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Earnings Call

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Call Participants

EXECUTIVES

Evan G. Greenberg
Executive Chairman & CEO

John Joseph Lupica
Vice Chairman of Chubb Group & President of North America Insurance Operations

Karen L. Beyer
Senior Vice President of Investor Relations

Peter C. Enns
Executive VP & CFO

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Cave Mohaghegh Montazeri
Deutsche Bank AG, Research Division

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Jian Huang
Morgan Stanley, Research Division

Michael David Zaremski
BMO Capital Markets Equity Research

Robert Cox
Goldman Sachs Group, Inc., Research Division

Ryan James Tunis
Autonomous Research US LP

Presentation

Operator

Thank you for standing by. My name is Eric, and I will be your conference operator today. At this time, I would like to welcome everyone to the Chubb Limited First Quarter 2024 Earnings Call. [Operator Instructions] I would now like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. Please go ahead.

Karen L. Beyer
Senior Vice President of Investor Relations

Good morning, everyone, and welcome to our March 31, 2024, First Quarter Earnings Conference Call. Our report today will contain forward-looking statements, including statements relating to company performance, pricing and business mix, growth opportunities and economic and market conditions, which are subject to risks and uncertainties and actual results may differ materially. Please see our recent SEC filings, earnings release and financial supplement, which are available on our website at investors.chubb.com, for more information on factors that could affect these matters.

We will also refer today to non-GAAP financial measures, reconciliations of which to the most direct comparable GAAP measures and related details are provided in our earnings press release and financial supplement. I'd like to introduce our speakers this morning. First, we have Evan Greenberg, Chairman and Chief Executive Officer; followed by Peter Enns, 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 it's my pleasure to turn the call over to Evan.

Evan G. Greenberg
Executive Chairman & CEO

Good morning. We had an excellent start to the year. Core operating income was up double digit, driven by all 3 sources of income. P&C underwriting income was up over 15% with a published combined ratio of 86%. Investment income was up more than 23% and life insurance income was up almost 10%. We produced double-digit premium revenue growth from across the globe with strong results in our commercial and consumer P&C and international life businesses. Core operating income was up over 20% to $2.2 billion and operating EPS was up nearly 23%, $5.41. As you saw, our earnings and EPS benefited modestly from 2 onetime items that partially offset each other. Adjusting for these, they were up 18.6% and nearly 21%, $5.33.

Again, our P&C underwriting income was up over 15% to $1.4 billion, driven by strong earned premium growth and great underwriting margins. The ex-CAT current accident year combined ratio was 83.7%. On the investment side, adjusted net investment income of nearly $1.5 billion was up 23.5%. We now have more than $140 billion in invested assets, up over 19% in the last 2 years. And our fixed income portfolio yield is 4.9% versus 4.4% a year ago. Our reinvestment rate is currently averaging 6.1%. Our liquidity is very strong, and investment income will continue to grow well as we reinvest cash flows at higher rates. Life segment income of $268 million was up 9.8%. Our annualized core operating ROE was 13.7%, with a return on tangible equity of nearly 22%. Peter will have some more to say about financial items.

Turning to growth, pricing and the rate environment. Consolidated net premiums for the company increased over 14%. For Global P&C, which excludes agriculture, net premiums increased 13.3% in the quarter with commercial up over 11% and consumer up over 19%. P&C premium growth in the quarter again was balanced broad-based globally between areas of the globe and commercial versus consumer, reflecting favorable underwriting and market conditions overall. Life insurance premiums and deposits were up over 39%, driven by our business in Asia and came from a number of countries and distribution channels.

Huatai contributed 2.9% and 20.6 percentage points, respectively, to the global P&C and life growth results. In terms of the commercial P&C rate environment, overall conditions were quite favorable in both property and casualty, and price increases exceeded loss cost while rate decreases in financial lines slowed. So starting with North America, premiums, excluding agriculture, were up over 10%, and consisted of 12.3% growth in personal insurance and about 9.5% growth in commercial. P&C lines up 13% and financial lines down about 7.5%. If we adjust the P&C growth to the net impact from 2 items in the major accounts division, P&C lines normalized growth was a very strong 11.6%.

The 2 items were an unusually large structured transaction we wrote partially offset by the previously discussed corrective underwriting actions in primary and excess casualty that are continuing to wind down over the next few quarters. By the way, that large structured transaction negatively impacted North America commercial's combined ratio by over 0.5 point, the loss ratio impacted by over 1 point. Excluding this impact, unmasks the current accident year combined ratio run rate.

Supporting North America P&C growth was record new business of over $1.2 billion at a very strong renewal retention on a policy count basis of 84.7%. Both speak to the tone of the market and our excellent operating performance. Premiums in our major accounts and specialty division increased 12% with our large account retail business up 12% and our E&S business up about 10.5%. Premiums in our middle market division increased about 7% with P&C lines up 10.6% and financial lines down 6.5%. Again, the P&C market environment in North America overall is quite favorable and rational, financial lines aside. Pricing increased 12.8% including rate of 9.4%, an exposure change that acts like rate of 3.1%.

From our very large middle market business to small commercial to personal lines, and driven by both property and casualty, we saw the best rates in pricing overall that we've seen in the last 4 to 5 quarters. It was one of the best quarters for large casualty pricing. In our North America business, rate increases for property and casualty exceeded loss cost trends, let alone pricing, which was even stronger. So let me provide a bit more color around rates and pricing. Property pricing was up 13%, with rates up 7.8% and exposure change of 4.8%. Casualty pricing in North America was up 13.1% with rates up 10.9% and exposure up 2%. And in workers' comp, which includes both primary comp and large account risk management, pricing was up 4.8% with rates up 0.2% and exposure up 4.6%. Loss costs in North America are relatively stable and in line with what we contemplate in our loss specs.

We are trending loss costs at 6.8%, short-tail classes at 5.3% and long tail, excluding comp at 7.6%, trending our first dollar workers' comp book at 4.6%. For financial lines, the underwriting environment and a number of classes in a word is simply dumb. Rates continue to decline, albeit at a slower pace. We are, of course, trading growth for underwriting margin and income where we need to. In the quarter, rates and pricing for North America financial lines in aggregate were down 3% and 2.7%, respectively. We are trending financial lines loss costs at just over 5%.

On the consumer side of North America, our high net worth personal lines business had another outstanding quarter. This is a powerhouse business, over $5.5 billion in premium last year and it grew over 12% in the quarter with new business growth of nearly 35%. It speaks to a franchise and a class of its own in terms of service and capability. Premium growth for our true high net worth Premier and Signature segments, the group that demands the most underwriting and servicing, grew 16.5%. In our homeowners business, we achieved pricing of 17% in the quarter, while our selected loss cost trend remained steady at 10.5%. While a small quarter, our agriculture business had a very good underwriting result as the '23 crop year turned out a bit better than we projected.

Turning to our international general insurance operations. Net premiums were up 17.5% or 16.7% in constant dollars. Our international commercial business grew 11.4%, while our consumer was up over 26%. Growth this quarter was geographically diverse with all major regions contributing, which again illustrates the true global nature of the company. Asia led the way with premiums up 40%. Excluding Huatai's contribution, premiums were up 7.7%. Latin America had a strong quarter, with premiums up about 13%, while the continent of Europe grew 10.3%. We continue to achieve positive breakthrough exposure across our international commercial portfolio. Retail property and casualty lines pricing, up 5.5% and financial lines pricing, down 2.3% million.

Loss cost inflation across our international retail commercial portfolio is trending at 5.8%, with P&C lines trending 6.1% and financial lines trending 4.8%. Within our international consumer P&C business, our Personal Lines division had an exceptional quarter with constant dollar growth of 47%, led by Asia and

Latin America. By the way, the modest increase in Overseas General's ex-CAT current accident year combined ratio this quarter was primarily due to the consolidation of our China business.

In our international life insurance business, which is overwhelmingly Asia, premium and deposits were up over 50% in constant dollar, with strong contributions from Taiwan, Hong Kong, China and Korea. Excluding Huatai Life, premiums and deposits were up over 10%. Depending on the country, growth was driven by tied agency, brokerage and direct marketing distribution channels. Lastly, Global Re had a strong quarter with premium growth of almost 30% and a combined ratio of 76.9%. We allocate incrementally more CAT capacity to our reinsurance business and grew both our CAT excess and risk property portfolios, in particular, this quarter.

In summary, we had an excellent quarter and start to the year. We remain well positioned to continue producing outstanding results through the balance of the year and beyond. We remain confident in our ability to continue growing operating earnings at a rapid pace through P&C revenue growth and underwriting margins, investment income and lifing.

Now I'm going to turn it over to Peter and then we're going to come back, and we're going to take your questions.

Peter C. Enns
Executive VP & CFO

Thank you, Evan. As you all just heard, we continue to build on the momentum of our record 2023 year with strong growth in top line and earnings per share this quarter. We continue to effectively manage our balance sheet and ended the quarter in a strong financial position, including book value that exceeded $60 billion in cash and invested assets of $143 billion, each topping last quarter's all-time highs. Adjusted operating cash flow was $3.6 billion. There were 2 onetime earnings items this quarter that I would like to touch on. First, we recognized an incremental $55 million deferred tax benefit related to the new 2023 Bermuda corporate income tax law. This resulted from finalizing our review of 2 smaller subsidiaries since last quarter. We don't expect additional deferred tax gains related to this law going forward.

Second, there was a contribution made to the Chubb Foundation, charitable foundation of $30 million pretax or $24 million after tax. These items provided a net benefit of $0.08 per share. Additionally, there were 2 other noteworthy items in the quarter. In March, we issued $1 billion of 10-year debt to retire existing debt due to retire -- mature in May 2024. Lastly, we closed on an additional 9% of shares of Huatai that brought our ownership interest of 85.5%. This leaves the last tranche of less than 1% of outstanding Huatai shares remaining to close. During the quarter, book and tangible book value per share, excluding AOCI, increased 2.2% and 2.9%, respectively, from December 31, driven by strong operating results partially offset by $350 million in dividends and $316 million in share repurchases in the quarter.

Turning to investments. Our A-rated portfolio produced adjusted net investment income of $1.48 billion, slightly beating our guidance of $1.45 billion. We expect our adjusted net investment income to have a run rate of approximately $1.5 billion to $1.52 billion next quarter and to go up from there.

Turning to underwriting results. The quarter included pretax catastrophe losses of $435 million, which is modestly lower relative to prior year and is principally from winter storms and other weather-related events in the U.S. Prior period development in the quarter in our active companies was a positive $216 million pretax with favorable development of $311 million in short tail lines, primarily from property and credit-related lines, and $95 million of unfavorable development in long tail lines, which was primarily from excess casualty and was within our range of expectations.

Our corporate runoff portfolio had unfavorable development of $9 million pretax. Our paid-to-incurred ratio for the quarter was 84%. Our reported core effective tax rate was 15.2% or 17.3% for the quarter, excluding the update to our Bermuda tax benefit. As I've said before, our first quarter tax rate also tends to be the lowest of the year, due to certain tax benefits associated with equity award vesting and stock option exercises. We continue to expect our annual core operating effective tax rate for the full year to be in the range of 18.75% to 19.25%.

I'll now turn the call back over to Karen.

Karen L. Beyer
Senior Vice President of Investor Relations
Thank you. At this point, we're happy to take the questions.

Question and Answer

Operator

[Operator Instructions]

Your first question comes from the line of David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

First question. Evan, I just wanted to maybe get a little bit more detail on the $95 million of unfavorable reserve development on the long tail lines that you guys took this quarter? And maybe just unpack that a little bit more would be helpful.

Evan G. Greenberg
Executive Chairman & CEO

Yes. Look, we recognized over $200 million of reserve releases, so to give perspective. And that included adverse development of $95 million in North America commercial lines long tail. It was not concentrated in any one period, it was spread out from '16 forward. It was predominantly large account excess casualty, auto related in areas we've discussed. Trucking, logistics companies, companies with large commercial fleets and it's the business we've been addressing in terms of rate and underwriting actions and in that case, think retentions.

And our loss picks that reflect our action. The -- in fact, when we talk about that we gave you color around that we had this large LPT that was larger than usual. And then we offset to a degree by the underwriting actions that we've been taking. You heard it all last quarter. It will run 2 or more -- maybe 2 more quarters. That's all related back to the same business as you know. So there's the mental model. The development was not a surprise because we continually track actual versus expected activity for all product lines. And we had continued to observe higher-than-expected loss activity for this business. So we study it more deeply this quarter. And we took as we always will. We took the bad news and we are slow to recognize good news, no different than I said last quarter, our reserves are really strong.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. That's helpful. And then I did notice that the commercial casualty net premium written growth accelerated during the quarter and you mentioned -- you also mentioned the rate increases accelerated a little bit in the quarter as well in commercial casualty. Could you just talk about how you're thinking about balancing all the elevated uncertainty in the environment with leaning into growth, which it seems like you guys are doing a little bit?

Evan G. Greenberg
Executive Chairman & CEO

Well, the growth is coming. It wasn't a little bit. It was a step change in the rate we got exceeded loss costs, let alone pricing, which includes exposure change. And that is what contributed substantially to the growth. We grew exposure as well, particularly in our middle market long-tail business.

Though there was some growth in particular lines in large accounts as well where the pricing -- the vast majority of our book is adequately priced in casualty, and we're getting rate that recognizes loss cost trend, and so we maintain the adequacy. And then the stress classes, which need rate to hit our target combined ratios. That's where rate has accelerated in the market, and we -- because the market is also reacting, we're able to achieve and grow the business to a degree. Otherwise, we get the rate, like the business. And there were 1 or 2 classes where that's occurring.

Operator

Your next question comes from the line of Mike Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

On the topic of social inflation, I think, I'm assuming when we think about the social inflation that the main way to tackle it is risk selection and pricing, et cetera. But I recall in your shareholder letter, Evan, you talked about working or maybe you can elaborate, you and others have talked about kind of -- it sounds like a more concerted effort to lobby efforts or to maybe state by state see if there could be some reforms. And so just curious if you could elaborate if there's anything changing there in terms of what Chubb or the industry is doing to maybe tackle it from the back end or...

Evan G. Greenberg
Executive Chairman & CEO

Yes. First of all, our loss picks reflect the reality of the environment, the inflation we observe. And that includes any actions as we know them to be that might ameliorate it around tort reform. Tort reform is going to be a long-term never-ending process. As you say, it's not going to be federal. State by state, it could be county by county, depending. And it depends on the class of business as to the kind of reform that's required to bend that curve and loss cost. The insurance industry can support tort reform and does. The insurance industry can't particularly lead it. We don't have the printing press. This is ultimately paid for by corporate America, and it's paid for by consumers, by the products and the services from corporate America, it's a tax on everybody.

If you look at it in a clear eye way, we reflect the inflation that we see, whether it comes from social inflation, so-called social inflation, or other causes in the prices and the rates we ultimately charge corporate America to the business. Tort reform comes and there's litigation finance where disclosure laws have to change around that and I mentioned that better. And some states require it, most don't. And it's very simple because it puts in context how sympathetic is the plaintiff. And what are the motives? There's laws around who bears liability, the responsibility, what they call joint and several laws around it. You could be 1% liable, but you're the only one with any money, so they make you 100% responsible financially.

There are reasons that, that occurs, but that is also being gamed by the trial bar in how they target cases and how they target companies. It's those sorts of things. The insurance industry is hardly sympathetic. Corporate America needs to do more in this case, and we are all active. A number of companies are active in advocating for reforms, but it's not a magic, it's no silver magic bullet. It's going to take many years and it's going to require more effort than is currently being expended.

Michael David Zaremski
BMO Capital Markets Equity Research

Great. Switching gears, maybe a quicker question on Personal Lines. If I look at kind of what Chubb has said about kind of loss cost inflation in personal lines and appreciating you have a different book than I guess the average of your peers. But you got -- you all have been talking about kind of close to double digit or double-digit loss cost inflation for many years now. It feels like that's been -- some of your peers have caught up to you in terms of, I think, they were underestimating it. But just curious if you can provide any context. Is the loss cost inflation more so coming from weather inflation? Or is it just as much coming from wage inflation? Or just any context unpacking that kind of 10%, 10.5% loss inflation?

Evan G. Greenberg
Executive Chairman & CEO

Yes, it comes from 3 sources -- or a couple of sources. It comes from frequency of loss and from various perils. It comes from -- and so there you could think weather-related. You can also think water-related. And so the infrastructure impact to housing stock itself. It comes from wage inflation, and it comes from materials, which -- remember, we ensure not the average homeowner, we're ensuring those who are more affluent. And our product is a richer product in terms of how it responds to loss and the position it places you back in following loss. We try to duplicate exactly what you had before the loss, not sort of like it, but we duplicate it.

That has an inherent inflation to it as well. And we ensure more complex properties, and we ensure more complex and expensive content. So that may contribute to a degree to a greater amount of inflation than you might see generally across. But we stay on top of it. And we have and we've stayed on top of it in terms of both pricing and the amount of coverage we give to our clients. So they don't fall behind, which for all our homeowners, in shorts, that shows up, yes, in your bill that you get once a year from us, be included.

Operator

The next question comes from the line of Gregory Peters with Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

When I was looking through your results, I was particularly struck by the growth in the reinsurance lines, seems to have accelerated. And I'm just curious if there is a change in your perspective regarding leading into those market conditions.

Evan G. Greenberg
Executive Chairman & CEO

Yes. Greg, keep in mind, percentages are a funny thing. It's not a big business. It's not a big book of business. We're not a large reinsurer. So the percentage growth, which is very good to see, is off of a relatively small base. So in dollar terms, it's nice. Thank you very much to all our Global Re colleagues, but it's not a large amount. We allocated given the pricing environment and given structure and given underlying pricing and structure of cedent's portfolios. We allocated more -- incrementally, as I said in the opening, more CAT capacity with 2 Global Re, which means they're writing a bit more CAT excess and a bit more property proportional and excess per risk. And it's across the globe where they see favorable conditions. That's predominantly with the CAT results.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Okay. Fair enough. I know -- I got to preview this question knowing that I'm probably not going to get a great answer, but I feel like it's appropriate to ask...

Evan G. Greenberg
Executive Chairman & CEO

You can ask anyway, and you'll get a lousy answer, go ahead.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Well, the topic is M&A. I mean, you featured it. You talked about the 1 to 2 points of drag you get on holding excess capital. You mentioned that in your shareholder letter. You're generating great results. I feel like this is a time where we could see you get more active in the market. But maybe you can just talk to us broadly about what you're seeing in the market? Is there a pipeline out there? Or is it -- is there a lot of opportunities? Or give us some perspective if possible.

Evan G. Greenberg
Executive Chairman & CEO

Greg, I'm at rest. And the results are terrific. We have excess capital for both risk and opportunity. It's earning -- putting money to work at over 6% right now. If you put the capital against our invested asset, it requires certainly a damn good ROE. The cash that we hold is accretive to shareholder returns. And look, we're a global company with a lot of global opportunity and our eyes are always open. But as I said, I'm at rest. Don't hold your breath.

Operator

Your next question comes from the line of Ryan Tunis with Autonomous.

Ryan James Tunis
Autonomous Research US LP

I guess first question, just on financial lines. I think you said that it's quite frankly, dumb. Now that's obviously like a pretty broad set of various lines within financials. I think I heard you say that you're shrinking in mid-market, too. And my perception is that, it was a little bit more disciplined than some of the major accounts. So just curious if you could just take us within financial lines, whether it's account size or D&O excess whatever, like where are folks acting more or less irrationally?

Evan G. Greenberg
Executive Chairman & CEO

Yes, look, the way to think about this -- don't just think, it behaves differently to a degree in major account than it does in middle market in the cohorts that show up where market competition is irrational. I'm not going to unpack each one of those. But what I'll break down for you is this. You have publicly traded D&O. And whether it's in middle market or it's in large account, there is dumb behavior depending on the cohort. I'm not going to unpack which one of them it is that much transparency, but you see it in large accounts and you see it in publicly traded deal. There is not-for-profit D&O. We write it in both major accounts and we write it in middle market.

And by the way, we write it in E&S. And there are cohorts where market, we know because we're the largest writers of this business. We know what the experience is, what the real exposures are, where losses are coming from, market and pockets of that important buckets irrational, dumb. Employment practices liability. Again, I'm going to say which cohorts, but market is -- many are very naive and don't understand the trends and the exposures that are driving EPLI and where it's being driven, what states, where law has changed. Is it around? It's not simply wage an hour, now technology impacts it. There are those who have no idea what's catching up to them.

And then you have legal changes that are occurring at the federal level that are impacting financial lines. You can see it and it's coming. So the good news about the business is, claims made reveals its secrets pretty quickly that will occur and it is a big company. We got a lot of opportunity in a lot of places. And in some of those areas, we're just not going to follow people off the cliff. It doesn't matter.

Ryan James Tunis
Autonomous Research US LP

Got you. And a follow-up, just shifting gears. Just curious about priorities in U.S. personal lines. It kind of felt like you had the stuff in California a few years ago that in the past few years, it's sort of been more of a business where you've been focused more on risk selection and growth for good reason. But I mean it looks like it's more than $1 billion of underwriting earnings today. It looks a little underwritten. Just maybe if you could update us on -- yes, like what are the key sets of priorities in terms of managing that business right now?

Evan G. Greenberg
Executive Chairman & CEO

Well, key sense of priorities, good question. On one hand, we can continue pushing the envelope and we're impatient about it. On the -- how we define the services and coverage is that a customer in our space are to expect from a great carrier. The kind of resiliency services and engineering services, the kinds of technology that we can use to interface with our customers, give them a better experience. How we can use technology and claims and manage a better and more seamless outcome for them. All of that is wrapped up in how we think about that part of the business.

Our clients are CAT exposed. They were in a world where they choose to live where they live and know and make the choice to live where they're more CAT exposed. They will share more risk with us, but we can help them manage that risk on the portion that they share and as well reduce the exposure to loss on the portion we take. It also is allowing us, as we're doing that both through admitted and non-admitted to, in a sense, manufacture, more CAT capacity, which is really part of the ability or fuel to take on more exposure. We have a finite balance sheet. We can't take infinite risk. So we think about it in that regard.

Our pricing and the rate against exposure from perils continues to improve. We can keep pushing the envelope on how granular we become in terms of risk rating, more cohorts of risk to apply rate and price against. And we're continuing to do that, but we're restless about that. We can be even better at it. That allows us to provide more coverage in areas, think about it, like flood, where we have areas where we're actually leaning in to offer more protection to clients, but be able to manage the portfolio. Maybe that gives you a few.

Operator

Your next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Evan, just curious, and I'm sure there's some moving parts here, but can you help me kind of square in North America commercial. I'm looking at gross written premiums up a little below 2% and then nets up 9.5%. And have seen your ceded premiums kind of continue to drop the last couple of quarters, is there something going on there? Is it technical? Are you buying less reinsurance? What's going on?

Evan G. Greenberg
Executive Chairman & CEO

Yes. I'm going to let John Lupica give this -- it's really coming -- it came this quarter from 2 things. And that LPT, I forget had on an impact on and it distorted the gross in that.

John Joseph Lupica
Vice Chairman of Chubb Group & President of North America Insurance Operations

Yes, Brian, as Evan had noted, we had in that large structured transaction this quarter that produced net written premium with no gross written premium. In addition, we had exited 2 large MGAs or fronted programs that historically pursed a lot of gross with very little net. When you adjust for those 3 items, the gross and net are virtually identical.

Evan G. Greenberg
Executive Chairman & CEO

That's really...

John Joseph Lupica
Vice Chairman of Chubb Group & President of North America Insurance Operations

That's the same answer on the net to gross ratio.

Evan G. Greenberg
Executive Chairman & CEO

It's really transactional, not fundamental.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. No change in reinsurance by now, that makes sense.

Evan G. Greenberg
Executive Chairman & CEO

I just see...

Brian Robert Meredith

UBS Investment Bank, Research Division

Okay. Excellent. And then, Evan, I may have missed this, but you provided a lot of great kind of pricing rate and trend exposure commentary. But did you give us what the kind of total North America commercial pricing, call it, rate and trend was? And if not, could we get that, you typically provided it?

Evan G. Greenberg
Executive Chairman & CEO

I did give it to you. Are you asking me to go back and do it again? Do you actually want me to look -- I'll give it to you if you want me to take my notes and do it [indiscernible]. Listen, North America, I said pricing increased 12.8% including in P&C, including rate of 9.4% and exposure change of 3.1%.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And trend?

Evan G. Greenberg
Executive Chairman & CEO

Loss cost. So we're trending short tail at 6.8% and long tail -- short -- sorry, overall loss cost 6.8%; short-tail, 5.3%; long tail, 7.6%. Yes, this is full service call.

Operator

The next question comes from the line of Bob Huang with Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

Hopefully, I'm not asking anyone to repeat anything. But just a quick question on the -- on your annual shareholder letter, right? You talked about the willingness to pull back on unprofitable lines a demonstration of underwriting discipline, which is kind of really curious as to how to square away that line of thinking with your first quarter results because it seems like the first quarter results continue to demonstrate a lot of strength, a lot of growth. Is the financial line somewhere you're looking at as a...

Evan G. Greenberg
Executive Chairman & CEO

Hey, you're not listening. Not listening. Did you see that -- so I'm going to interrupt you. Are you really -- financial line, [frank,] number one. Number two, I said right upfront in major accounts in certain areas of casualty, where we're taking action. And we saw it last quarter, saw it this quarter and it impacts growth. And then there are other areas growing. Those are 2 that are visible.

Jian Huang
Morgan Stanley, Research Division

No, that's...

Evan G. Greenberg
Executive Chairman & CEO

By the way, look at our 20-year track record over any period of time, where we have shrunk our business, cut businesses in half over periods of time when we couldn't earn an underwriting profit and then triple the math to that. Do you have another question for me?

Jian Huang
Morgan Stanley, Research Division

No, I think that's very helpful. Yes, it helps me contextualize things.

Operator

Your next question comes from the line of Robert Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

A high-level question. So Chubb produced an 86% combined ratio, which has continued to improve and net investment income contributions to ROEs have gone up. I know there's more bifurcation than ever with respect to pricing adequacy by line of business. But I'm curious when do you think the market will sort of dictate the matching of rate and loss trend versus the excess margin you're generating now?

Evan G. Greenberg
Executive Chairman & CEO

I'm not sure I understand your question. Sorry.

Robert Cox
Goldman Sachs Group, Inc., Research Division

So I'm curious -- yes, I'm just curious when you think basically rate and loss trend will be at similar levels versus rate exceeding loss trend.

Evan G. Greenberg
Executive Chairman & CEO

I have no idea. It depends on when the market -- and it will never really happen. But I'm seeing you're asking in a very theoretical way. There's something neat in what is a market, so it's always inherently messy. But when typically, when rate and price are adequate or in excess of what's required to earn a reasonable return then the market in time notices and responds and becomes more competitive. And at that time, rate and price stay steady with loss cost. And then the market begins to go soft. And when that part of the cycle happens, it means the rate on price are less than loss cost. And that is not terrible until rate and price versus loss cost is not enough to achieve a reasonable return on capital.

Robert Cox
Goldman Sachs Group, Inc., Research Division

And maybe just a follow up on that. Curious if you think that with data and analytics, these cycles are becoming less volatile over time.

Evan G. Greenberg
Executive Chairman & CEO

In some areas, yes. Some areas, absolutely not. Because the loss cost environment, which data and analytics cannot [Technical Difficulty] is not less volatile. When the loss cost environment is more specific i.e., loss cost inflation, then with data and analytics in steady periods like that, then the amplitude of cycles is different.

Operator

Your next question comes from the line of Jimmy Bhullar with JPMorgan.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

I had a question on just your comments on dumb behavior and financial lines. I was wondering if you could talk about who it is that you're seeing being undisciplined. Is it companies that are established, that are large peers in the market? Or smaller competitors, new money that's come in, just some color on who's driving because it's been going on for a while, so.

Evan G. Greenberg
Executive Chairman & CEO

Next question, Jimmy.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Not going to comment? All right.

Evan G. Greenberg
Executive Chairman & CEO

No.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

So -- and then on cash, there's been a lot of talk about post -- or pre-COVID, you're starting to emerge negatively and a few companies have seen post-COVID adverse development as well. So any comments you can make on your view of casualty reserves overall for the industry and for your own book?

Evan G. Greenberg
Executive Chairman & CEO

We did expect a change of loss cost pattern frequency in particular. And we have talked about it during COVID that we didn't take the head fakes that loss costs during shutdown, obviously, courts are closed, frequency plummets and as does severity. And at that time, we maintained our view. We saw right through it and said, trends aren't changing, so we continue to trend. It's just a question of reporting on what period does it get reported in? So we expected that the trend doesn't change, but the reporting pattern changes. So therefore, if you really want to look at it in a correct way, you'd say, it went down during COVID to reaccelerate after COVID and then the expected cohorts of claims in aggregate still appear, and that's what we've seen. The pattern post COVID is not out of line with our expectations in our pricing and loss picks.

Jamminder Singh Bhullar
JPMorgan Chase & Co, Research Division

Okay. And just for Peter, what do you expect your tax -- do you expect a change in your tax rate next year given what's the changes in Bermuda? And to the extent you can quantify the expected tax rate.

Peter C. Enns
Executive VP & CFO

For next year and after, it's just too early to say. There's too many moving parts in terms of how the different countries are going to adopt and we're looking at it closely, but it's just too early to say.

Operator

Your next question comes from the line of Cave Montazeri with Deutsche Bank.

Cave Mohaghegh Montazeri
Deutsche Bank AG, Research Division

There was nothing called out this quarter with regards to the Baltimore bridge losses? I appreciate it's early days, but is there any color worth sharing with us on this topic?

Evan G. Greenberg
Executive Chairman & CEO

Our policy is, we do not report on individual claims, but I've noticed a lot of commentary on this. Look, it's a tragedy that an accident like this occurs, and it's done a lot of damage. However, when it comes to Chubb, it's another large loss. There is nothing -- yes, of course, we have exposure, but the exposure is within what we would contemplate and there's nothing outsize to us. And so another large unfortunate claim, that's all there is to it.

Operator

Your next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, Evan, I was hoping you could just provide some more color on what drove the sequential acceleration in exposure growth that you pointed to within Property Casualty as well as within workers' comp?

Evan G. Greenberg
Executive Chairman & CEO

Well, what I said, Elyse, thank you, is the premium growth because we don't really disclose exposure, but the premium growth came from, a substantial portion of it came from rate and price, which were very healthy across the portfolio. Property grew nicely. Property was our biggest growth area. Casualty grew, particularly in our middle market area and E&S. And rate and price had a substantial contribution to the growth, though we also grew new business where pricing versus loss cost is healthy to us.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up, you highlighted some planned reunderwriting within North America commercial. I believe you had also told us about that last quarter, and it sounds like we'll have that work through for the next couple of quarters. So is it right way to think about, I guess, the growth in North America commercial ex the LPT and just the reunderwriting as kind of the baseline of growth for the year. I know you don't like to guide, but you seem pretty positive about just casualty pricing and things like that, just trying to pull it all together.

Evan G. Greenberg
Executive Chairman & CEO

I'm not going to help you with your worksheet, I'm sorry, Elyse. I don't guide. We don't guide growth for the year. What we did tell you is excluding the LPT, excluding the unusual size of the LPT because we have LPTs virtually every quarter. But excluding the unusual size of it, and what we view as the unusual, the onetime underwriting action in large account that I described, the net of that, we gave you a growth rate, and we said that's the underlying growth rate for that quarter. That is not -- we didn't say that's a run rate for the year. This is a diversified commercial and personal property casualty book of business. And you're hardly -- we don't give guidance on growth for the year.

Operator

I will now turn the call back over to Karen Beyer for closing remarks. Please go ahead.

Karen L. Beyer
Senior Vice President of Investor Relations

Thanks, everyone, for joining us today. If you have any follow-up questions, we'll be around to take your call. Enjoy the day. Thank you.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining, and you may now disconnect your lines.