S&P Capital IQ

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Chubb Limited NYSE:CB

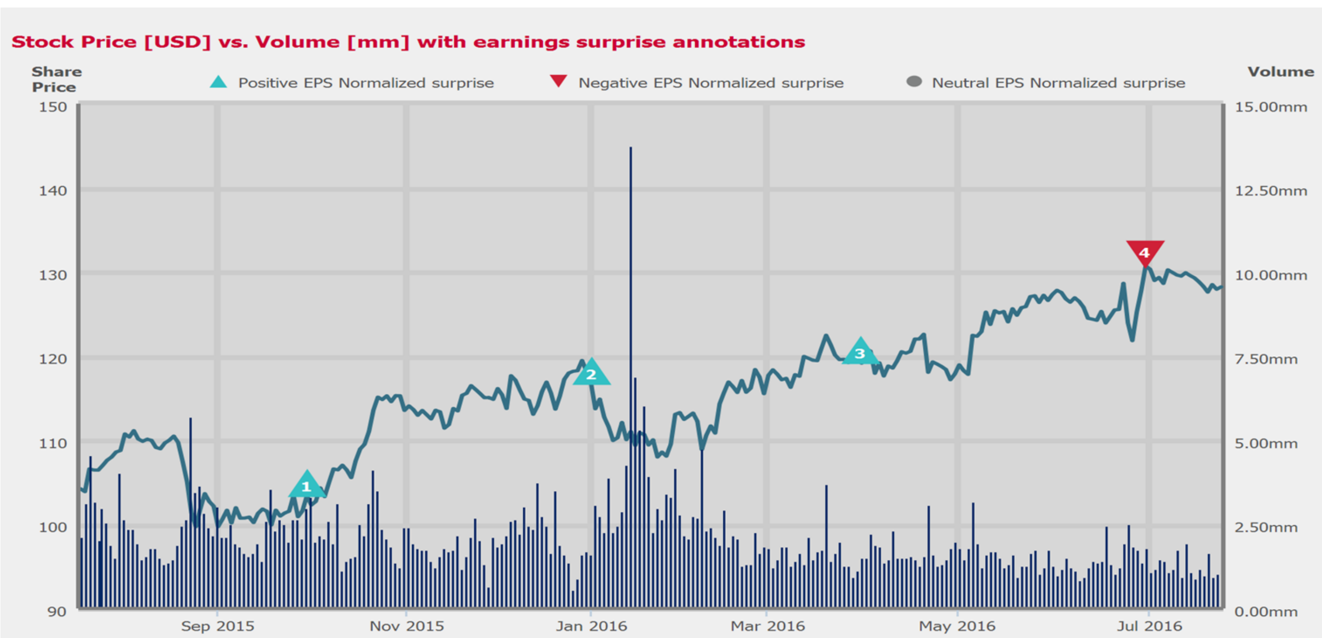
FQ3 2016 Earnings Call Transcripts

Wednesday, October 26, 2016 12:30 PM GMT

S&P Capital IQ Estimates

	-FQ3 2016-			-FQ4 2016-	-FY 2016-	-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.58	2.88	▲11.63	2.51	9.76	10.38
Revenue (mm)	7275.83	7041.00	▼(3.23 %)	6868.00	26891.65	27642.99

Currency: USD
Consensus as of Oct-26-2016 12:35 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ3 2015	2.37	2.74	▲1 15.61 %
FQ4 2015	2.26	2.38	▲2 5.31 %
FQ1 2016	2.17	2.26	▲3 4.15 %
FQ2 2016	2.32	2.25	▼4 (3.02 %)

Call Participants

EXECUTIVES

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Helen Wilson

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Presentation

Operator

Good day, and welcome to the Chubb Limited Third Quarter 2016 Earnings Conference Call. Today's call is being recorded. [Operator Instructions] For opening remarks and introductions, I'd like to turn the conference over to Helen Wilson, Investor Relations. Please go ahead.

Helen Wilson

Thank you, and welcome to our September 30, 2016, Third Quarter Earnings Conference Call. Our report today will contain forward-looking statements, including statements relating to company and investment portfolio performance, pricing and business mix, economic and insurance market conditions, and integration of acquisitions, including our acquisition of the Chubb Corporation, and potential synergies, savings and commercial and investment benefits we may realize. All of these statements are subject to risks and uncertainties. Actual results may differ materially.

Please refer to our most recent SEC filings as well as our earnings press release and financial supplement, which are available on our website at investors.chubb.com, for more information on factors that could affect these matters.

During today's report, our management will also refer to non-GAAP financial measures. The conciliations of these non-GAAP financial measures to the most direct comparable GAAP measures and related information are provided in our third quarter 2016 earnings press release and financial supplement.

Now I would like to introduce our speakers. First, we have Evan Greenberg, Chairman and Chief Executive Officer; followed by Phil Bancroft, our Chief Financial Officer. Then, we will take your questions. Also with us to assist with your questions are several manage -- members of our management team. Now it's my pleasure to turn the call over to Evan.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Good morning. Chubb had an excellent quarter with record operating earnings per share, excellent core underwriting results and premium revenue growth in line with our expectations. After-tax operating income for the quarter was $1.4 billion or 288 per share compared to 274 per share prior year, again demonstrating, in my judgment, the accretive nature of our merger. As I have done in the last 2 quarters, when discussing our underwriting results in premium growth and to give you greater visibility into the health of the company, I will compare our results to the 2015 prior quarter, as if we were one company back then and exclude the effects of purchase accounting. Again, this is how, as a manager, I look at the company's performance.

The P&C combined ratio for the quarter was a published 86, and excluding purchase accounting 85.5, that compares to an 85 last year as if we were one company back then. There are 3 components to that. Catastrophe losses were up over prior year to $144 million pretax versus an exceptionally low $101 million last year. Second, positive prior period reserve development of $349 million pretax was down $40 million versus prior year. So that leads to the P&C current accident year combined ratio, excluding cat losses of 88.4 versus 88.9 last year, benefiting in particular from our reduced expense ratio.

Both our North American and international insurance operations had excellent calendar and current accident year results. Adjusted net investment income for the quarter was $830 million, a very good result, particularly given the record-low interest rate environment. Investment income was at the top of the guidance we gave you. We have made good progress repositioning our portfolio in ways we have discussed on past calls. And this is in fact contributed to the quarter's results. Tim Boroughs, our Chief Investment Officer, is prepared to make a few comments on the portfolio, if you like. Just ask him.

Book and tangible book value per share were up 2.4% and 5.5%, respectively. And our annualized operating ROE for the quarter was 12%, a really good result. Phil will have more to say about tangible book prior period reserve development and cat.

Turning to premium revenue. Total P&C net premiums in the quarter on a constant dollar basis declined 3.5%. Foreign exchange had a one-point impact. As I have discussed on our previous calls, when we were planning the merger, we contemplated underwriting actions and certain portfolios not meeting our standards or exceeding our risk appetite. These actions, which include either canceling or reinsuring certain business, reduced our premium, but improved our risk-reward profile. The impact from these actions will continue for the balance of this year and '17, though at a reduced level, and will dissipate as the year goes along. If we normalized with these underwriting actions, including the purchase of additional reinsurance, total P&C net premiums in the quarter grew over just 1% in constant dollars, a 4.5 difference. The additional reinsurance accounts for 3.6 points of that 4.5 point difference.

The business cancellations representing the balance, keep in mind the additional reinsurance had an outsized impact this quarter, because of the onetime under-earned premium transfer in personal lines. I want to say a few words about current commercial P&C insurance market conditions globally. The pricing environment continued to grow more competitive in the quarter. For our Commercial P&C business and varied depending on the territory, line of business, and size of risk.

As noted in the prior quarters, large account business particularly shared and layered is more competitive than midsize. And wholesale is more competitive than retail. Certain markets are noticeably more competitive than others. London, Bermuda, Australia and Brazil by example are particularly competitive. While the U.S. and Continental Europe competition is a little less ferocious and a bit more orderly, but continuing to soften, nonetheless. Globally, new business is harder to come by. It is a hungry market and competition is fierce for new business. Of late, an increasingly terms and conditions, particularly when it comes to large account business. The tension of renewals is a high priority. Our renewal retentions are excellent, and I will give you some details shortly.

Rate movement varied by territory and market segment, but in general, fluctuated in a reasonably tight range. For example, renewal pricing for the business we wrote ranged from flat in our U.S. middle market business to down 2% and our U.S. Major Accounts business to down 3% and our international retail Commercial P&C operations. Globally, general and specialty casualty-related pricing ranged from down a 0.5% to down 2.5%. Financial lines pricing ranged from flat to down 3%, and property-related pricing ranged from down 1% to down 5%. Now with all of that is context, let me give you some details on our revenue results.

In our North America Commercial P&C business, net premiums were down about 2.5%. Normalizing for the impact of the additional reinsurance repurchase and for the underwriting actions, net premiums were flat. The renewal retention rate as measured by premium was quite good at just over 90%. And new business writings were up about 1.5%. In our North America Personal Lines business, net premiums written were down about 16%. The additional reinsurance we purchased had a 16.5 point impact, and the Fireman's Fund had a 3-point impact. Therefore, growth was over 3% for the combined Chubb and ACE portfolios. Overall, North America Personal Lines rates were up 1.5 and exposure change added about 3. Retention remained quite strong for the legacy Chubb and legacy ACE portfolios at 94% and 95%, respectively. With the legacy Fireman's Fund portfolio, as we continued to convert the business to Chubb paper, retention was 75%. The impact of the Fireman's Fund conversion is diminishing and will be virtually gone by first quarter.

Net premiums for our Agriculture business were up over 15% in the quarter, while still early from what we can see today. Based on yield forecast and commodity prices, this is shaping up to be a very good year for crop insurance results.

Turning to our overseas general insurance operations. Net premiums written for our international retail P&C business were down in the quarter 1% in constant dollars, and up about 1.5% when normalized for the additional reinsurance and underwriting actions. While in our London market-based E&S and surplus lines business, premiums were down 4% or flat when normalized for underwriting actions.

The renewal retention rate for our international Commercial P&C business was 84% in the quarter, actually right in line with historic averages, and new business writings were down 2%.

International by line of business, Commercial P&C net premiums declined 3, but were flat excluding the additional reinsurance and underwriting actions, while Personal Lines grew 3% on the same basis. Our global A&H business that premiums written in constant dollars were flat in the quarter, and up 1% adjusted for the underwriting-related portfolio actions. We expect improved growth in our A&H business in the fourth quarter. Meanwhile, our combined insurance operations in North America grew 4% in the quarter. Again, in sum, total company P&C net premiums in the quarter on a normalized basis grew just over 1% in constant dollars, while market conditions globally are competitive, I expect as we progress through future quarters and the impact of the merger continues to fade, given the compelling power and capabilities of the new Chubb, we will produce faster growth in the near future. In particular, we are building on the tremendous potential of our middle market businesses, both domestic and international, with both traditional core package and specialty products. We also have greater growth potential in our A&H and Personal Lines business. For the large account, not for middle markets, the power of one Chubb is compelling as we combine product and expertise to bring total solutions to clients. It is a real differentiator, and we will provide more opportunity in spite of soft market conditions.

We are already seeing evidence of this potential growth. We estimate that our efforts to promote new areas of coverage to mid-market and large account producers and account cross-selling in all of our businesses around the globe contributed about $88 million to our company's new business growth in the quarter, or 16% of North America's new business and 5% of international's new business. We are also on the front foot with new products in digital distribution. For example, we recently began to introduce our small commercial business owners package policies, so called BOP during the quarter. What began as a small pilot with 12 agents and 1 state, it's now been rolled out methodically to several hundred agents and we were approved to write business in 43 states. We are executing a disciplined plan and currently have capabilities to write some 500 industry classes of business, where we have proven and deep expertise. Our package includes broad coverage for property and liability exposures and is complemented by Worker's Comp, commercial auto and financial lines products. Technology and data are a differentiator for us. Our business package can be quoted and issued by an agent online in as little as 4 minutes with minimal questions. We expect 80% of our package plans won't require underwriter intervention, with an interventional goal to be 90% plus. We also recently launched the Cyber Risk products, specifically designed for micro businesses by digital distribution through CoverHound, as part of their new commercial insurance solutions for microsized small businesses.

We will soon add to that a miscellaneous professional liability product and a business owners' P&C package, all featuring straight through processing from quote to issue. A number of Chubb's existing micro-insurance products are scheduled to be redesigned for digital distribution on the CoverHound platform and other web-based producers in the near future. Just stay tuned. John Keogh, John Lupica, Paul Krump, and Juan Andrade can provide further color on the quarter, including current market conditions and pricing trends, as well as examples of how our expanded capabilities are benefiting the company.

Before I close, we are in good shape with our integration plans and activities. We are ahead of schedule, in terms of both the realized and annualized savings, as you can see from the updated table in the press release. And in fact, we have now increased the total annualized run rate savings we will achieve by the end of '18 to $800 million, up from $750 million. Finally, our outstanding claims and risk engineering organization is performing in an especially high level, as tested recently with a number of cats, including Hurricane Matthew in the U.S. But remember, outstanding claims service is what this organization is all about. And speaking of Hurricane Matthew, our early days and from everything we know, we project our cat losses from this event to be circa $200 million pretax.

With that, I will turn the call over to Phil. And then, we're going to come back and take your questions.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Thank you, Evan. Our balance sheet and overall financial position remains strong. Our loss reserves remain conservative. We have a $102 billion portfolio of cash and high-quality investments that are well rated and liquid, and we're generating substantial capital and positive cash flow. Operating cash flow for the quarter was $1.7 billion. We grew our tangible book value per share by 5.5% in the quarter. You'll remember that at the close of our merger, the initial delusion to our tangible book value per share was 29%. As of the end of the third quarter, our year-to-date delusion has been reduced to 16% and improvement of 13 percentage points in 3 quarters. Of course, it includes 5 points of benefit in unrealized gains because of lower interest rates. In the quarter, investment income of $830 million was at the top-end of our estimated range and benefited from strong cash flow and from the changes we are making to the management of our portfolio.

There are a number of factors that impact the variability in the investment income, including the level of interest rates, prepayments fees on our mortgages, corporate bond call activity, private equity distributions and foreign exchange. Our expected quarterly investment income run rate remains at $820 million to $830 million. Net realized and unrealized gains for the quarter were $264 million pretax and include $307 million gain from the investment portfolio, primarily from a narrowing of credit spreads of $44 million mark-to-market gain on our VA portfolio, primarily from the improvement to equity markets, and a $95 million loss from FX. Our investments are unrealized gain position of $2.5 billion after-tax.

Net loss reserves increased $315 million for the quarter. The paid-to-incurred ratio was 90%. We had positive prior period development of $349 million pretax or $252 million after-tax with about 20% from short-tail lines and 80% from long-tail lines, principally from accident year's 2010 and prior. This included $52 million of adverse developments for legacy environmental liability exposures, which are now included in our corporate segment.

As a reminder, we conduct our environmental review in the third quarter and our Asbestos review in the 4. Our catastrophe losses in the third quarter, net of reinsurance were $144 million pretax or $107 million after-tax, principally from U.S. weather-related events. During the quarter, we purchased additional reinsurance that reduced our net written premiums by $260 million, $200 million related to Personal Lines, the remainder related principally to commercial lines. The $200 million Personal Lines reinsurance premium included a $128 million of onetime unearned premium reserve transfers, which impact net written premiums for the third quarter only. Excluding the onetime transfers, the annual impact of Personal Lines of this new treaty is expected to be approximately $280 million.

As we have mentioned, we are increasing our estimate of integration-related savings. There is no increase in our integration and merger-related expenses. Our tax rate of 18.4% is slightly higher than our normal range due to a higher tax rate on our positive prior period development because of the jurisdictions in which the development occurred. I'll turn the call back over to Helen.

Helen Wilson
Thank you. At this time, we'll be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] We will go first to Kai Pan, Morgan Stanley.

Kai Pan
Morgan Stanley, Research Division

As first question on the capital management and you generated in the first 9 months, $3.5 billion operating income, you recovered more than 1/3 of the tangible book dilution and debt level, which is towards the low-20s. I know you purchased additional reinsurance that I would assume that would have limited some of the earnings volatility. And also you've said the market is more competitive. So how do you think your current CapEx as capital position and the potential buyback in 2017 and beyond?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Well, Kai, it's early days. We are pleased with building our capital position that's in line with our own expectations. Capital management, we're paying awfully good dividend. We understand the potential for share repurchase, and that always fits into our overall thinking when we look at all of our options of what we'll do with our capital. So stay tuned. We're not in a hurry.

Kai Pan
Morgan Stanley, Research Division

Okay, that's good. And then, thank you for all the details on the newer products. I just wonder, what's the reaction from your distribution networks, including the middle market about these new products? And also, if you are worried about sort of too much concentration in term of like care risk from -- more from the high networks perspective?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

The -- for the small commercial that we just launched, and that's in line with our plans, as we told you from the very beginning, and it's a book of business that will build over, it takes years to do. That's right in line and that goes to agents. And we have just begun really rolling out the real way and that will continue as our technology and product comes online into the middle of next year, where it will be fully operational. But as far as agent reactions, very good, and I'm going to turn it over for 2 moments -- for a moment to Paul Krump, who will give you a little more sense of the feedback we're getting in the marketplace.

Paul J. Krump
Executive Vice President and President of Personal Lines & Claims

Sure, Evan. I'd say that the agent feedback has been very positive. The new organization really hasn't missed a beat in terms of service to both agents and clients. And I think the agents have been extremely complementary on how focus team is on finding solutions to risk exposures. Just one quick example, we were all recently at the CIAB and we ran into an agent who had a Fortune 500 CEO, who had a Personal Lines risk, and -- but it included both cattle and a horse ranch. And I would tell you that in the past, legacy Chubb would have absolutely struggled to figure out a solution to that. And today, we were able to put that together in a very seamless way, and our new capabilities in that area are unmatched and will only become crisper and better as we go along. So we're very excited about that. As respect to the piece about some concentration, yes, I would suggest to you that some of the agents have been a little concerned about the concentration. We'd seen that more so, and if anything and how they move some of the Fireman's Fund that we had expected that in the retention and that had shown up. You have to remember that the Fireman's Fund book was a conversion and we anticipated that there would be more price dislocation on the Fireman's Fund. And that, as Evan's said in his remarks, will dissipate as we go forward.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Kai, the market reaction to the small commercial has been very good as we've begun to roll that out. The legacy Chubb brand name with agency distribution and relationships are so deep, and as we bring additional product to market, the reception and the goodwill couldn't be better. And I would remind you on the dislocation question, sure, the concentration issue is an element with producers. Look at our renewal retention rate. We're holding the business. We are right in track writing the business. So well, that tension in that dynamic is there. As Paul started saying to you, our capabilities are beginning to improve now that we can do farming ranch and do high net worth together starts opening up a whole another market dimension that others can follow, and we have other product and technology plans on the drawing boards over the next 2 years and will start to roll out and continue to differentiate us.

Operator

Ryan Tunis, Crédit Suisse.

Ryan James Tunis
Crédit Suisse AG, Research Division

I guess my first question is on the repositioning in the investment portfolio. And I guess that you guys, could you talk a little bit more about the changes there -- made there so far? And I guess potentially, there is an opportunity to even do more there, I guess, just looking at average yield on invested assets has been flat over the past few quarters.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Well, when you say that, I'm going to turn it over to Tim Boroughs, when you say that, actually, the face of the declining reinvestment yield.

Timothy Alan Boroughs
Chief Investment Officer, EVP, Chief Investment Officer of Chubb Group and EVP of Chubb Group

So Brian, at this point, we fully integrated the legacy Chubb portfolio with our investment process and operating platform. So that has taken place. The assets have been placed with several of our managers with whom we share a long history of success. We've been working with these teams to implement strategic and tactical changes to the taxable, municipal and our international portfolios to improve risk-adjusted returns. In addition, earlier this year, I think it is important we shifted most of our equity portfolio into the upper tier of the B -- BB sector of the high-yield bond market, which had the impact of reducing overall portfolio volatility. This sector has returned over 14% this year versus a gain in stocks of about 7. The result of all of these adjustments have produced additional net investment income of overall $120 million annually, above what the portfolios run rate would have been since the time of acquisition. This has been accomplished with a better balance to our asset allocation, overall reduction in portfolio volatility, while we've maintained an average rating of AA.

Ryan James Tunis
Crédit Suisse AG, Research Division

Okay, that's helpful. And then I guess just a follow-up on the additional reinsurance and the merger-related underwriting actions. And I know, Evan pointed out that on most of the actions, not all the action, so far has been taken on books that were planned at the beginning of the deal. But I'm just curious how dynamic that process still is? And if whether or not you're still finding books in areas where -- whether they are sizable opportunities, I guess, to improve, either the volatility profile or the loss ratio profile of the business?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Thanks for the question. No, we've been through the portfolio. And we by the spring so early in the second quarter, we had finished going through everything together. And we understood exactly where it either was at meeting our return expectations or where we had individual risk accumulations that would exceed our guidelines and appetite or we had aggregate risk accumulations concentrations that would exceed our appetite. So that's all done. And we put in place our plans to either fix or get off of business or secure additional reinsurance. Let me go a step further though, because I think there is this question out there also, well, risk-reward ratio and how do you think about that? And how do you as investors judge that? First of all, I don't believe you can judge that. We can judge that. But you can't accept that how our ultimate results turn out. And I think we have a track record that speaks to pretty good underwriting and reinsurance as part of the underwriting process. We don't give away premium easily. Why would we do that? You ask yourself that question. We would -- the reinsurance and the way we look at things is not an expense. But it's rather a risk management and capital management tool. We have very well-established views and guidelines and process to determine and manage our risk tolerances. Our appetite for individual per risk volatility is an example. And our accumulations of how much we would take in any one geography among our various products as they clash from a single event that might occur. We have very sound capabilities to analyze the alternatives. The alternatives, do we retain the risk, do we reinsure it, and if we are going to reinsure it, what's the best reinsurance structure, and the pricing alternatives? We can evaluate reinsurance pricing versus what we think our risk is worth. We can then track the results, gross and net, and adjust as facts and circumstance both company and market change over time. So it's a very thoughtful process that we go through. And frankly, the question you ask yourself, if you are me in the very beginning when you do something on a merger like this is, do you worry about the optics of the premium revenue? Or do you just do what you know is the right thing to do to manage the business, to give the optimal return on a risk-adjusted basis? And for me, it's a no-brainer. You just do that. And -- anyway, thank you for the question. And I answered more than you asked.

Ryan James Tunis
Crédit Suisse AG, Research Division

That's helpful. And I guess just for one follow-up, Evan, is -- I mean, clearly we have seen the cost in the MPW growth. I mean, when you look at the results thus far, to what extent are we seeing the benefit of this? I mean, do you look at this and think that all the underwriting actions and the reinsurance you've done have improved results so far? Or do you think that's largely just still on the comp? In other words, the benefit hasn't really played out at all on what you've reported?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Well, look, you can't measure with absolute precision. But what I will tell you is this. The actions you take are on a written basis and that earns in over a period of time, generally a 1-year period of time. So the results will -- of that will emerge over time. It ameliorates margin pressure you get from rate reduction and trend -- loss trends that occurs on your book of business. It ameliorates your results due to from a single catastrophe, or a series of catastrophes, when they occur. It ameliorates your results in frequency of large losses if you've limited your per risk net, because you don't think you're getting paid for that excess layer or have the spread of risk or taking the volatility. And so you judge it over a period of time. But I think you're liking our underwriting results and it's all part of that.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

First, kind of high-level question. We have a specter of inflation picking up next year. We've seen some of your peers report, pending reserve releases. Evan, do you think that will reach a point where the industries start potentially taking more prices to get ahead of what could potentially be a painful inflection point in terms of inflation?

Evan G. Greenberg

Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, let me just clarify one thing. Did you say inflation is picking off next year?

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

I said there is a specter that may be inflation could pick up when we get to next year.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes, I think they just hang like ghosts down there and had just hung there in the last few years. Everybody looks at it. So maybe it's coming. Look, lost trend hasn't -- it's not like there is no lost trend. There is inflation and claims that varies by class, but it isn't like it has disappeared. It continues and you see it in certain classes, where it rears to Ted, and then in other classes, it's there. It just is a bit more benign. Pricing is flat or were down. And it's interesting to me the way I listen to people talk about the market, because they'll say, well, see, though the market is not softening because the rate of decline of prices has ameliorated. Well, that's almost -- that's mindless to me. The rate is still going down, just going down at a slower rate. Well, that's still softening. And even if it's flat, it doesn't keep pace with lost cost trend. So eventually, it's going to show up in results. When? I can't say with any specificity. And at that point, when it shows up, does that mean a market turns? No, there is a lot of capital and there is a hunger for a rate of return. Even the insurance industry giving a mid-single digit ROE, which is miserable on a risk-adjusted basis to me. That is attractive to many, where there is trillions of dollars sitting in negative returns right now and just hungry for yield. And if they can get absolute yield of 2%, 3%, 4%, 5% on an absolute, forget risk-adjusted basis, they are interested. So you will continue to see more capital coming into the business. So I'm not imagining and I don't run our company. I can tell you, we don't build the strategy based on a market turn. We base it on the market we see.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. That's helpful. And then just a couple of numbers questions for Phil. How much of the integration savings came into the numbers in the third quarter?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

The third quarter actual realized savings from an accounting standpoint were $102 million and that would bring so as $28 million in the first quarter, you'll remember, $72 million in the second quarter and $102 million in the third quarter, bringing the year-to-date total to $202 million.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay, great. And then what was the FX impact on EPS in the quarter?

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

It was $10 million.

Operator

Michael Nannizzi, Goldman Sachs.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

You spoke a bit about developments on the commercial side in terms of the policy in small commercial. Can you talk a little bit about investments that you've made on the personal lines side and maybe either new products or new geographies or further integration of those previously 3 separate brands?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. We are making investments in the area, and this is only a certain number of months, but they will roll out as we go along. So let me give you a little more color. We, first of all, had reorganized ourselves between all the disciplines, between actuarial, underwriting, marketing and sales, where we can, in a faster and more practical way, react to each region in the United States, with each one behaves a little differently, with the states behave differently in terms of both competitive behavior and what we see from a financial profit/loss perspective of pricing. Number two, we are right now in the middle of making investments and executing on actions around what will ultimately come out in the next -- I can't -- I'm not going to predict the month precisely, but what we're going to start rolling out a digital experience around our high net worth business where customers will be able to interact with us and procure service and actually manage coverage in a more digital way. On foundational technology, there is a need to make large investment to update and be state-of-the-art in our foundational technology around underwriting and claims. Claims, we've already done it, and we will be investing in the underwriting side, and plans have been put to do that. In product, Paul began to tell you one of the initiatives that we're already engaged in and that will emerge, and that is the high net worth. There is a large segment to that population that has farm and ranch exposure. And you can't -- typically, you can't get it all from one carrier. We have the capability with our farm and ranch capabilities as well as our high net worth capabilities. We're putting them together. We've already been piloting where we'll be able to serve that segment, and that distinguishes us from anybody else one-stop shop. Coverage is around cyber liability, which, on a personal basis and, particularly, for high net worth, is a new exposure. We've rolled out product to address that area before anyone else in the market did. And so we're -- this is not something where you'd throw a switch, and I said from the beginning, it'd take a couple years, but we have a lot underway.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Great. And then just maybe a quick one for Phil, just on the reserve development. We've seen some sort of divergent trends from other folks so far this year, particularly this earnings season, on development. Just curious if we will be able to get a little bit of color on whether the development came from legacy ACE or legacy Chubb and if the trends have been different from the 2 legacy books and how we should think about the standardization of those 2 as we go forward.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Let me start with -- I'll turn it over to Paul in a second. Let me just start with, in general, this cycle was primarily related to the casualty book. I mean, the most weight in our studies were casualty. But we also had some personal lines development that I'll ask Paul to talk about.

Paul J. Krump
Executive Vice President and President of Personal Lines & Claims

Yes, yes. Thanks. Thank you both. As Evan's mentioned on previous calls, we're integrating our actuarial process for all lines, and in doing so, we're bringing together much more credible data than previously available on a personal lines basis, we got 3 big portfolios. And that data just caused us to increase our expectations slightly on the legacy ACE personal lines book. In particular, the homeowners and personal excess lines were increased ever so slightly. Again, that's on the legacy ACE book, it's not in the personal auto. I suspect I know what you're pointing towards, and it's not the auto.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

And remember, it's on a base of a couple of few billion dollars, actually. It's about $2.9 billion [indiscernible].

Operator

Charles Sebaski, BMO Capital Markets.

Charles Joseph Sebaski
BMO Capital Markets Equity Research

I guess a follow-up on the new initiatives with the BOP and the small cyber and commercial. So taking a couple of years out, what's -- how large of a component of the book could this part of the business be? Can these small policies, small risk component be a material component of the overall commercial business?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes.

Charles Joseph Sebaski
BMO Capital Markets Equity Research

Okay. All right. Fair enough. We had another one on cross-sell. And how the cross-sell opportunity set is with these small policies and personal line and then the A&H business? I guess I'm thinking in the U.S. Is A&H a differentiator in the Chubb -- the larger personal lines book that you have now? And are those pieces integrated? Or am I thinking about that wrong?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No. You're thinking right. And I'm going to start with an answer to you, and then I want to take your question even a little broader, and I'm going to ask Paul and John to talk a little bit about middle market on the cross-selling and what's going on in upper middle market. But let me take your A&H. And by the way, on small commercial, when you ask could it be material, I'm going to repeat to you one thing I've said before. First of all, it's about a $90 billion market in the United States. Number two, average premiums, though, keep in mind a couple of thousand dollars. So it takes -- you got to write a lot of customers to build -- to cast a real shot. In a number of years, in a few years, I expect that this will be a book of business with a D on the end of it, okay? That's what I mean by significant. When you talk about A&H, it's in 2 pieces. First, in the combined, we do a work site marketing, and we have great technology, and we now have quietly built over $100 million of business that is growing quickly, where we're doing supplemental A&H products, not traditional health, sort of like the same thing that you'd see Allstate or Aflac are doing. And we are competing very well in that business. We have now introduced it to the Chubb independent agency distribution system right alongside our P&C offerings. And because most of the agents have an Employee Benefits division, and so we can come in where it is 50 to a couple hundred lives, that's a sweet spot for us, and with technology and enrollers offer supplemental health products such as accident insurance, dread disease, hospital cash, et cetera. And that is a real initiative that we think has legs that over a number of years is kind of grow substantial business. Secondly, through our corporate A&H division as part of our Major Accounts and our middle market, traditional travel accident insurance and global business travel, 2 corporations, where they pay for the insurance for employees. We are -- that is a real initiative for us, and it is part of our cross-selling, along with a whole host of other products that I'm going to ask John to start talking about and Paul just to give you a better sense of that cross-selling.

John J. Lupica
Vice Chairman and President of North America Major Accounts & Specialty Insurance

Sure. Thanks, Evan. And Charles, yes, to Evan's earlier point, we've really focused on our cross-selling into our existing customer base and agency books. And also, we co-strength the organization where we've added resources and distribution. I will remind you that with Chubb, we picked up 48 branch offices that are just terrific assets for us. Some of the things that we're selling is clearly the specialty product that is brought to the table, things like environmental, things like global programs, a broader excess appetite, deeper financial lines, cyber, international, construction, transactional risk. These are all specialty plays that our branch operation is just doing a wonderful job of distributing and getting to our relationships and adding that cross-sell. A couple of quick examples, on the upper middle market side, we had a global digital company where the Chubb organization add a small specialty product. This client needed a worldwide program from domestic casualty to international casualty after the new ACE product with the Chubb relationship and the Chubb team. And this organization pulled together to write in an excess of a $3 million deal. So there is a number of those examples that I can run you through, but it just brings to life one example where the organization has brought together additional capabilities.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

And I want to add one thing about that account. And that was beyond the capabilities, it took the capabilities of both organizations. On the product set that legacy Chubb brought and that legacy ACE brought by themselves, each one was hardly enough to win the day. The 2 together, there was no one who stood up to us in the competition. It was fascinating. Paul?

Paul J. Krump
Executive Vice President and President of Personal Lines & Claims

Yes. Maybe just another quick example because I think John did a great job of outlining it. Going back to the strength of the organization. An agent, a friend of mine, told me a story where one of our clients in the personal lines world runs a business in the health care industry, and this prospect of his was very anxious to get a Chubb quote. He explained to them that he didn't think that this risk was within Chubb's appetite, but he also admitted to the client, the prospect, that in fact, now that the legacy Chubb had changed to new Chubb, that the appetite has shifted as well because legacy ACE was bringing on something more capabilities and skills. So he approached us. And he was shocked that within days, we put together a very competitive program. The underwriter that he knew helped guide his colleague through the relationship. And we wrote the account with several hundred thousand dollars. That in itself is personally very satisfying for me. But also what's very satisfying that this agent has really turned on to Chubb right now, and their submission activity has increased nicely.

Charles Joseph Sebaski
BMO Capital Markets Equity Research

I really appreciate all the answers. I guess just one final, if I could ask, might be helpful for us is on the personal lines business, I know there's a lot of work on reunderwriting, reinsurance. If possible, if we could get PIPs -- some PIPs data, could potentially over time help us understand the trend of the book quarter-over-quarter would be appreciated.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

We will note that.

Operator

Sarah DeWitt, JPMorgan.

Sarah Elizabeth DeWitt
JP Morgan Chase & Co, Research Division

The 12% operating ROE in the quarter was very strong, and you still have about another point of expense savings to realize. So is the 13% ROE about -- the way to view the right run rate for the company? Or was there lower-than-average losses this quarter or some seasonality in the business? Just trying to get a sense of the ROE profile for the new company.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. Well, I think that's a -- maybe a simplistic way. It's the stereo mathematical way of looking at it. You got to figure all the other factors. So you just load an additional expense on top, let's see what happens to rate and trend and losses and mix of business and all the rest. I'm not projecting. I don't give guidance.

Sarah Elizabeth DeWitt
JP Morgan Chase & Co, Research Division

Okay. And then the underlying combined ratio in the quarter remains steady despite your comments about market conditions. What's driving that? And do you view that as sustainable?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Not giving you guidance. On the other side of coin, I feel pretty confident in our underwriting, in our ability to produce superior results relative to the industry. Our mix of business, our underwriting discipline, our willingness to shed business to reinsure business, not to grow where it doesn't make sense and to grow where it does make sense, our global reach and our balance of businesses by geography, by country, where we selectively determine to write each line of coverage, not mindlessly across the globe but selectively decide which country to write, which business in, our mix between middle market, small and large commercial, our mix between specialty and traditional, the fact did a major accounts business where we have superior capabilities so it's not simply about the cheapest price per shared and layered, but that you bought the franchise, and therefore, it's our ability in primary casualty to be able to pay your claims, to be able to issue the paper all around the globe, collect the money and move the cash flow, pay the taxes for you and then write all the excess coverages, our ability to write multiple coverages on a global basis and not simply one coverage, I think all of that goes into those results, Sarah.

Operator

Paul Newsome, Sandler O'Neill.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

I've got a couple of unrelated questions. The first one is I cover a lot of regionals, which is my[ph] problem. But they're all telling me that they're going after the high net worth personal lines business. I think some of this may be they're not really going up -- so really targeting near affluent as opposed to affluent. But it's hard for me to tell exactly how far up the scale they're going towards Chubb's business. So the question really is, are you seeing those folks? And are they indeed trying to take the incremental customer out of that truly high net worth marketplace?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

We're seeing the competition in 1 or 2, in the mass affluent space, creeping into the lower end of high net worth. It's a price play, offer a cheaper price, having the broad coverages and the service capability. That's what it's really about. And so people are going to compete simply on price but not the same quality of product and service. And that's the game. That's fine. We'll -- you'll always have that. And as I've said from the beginning, we expect that with the merger, there would naturally be others who would come into the space. It makes sense. It ought to happen. That doesn't disturb us. But your ability to actually become a true high net worth player requires a lot of investment, a lot of patience and -- because you got to build a hell of capability and serve us, and you got to be able to follow your customers where they have exposure. And by the way, you got to have a balance sheet and an appetite for greater volatility or risk because high net worth behaves like a commercial account, not a traditional personal lines account.

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

Great. And my other question, which is completely unrelated, we have the impact from the Department of Labor coming up in April of next year. And there are some folks, I think, who are very smart like the folks at Milliman that think that the -- essentially, you're going to end up with very few 1035 exchanges, and then the retentions for in-force annuity book will just sort of skyrocket. You have a life reinsurance business, Evan, had an issue with their -- seem much impact have it lately. But if you saw a large increase in retentions in that in-force book, would that have a material impact, positive or negative, on your results?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

This is variable annuity business, not fixed annuity business, you realize that [indiscernible].

Jon Paul Newsome
Sandler O'Neill + Partners, L.P., Research Division

Yes. I think that the thought is actually the variable annuity business will also because a lot of those features are in the money will become untransferable because you'll have to explicitly estimate those -- value of those derivatives to the customer, and it is very hard to swap them into something else if they're in the money.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. We'll have to take that off-line with you. But I would say this. We study the lapses and the annuitization rates on a regular basis every year. We react to changes as we see them. You realize we write an XOL book, an excess of loss book, that has been in runoff since '07. Our lapses have been running to date better. They've been running lower, in fact, than we originally imagined. And we watch those annuitization rates pretty carefully.

Operator

Meyer Shields, KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Evan, one sort of big picture question in light of the quarter's reflection of pricing trends and sort of the overall economy. Are you more or less optimistic about the revenue synergies from the combination of ACE and Chubb than you were 6 to 12 months ago?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. I'm the same about the revenue synergies between ACE and Chubb, absolutely the same. What I can't speak about is -- yes, the capabilities and our ability to bring those capabilities and differentiate, whether new product and absolute like small commercial or bringing product to customer through -- in middle market or in large account, absolutely right where I was about that. What I can tell you is how much joy you get at any one moment for it depending on market conditions. And I expected a competitive market, and we certainly got one. And remember this, which is very interesting to me. I told you that, really, you can't be Pollyanna-ish about it, that in the beginning, we would take some actions that would have dissynergies, hate the word, give me a better word, where we would cancel some business, we'd reinsure some business, so you'd reduce some premium revenue, the growth initiatives would occur over a number of years. And I'd said a 3- to 5-year period to show a meaningful difference. We're keeping track of it. At the same time, you're going to have -- on your basic book of business, you're going to have a certain lapse pattern and a certain new business pattern. And if you're a disciplined underwriter, that pattern is going to vary depending on the market conditions. Then you add the 2 together, and there you go. But what do I know -- there you go is your ultimate growth rate. But what I know is we can measure the power of the integration from a revenue point of view and be able to track how one plus one is better than the 2 by themselves in any market condition. Are you following me?

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I do, yes. That's very helpful. Just a very quick one in terms of the reinsurance purchasing. Is there any -- I don't know, guidance is a wrong word, but ballparking in terms of how these ceding commissions compare to the acquisition expenses?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

How the ceding commission compares to what?

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

The acquisition expenses on a gross basis.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. Sure. The ceding commission is better than the acquisition expense. Otherwise, I didn't even cover my operating expense. Let alone are you giving me a margin for my good business I'm giving you.

Operator

Jay Cohen, Bank of America Merrill Lynch.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Thinking about the environment and just as you are really emerging as this mammoth global company, 2 of your competitors are clearly pulling back. And I'm wondering if you are seeing that in the number of submissions you're getting.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

We're not only seeing it in the number of submissions we're getting in that -- particularly in that large account business, but we're seeing it in the writings. John Lupica and then Juan Andrade?

John J. Lupica
Vice Chairman and President of North America Major Accounts & Specialty Insurance

Yes. Jay, there is no question in that global casualty business where we've invested a bunch of resource, even time and people over the last 7 to 10 years, delivering a terrific product and being consistent with our pricing and our offerings. We are absolutely seeing opportunity from a couple of our competitors stumbling a bit. We're seeing more submissions or seeing more new business coming to the portfolio at adequate rates. And mind you, we compare our new business to our renewal business, and the adequacy is on par to our portfolio. So that is one area. When Evan noted our new business was up, we're definitely seeing new business increasing. It's all, yes, global casualty risk manager business. And now it would include lead-layer umbrella. That would include global property fronts and mid-layer financial lines in there as well.

Juan Carlos Andrade
President of the Overseas General Insurance Division and Executive Vice President of the Chubb Group

On the international side, Jay, I would add the same thing. We're really seeing more opportunity here, some of our competitors stumble, particularly on the service side. We're seeing more risk managers coming to us via the large brokers, looking for essentially the franchise opportunities that Evan described given our multinational capability. So we see it in our pipeline, but we also see it in our new business, particularly in places like Continental Europe.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

And Jay, the ability you're rating -- the factor on the other side that stops us from writing, all it depends on the market condition. They'll come to us, they want the service, now are you willing to pay us the price we want. And in awful a lot of instances, they're bringing in the risk, and it's at a price that -- the expiring price is at a discount to what we think it's worth. There you go. There's the bid ask us to -- and whether we're going to write it or not.

Jay Adam Cohen
BofA Merrill Lynch, Research Division

Got it. The other question, on the auto side. Obviously, there were some noise on the personal auto side. All this act seemed to go down on some of those days. Our suspicion is that personal auto is a very small part of your business. Can you talk about how big that business is for you?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. Paul Krump is actually looking for his statistics at the moment. But -- yes, and our combined ratio is behaving pretty well. It's not a big -- it's not a huge book for us. Paul?

Paul J. Krump
Executive Vice President and President of Personal Lines & Claims

Yes. Just to level set, again, it is not a lead line for us in personal lines. I mean, we generally write automobile only along with our other coverages for our customers. In addition, our auto product really appeals to customers looking for much broader coverage in service, particularly when it comes to vehicle repair, especially around safety systems. So I would say that we're just not the best source for confirming standard market auto trends. Our premium is much more skewed towards the homeowners, and we have far more cars typically than we have drivers.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

We do see and we've seen for a while what some others in the market have seen, and that is there is a -- particularly, there has been an upward trend in severity. Look, the kinds of cars that our drivers drive are more valuable cars. The technology continues to evolve both in the materials used to manufacture the cars and computerization and digitalization of automobiles. And so that drives severity. And we have seen that severity increase. Over a period of time, we've been taking rate, and we're making an underwriting profit in auto. And by the way, the volumes -- look at Page 7 of the supplement, you get the total -- you get the volumes on a global basis.

Operator

Ian Gutterman, Balyasny.

Ian Gutterman
Balyasny Asset Management L.P.

I guess I have a comment first, maybe building up the last comment. There's -- I'm looking forward to new digitization in high net worth because the current Chubb website for homeowners feels like something out of the '90s. So I'm hoping for something more customer friendly. But -- so my first question is on the cost base. It looked like the incremental $50 million, if I just compare the chart to the old chart, pretty much all comes in '16, so it's basically already done or about to be done. A, is that accurate? And b, can you give us a little color on sort of what's been done year-to-date and sort of where we see it? Is it expense ratio in the SEC lens? Is it corporate? Is it LAE? Is there a way for us to sort of identify it, I guess, in our models? Or is it too perfect[ph]?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No, there's -- I'll make that part short. There is no way for you to identify it. You won't be able to. Number two, you'll identify it in the overall as you watch the expense ratio, and we can also identify to you in the loss ratio what percentage change in LAE exists, and then on -- so we're tracking the savings. By the way, we track it in a very buttoned-up mathematical way. It comes through finance and accounting. It's got controls around it. It can be audited, both externally and by internal audit. And so we don't put up these numbers without real governance and control around it all, and that's how we manage to do it anyway. So it's all for real. And then what you have on the other side is -- what counterbalances this is any investments you have, that you make that will increase expense or normal inflation in expenses. So we kind of track between the 2 pieces. Your question about the $50 million, no, it's not in '16, it's in '17 and '18.

Ian Gutterman
Balyasny Asset Management L.P.

Okay. I'll have to go back and look at that again.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

And if you want, Phil, I think we're going to expand on that.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

I was just going to say, that's right. It was across the years, the $50 million increase, and you can just compare it to the first quarter disclosure, and you will see it.

Ian Gutterman
Balyasny Asset Management L.P.

Right. Before you had -- so now you have $310 million of actual achieved in '16. Before, you had $270 million -- $275 million. So that's my understanding, it's mostly in '16.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Well, the realized was -- I think the $800 million is the annualized.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Is the annualized. It was the annualized.

Philip V. Bancroft
CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

We definitely did accelerate what we would have expected in '16. But you'll see that the additional $50 million is spread across the years.

Ian Gutterman
Balyasny Asset Management L.P.

Got it. And then just a follow-up on the small commercial effort. I guess, Evan, can you help me understand sort of -- I guess what I'm struggling with there, right, is that business is obviously, as you said, it's very low ticket, very sticky, doesn't change carriers a lot and is very dependent on sort of the experience with the CSR, how much is much remorse certainly with the customer. What's sort of your edge going to be? Is it going to be a new take on service centers? Is it going to be a new take on front-end quoting to make the CSRs want to do business with you instead of someone else? I mean, what sort of the hook, I guess?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

So the hook is a couple. First of all, in the agency, they are predisposed to grow their business with Chubb, okay. The market concentration of this business, when you think of the guys who were -- that you would think of are the ones who are leading brands in it. Well, in aggregate, they have 20% market share of a $90 billion market, so it's incredibly spread. And there's a lot of carriers in there that, frankly, the agents if you take the relationship and their -- with Chubb, they want to grow that relationship, and they have more confidence in that. So you start with that. Number two, our technology and our ability to quote, find an issue and a 4-minute to do it and that you don't touch, that's something that is a great differentiator to CSRs. And then that we'll offer the total product package plus specialties wrapped around it that others don't have is a differentiator. So I think when you add all 3 together, over time, we will grind this up. And this is not a passing game where you make a 50-yard gain in one play. This is a grind it out foot-by-foot, yard-by-yard. And that's great. That's what we're in the business of. We're all not trying to get out of business tomorrow. We're here for a long time building a company. And this is part of the effort. So it's not something like what's the update every quarter? How is it looking? Come on, you measure it over years.

Ian Gutterman
Balyasny Asset Management L.P.

Okay. So is it a by agency approach? I mean, you're trying to win over agents and get book rolls one at a time? Or is your [indiscernible]?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No, you go agent by agent, you'd love book rolls, but that's -- again, that's like a short pass. I hope you're planning to go yard-by-yard, and surely you would love book rolls, and maybe you'll get some of those, but you'd taken a policy-by-policy.

Operator

Brian Meredith, UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Just a couple of quick questions for you. Evan, just looking at the global reinsurance business, big decline in premiums. Is that all just market related? Or are you seeing some customer shying away from you now that there's just a much bigger primary player? And what is the outlook for that business for you guys?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

No. There is nothing related to -- we've been a big private player for a long time. There's nothing related to that, Brian. It is truly market. And there's -- our reinsurance folks, we liberated them a long time ago from volume. You will do the right thing to earn an underwriting profit or you're going to walk away from the business. And that's all that's a reflection of. And look, it's a little like the E&S business. In reinsurance, you have to be prepared in the way we run reinsurance, a very little differently, where it has more volatility to it based on the market signature. You will have moments where you -- there will be moments, when you may grow very quickly, and then you got to be willing and prepared that on the other side, there's volatility and you just shut like mad if you have to, if your intent is to earn an underwriting profit. Wholesale E&S is next like that. It expands -- the market expands or shrinks depending on market conditions.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then my next question for you, Evan. Can you tell a little bit about what you're doing efforts to roll out the Chubb brand appealing the personal line side in some of your emerging markets and platforms that ACE used to have? Or it has, sorry.

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Yes. We're focused in just a couple of geographies around the world. We're focused in the U.K. There is a business, and it has been good business, and we are putting more effort and more investment into that U.K. business. And one is exploring a couple of places on the continent in a thoughtful way where there is opportunity, we believe. And beyond that, we're in Australia and -- where we have a portfolio and are growing that. Other than that, it's where our customers emanating out of the U.S. or one of those markets may, in fact, have a property or an exposure in another country. Then we have a Lloyd's platform that is used to be able to quote an issue that alongside their U.S. policy because they have a home in Mexico or they have a home in Colombia. So we can service it on a global basis. There's an ocean of expanding high net worth into a whole lot of countries. If you understand the market environment in those countries and the actual consumer behavior, there is -- as we know it, there is not a high net worth market to be pursued at most markets of the world, that's just the fact.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And is it more and more -- just to rolling out the Chubb brand in some of those emerging markets, is that going to carry weight in areas like China and some other areas?

Evan G. Greenberg
Chairman, CEO, Chairman of Chubb Group and CEO of Chubb Group

Well, it does carry weight. And we're pushing -- I would say the ACE brand was a bigger brand in China, as an example. The Chubb brand -- the conversion to the Chubb brand is it gets the halo of what was the ACE brand because it's based on personal relationship [indiscernible]. In the other markets of the world, the Chubb brand, ACE brand, we are promoting the brand and building it. And I think it's very well received. And I -- there's a tremendous brand equity in that Chubb name. And it has -- it just has a distinguishing brand image in terms of service and claims like no other insurance company I know. And that is an asset that we will promote, that we will furnish, that we are fiduciaries of and we'll protect.

Helen Wilson

Thank you, everyone, for your time and attention this morning. We look forward to speaking with you again at the end of next quarter. Thank you, and good day.

Operator
That concludes today's conference. Thank you for your participation. You may now disconnect.