposure growth does subsidize rate, and a portion of the exposure growth is truly just a one-for-one trade-off. In commercial lines, it's a mix also, to be able to tease that out to you and give you a rule of thumb or point estimate, I can't do it. But you are correct about the elements.

<Q - Jon Paul Newsome>: Fair enough. Thank you.

<A - Evan G. Greenberg>: I realize it's not a satisfactory mathematical answer to you, but you're not on to the wrong side.

<Q - Jon Paul Newsome>: I can only ask.

<A - Evan G. Greenberg>: Of course, you can. And I can only try to answer.

<Q - Brian Meredith>: Two quick questions here. First one, I'm just curious, was there any favorable or unfavorable impact from currency on operating earnings this quarter? And what do you think it's going to look like here going forward given some of the weakness in the dollar?

<A - Philip V. Bancroft>: It was minimal. It was about \$4mm on operating earnings.

<Q - Brian Meredith>: Okay. And as we look at where we are today, does it benefit?

<A - Philip V. Bancroft>: I don't think there'll be any substantial benefit. We'll see what happens...

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

<A - Evan G. Greenberg>: It depends, tell us the currency – give us the basket, and we'll have a better idea. But it's bouncing around.

<Q - Brian Meredith>: Got you. And then, second question. I'm just curious, we're hearing more and more talk about distribution changes going on in U.S. on the small commercial side and people planning for it. When you look at the small commercial business and your entrée into it, are you planning on or your thoughts on direct distribution capability?

<A - Evan G. Greenberg>: Change is coming. I listen to a lot of loud talk [indiscernible] (52:36) as I tried to say in my commentary, we're doing an awful lot. But we're going about it quietly. I think, results better speak than a lot of loud chatter and I do think some of the talk is ahead of the reality at the moment. But, with that said, change is coming. And we're not alone as in terms of carriers improving their capabilities because of what technology brings that will lead that change. It's around data, it's around straight through process – it's around data that improves the customer experience while at the same time improving your ability to select risks and to do it quickly, i.e., in seconds and to be able to then straight through process of the business. It's claims on the other end, on certain cohort of claims that can be settled the same way.

These capabilities will improve the intermediary ability to sell and service the business at a lower cost. It will take that cost out. It will speed the process. But at the same time, those same capabilities will be delivered through new kinds of intermediaries, dot-com type intermediaries, where potential customers are buying other services and products, and it's natural that at that time they consider insurance.

You're licensing your business, your small business. You're setting up the accounting and financing of your small business. It's the time that you will consider insurance as an example. There will be many like that. You're taking out a loan for your business. And technology enables those other forms of distribution. The customer will buy it from a desktop, the customer will buy it from a mobile device. They'll buy it anytime, anywhere, and they'll service it anytime, anywhere. This is not futuristic in the sense of measuring it at years from now. This is on our doorstep. This is the next two years or shorter, it will be iterative, it will only get better and better and better. There won't be one winner, there will be a number of them.

<Q - Brian Meredith>: Okay. So you see aggregators continuing to kind of gain share here or at least have success in the U.S.?

<A - Evan G. Greenberg>: Define aggregator to me.

<Q - Brian Meredith>: I mean something like a Confused.com in the UK and the personal lines side perhaps something here in the U.S., just seems like it hasn't really caught traction here in the U.S.?

<A - Evan G. Greenberg>: Well, maybe, I can see single source distribution with other financial services. I can see those who offer multiple choice for those who simply want to shop insurance. I'm agnostic, I don't see anyone of them as winners. I see multiple winners, because I don't think there is one kind of consumer out there, one kind of buying behavior out there. And I think there are going to be other compelling options for you to use in terms of buying that you haven't had as a choice now to-date, that's what I say.

<Q - Jay A. Cohen>: I just want to get an update on the Life Insurance business. It looks like both the earnings contribution and the revenue growth is slowing there, and I'm wondering if you could talk about what's happening?

<A - Evan G. Greenberg>: Yeah. The VA business, our run-off variable annuity business, we told you earlier, I think it was in Q4 that we adjusted our models and took our earning – and as a result put up our reserve that took down our earnings y-over-y.

<A - Philip V. Bancroft>: For quarter-on-quarter it runs about \$15mm to \$16mm a quarter is coming off because of that change, right?

<A - Evan G. Greenberg>: Right. And then our international life business is actually growing.

Company Name: Chubb Ltd
 Company Ticker: CB US
 Date: 2017-07-26
 Event Description: Q2 2017 Earnings Call

Market Cap: 69,035.17
 Current PX: 148.33
 YTD Change(\$): +16.21
 YTD Change(%): +12.269

Bloomberg Estimates - EPS
 Current Quarter: 2.661
 Current Year: 10.267
 Bloomberg Estimates - Sales
 Current Quarter: 8577.000
 Current Year: 32407.500

<A - Philip V. Bancroft>: Jay, what I would do is, if you look at page 18 in the supplement, you'll see that while the GAAP premium is down, 3%, 3.5%, the overall production in the quarter is up 8%, if you include deposits, and it's up 14% over the six months. So, we're starting to see strong growth in that production for the overall international life book.

<Q - Jay A. Cohen>: That's helpful, Phil. We'll check that out.

<A - Evan G. Greenberg>: We would look at production more than GAAP premium.

<Q - Meyer Shields>: Evan, can you compare the mix of business within reinsurance now to where it was two years or three years ago? Is that changing?

<A - Evan G. Greenberg>: Say that again Meyer?

<Q - Meyer Shields>: I'm wondering whether obviously the premium volumes in Global Reinsurance are coming down; is the mix also shifting?

<A - Evan G. Greenberg>: I'm just trying to add it up before I give you a complete answer because everything has been coming down. Casualty is down, risk property is down, cat has been down, the mix is probably pretty steady, maybe it biases a little more towards the risk lines than the cat lines.

<Q - Meyer Shields>: Okay, fantastic. And then, finally, can we just get a quick explanation of what drove the adverse development in the corporate segment?

<A - Evan G. Greenberg>: It's the run-off business. The Brandywine run-off business is in the corporate segment.

<A - Philip V. Bancroft>: Right. So it was the business that was put into Brandywine in about 1995. There is a number of casualty lines where we had development.

<Q - Meyer Shields>: [Indiscernible] (59:49)

<A - Evan G. Greenberg>: It's not new. We don't have a run-off division that we sort of put things we don't like. This is the Brandywine run-off and also Chubb had as well run-off A&E and this is the – we studied along what we call LTE, it's other than A, it's other than asbestos and environmental which are third and fourth quarter. This is the other lines that would be like sexual molestation, et cetera. And it's the run-off of that and that's where the charge was taken.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP.

© COPYRIGHT 2017, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.