S&P Capital IQ

CONTENTS

Chubb Limited NYSE:CB

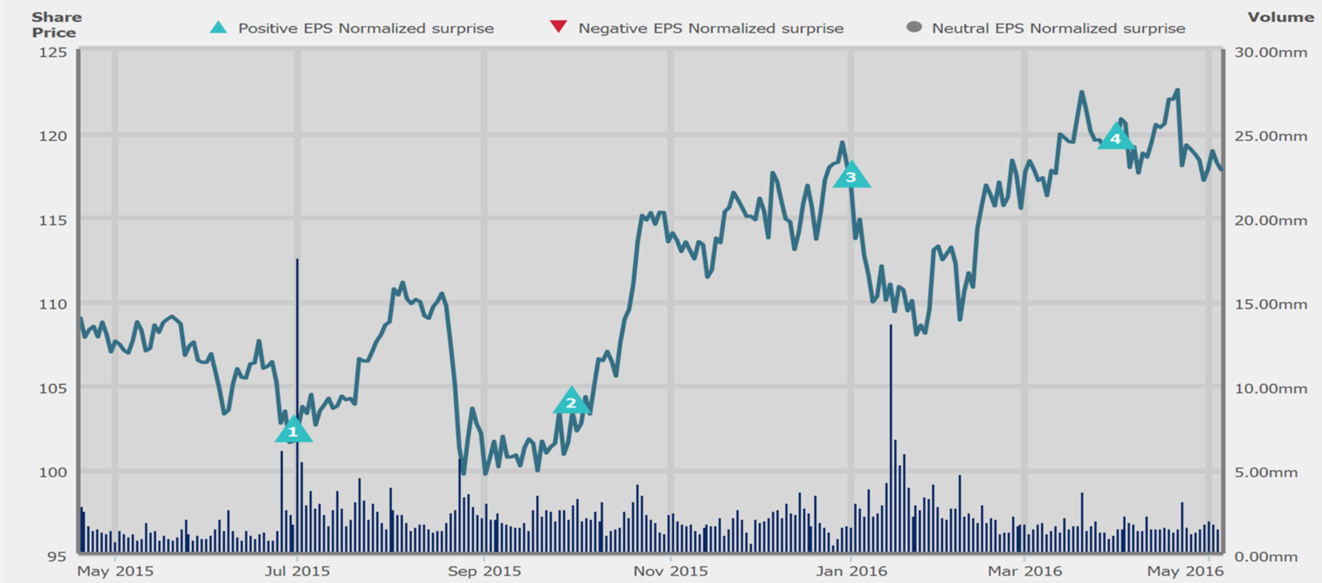
FQ2 2016 Pre Recorded Earnings Call Transcripts

Wednesday, July 27, 2016 12:30 PM GMT

S&P Capital IQ Estimates

	-FQ2 2016-			-FQ3 2016-	-FY 2016-	-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.32	2.25	(3.02 %)	2.56	9.64	10.51
Revenue (mm)	7645.75	7112.00	(6.98 %)	8697.64	27652.35	29970.32

Currency: USD
Consensus as of Jul-27-2016 11:44 AM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ2 2015	2.28	2.40	5.26 %
FQ3 2015	2.37	2.74	15.61 %
FQ4 2015	2.26	2.38	5.31 %
FQ1 2016	2.17	2.26	4.15 %

COPYRIGHT © 2017, S&P CAPITAL IQ, A PART OF MCGRAW HILL FINANCIAL.

Call Participants

EXECUTIVES

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

Helen Wilson

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

John W. Keogh
Chairman

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

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

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

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Charles Joseph Sebaski
BMO Capital Markets Equity Research

Ian Gutterman
Balyasny Asset Management L.P.

Jay H. Gelb
Barclays PLC, Research Division

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

Joshua David Shanker
Deutsche Bank AG, Research Division

Kai Pan
Morgan Stanley, Research Division

Lawrence David Greenberg
Janney Montgomery Scott LLC, Research Division

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

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Ryan James Tunis
Crédit Suisse AG, Research Division

Sarah Elizabeth DeWitt
JP Morgan Chase & Co, Research Division

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good day, and welcome to the Chubb Limited Second Quarter 2016 Earnings Conference Call. Today's call is being recorded [Operator Instructions].

For opening remarks and introductions, I would like to turn the call over to Helen Wilson, Investor Relations. Please go ahead.

Helen Wilson

Thank you, and welcome to our June 30, 2016, Second 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. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures and related information are provided in our second quarter 2016 earnings press release and financial supplement.

Now I'd 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'll take your questions. Also, with us to assist with your questions, are several 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. As you saw from the numbers, we had a pretty good quarter, though we're impacted by the higher level of industry insured cat events globally, 25 of them by our account. After-tax operating income for the quarter was just over $1 billion or $2.25 per share compared to $2.40 per share prior year. For illustrative purposes, excluding cat losses, operating income was $2.91 per share, up 7% over prior year; and for 6 months, up 11%, demonstrating our excellent underlying operating results, which are in line with our expectations and I think depict the accretive nature of our merger.

As I did last quarter, discussing our underwriting results in premium growth and to give you greater visibility into the health of the company, I will compare our results as the new Chubb, excluding purchase accounting and onetime merger-related items in '16 that distort underwriting, to the '15 year prior quarter as if we were one company back then or put simply as if. As you know, as a Manager, this is how I look at our results. So to begin, the P&C combined ratio for the quarter was published 91.2%, and then as if, which again excludes merger-related items, 90.2%, a really good result that included $311 million after-tax cat losses from a broad range of events globally. As we recently announced, our cat losses in the quarter were about $100 million above what we had contemplated on a pretax basis. They are in line with our insurance and reinsurance exposures globally. It's worth noting that the level of industry cat losses while elevated when compared to the recent past appear in line with longer-term historical results.

The P&C current accident year combined ratio, excluding catastrophe losses, was $88.9 in the quarter versus $88 as if we were one company last year. Last year has the onetime benefit from the Fireman's Fund transaction, excluding that, our year-over-year current accident year combined ratio was essentially flat. Both our North American and international insurance operations had very good calendar and current accident year results. Again, on an as if basis, prior positive prior-period reserve development of $301 million pretax was down $35 million versus prior year.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Chubb net investment income for the full quarter was $816 million, a good result given the continued impact of foreign exchange and low interest rates and very modestly below our expectations in guidance this year. Progress repositioning our portfolio, which will result in additional investment income as we discussed last quarter, is on track.

Book value per share was up 2.7% in the quarter and stands at $101.56. For the year, per share book value was up over 13%. Our annualized operating ROE is circa 10% year-to-date. Phil will have more to say about the investment portfolio, tangible book value as well as prior-period reserve development in cats.

Turning to premium revenue. Total P&C net premiums in the quarter on a constant-dollar basis declined 4.7% on an as if basis. Excluding the previously disclosed onetime benefit from the portfolio transfer of Fireman's Fund business last year, total P&C net premiums were down about 1.5%. Commercial P&C net premiums written for North America were flat, international retail P&C was up 1.5%, international wholesale P&C was down 7% and Global Re was down 13%. Net premiums written for North America Personal Lines were down about 20% or 5% excluding the onetime Fireman's Fund premium benefit last year. Excluding all of Fireman's Fund, so just imagining legacy ACE and Chubb Personal Lines, normalized premiums were in fact up. Given softer market conditions and the underwriting actions we took due to the consolidation of our 2 companies, but consider our commercial P&C revenue results this quarter to be reasonably in line with our expectations. As I mentioned in our recent calls, when we were planning a merger, we contemplated underwriting actions in certain portfolios not meeting our standards for risk appetite that would reduce our net premium. These underwriting actions, which include either canceling or reinsuring that business will improve our risk reward profile and will continue this year and into '17.

In addition, we're choosing to utilize a greater level of reinsurance in certain classes. All together, these actions impacted net premium growth in the quarter by about 1.5 points.

On the flip side of the coin, the strength of the combined organization, including cross-selling and the introduction of our total product portfolio to an expanded distribution base is beginning to show and this contributed about 1.5 points of net premium growth in the quarter or about 13% of our North America retail commercial P&C new business growth.

I'm going to give you some more detail on our revenue results and pricing by major division beginning with North America. In our retail commercial P&C business that serves the middle market, net premiums were up 1.2% with a renewal retention rate as measured by premium of 89.3. The market continued to gradually soften. Overall, renewal pricing was up about 0.5% in the corner -- quarter, general and specialty casualty-related pricing was down 0.9%, with Worker's Comp down over 2% and general liability down 0.5%. Financial lines pricing was up 1% and property-related pricing was down 0.5%. Terms and conditions are generally holding, though we are noticing some erosion around the margins. New business ratings for our middle market business were up 2% year-on-year.

In our business serving large corporate customers and specialty E&S markets, what we call Major Accounts & Specialty, net premiums were down just under 1%, with major accounts down 1% and Westchester E&S up 0.5%. For our retail Major Account’s business, the renewal retention rate, as measured by premium, was 90.6%. We are continuing to experience downward pressure on pricing. However, for lead layers, both primary and excess, where capabilities make a real difference, and there are only a few of us who can stand up to that. Pricing conditions are less competitive than straight excess layers where it's simply about capacity. Terms and conditions are generally holding in the Major Accounts customer segment. Pricing for the business we wrote was down 2.5%.

General and specialty casualty-related pricing was up 0.5%. Financial lines pricing was down about 2.5%, particularly large account D&O and properly -- property-related pricing was down 10%.

New business writings on a gross premium basis were up in the quarter about 23%, driven largely by risk management, primary and lead excess, environmental liability and cash flow property, which by the way, has very little net premium associated with it. The new business growth is a combination of flight to quality and a few major competitors exiting or reducing their exposures.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

In our North America Personal Lines business, normalized premiums were up about 1 point for the combined ACE and Chubb book of business, excluding Fireman's Fund. Overall, rates were up 1.3% and exposure change was a positive 3.4%. Retentions remained quite strong, driven by the legacy Chubb and legacy ACE portfolios at over 95%. The legacy fireman's fund portfolio, retentions were lower at 72%, driven by rate and nonrenewal actions, as we continue to convert the business to Chubb paper, and some producers and customers chose instead to move to a cheaper, and in our judgment, underpriced option. These are a continuation of the actions we have taken since the start of the conversion last summer.

Looking forward, and for your information, effective July 1, we have purchased additional reinsurance protection for our North America Personal Lines business. This will have an annualized impact on net written premium of approximately $250 million. We obtained excellent terms and judge the risk management and financial benefits to be clearly in the interest of the company, resulting in an improved net retained risk-reward profile. Net premiums for our agricultural business were down just over 1% in the quarter, due to commodity prices offset by growth in exposure.

Turning to our overseas general insurance operations. As I mentioned earlier, net premiums written for our international retail P&C business were up in the quarter 1.5% in constant dollars. While in our London market-based excess and surplus lines business, premiums were down 7%, due entirely to market conditions.

Growth in our international retail business varied depending on territory and product. Asia-Pacific was up 7%. Latin America was down 5%, mostly due to Commercial P&C market conditions and Personal Lines in Brazil. Excluding Brazil, Latin America grew 1%. And Europe was flat with the Continent up 4% and the U.K. down 4%.

From a product perspective, commercial P&C net premiums grew just over 1%, while Personal Lines grew 2%. It's worth noting, we have chosen to exit the legacy Chubb Brazil high net worth auto business due to underwriting and took actions on this earlier in the year. Excluding that impact, our international personal lines business grew 5%. Overall, renewal pricing, so for the business we wrote for our international commercial P&C business, was down 3%, consistent with our expectations and a stable, in fact, slower rate of decline relative to the '15 year.

Property prices were down 5%, casualty was down 3% and financial lines were down 2%. Terms and conditions were largely in line with previous quarter. And our Global A&H business, net premiums written in constant dollars were up over 3% in the quarter, including 5% growth in our combined insurance operations in North America.

As I mentioned before, while early days, we are beginning to see the tangible revenue growth as a result of the power of the new Chubb. We are very focused delivered efforts underway around the globe to promote both account cross-selling and product introduction to expanded distribution. We have specific targets and objectives, internal programs to educate colleagues about each other's products and services and promotional campaigns. Some areas where we've seen early cross-selling success include environmental, health care, professional lines, Worker's Comp, specialty casualty, transportation and agriculture to name a few. John Keogh, John Lupica, Paul Krump, Juan Andrade can provide further color on the quarter, including current market conditions and pricing trends, as well as examples of how the power of the firm is contributing to cross-selling success.

Before I close, we remain on track with all of our integration plans and activities. We're meeting our milestones in terms of integration savings, support function expectation, underwriting and claims initiatives and growth initiatives. Our outstanding claims and risk engineering organization has not missed a beat during the integration, especially in light of the increased level of cat and continue to distinguish the firm in serving both our commercial and personal policyholders. Our people are continuing to knit themselves together and coalesce into 1 unified culture. In fact, most of our people are spending far less time on integration-related process and procedures and more and more of their time focused on serving their customers and distribution partners.

With all that, I'll turn the call over to Phil, and then we'll come back and take your questions.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

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

Thank you, Evan. We have completed the second quarter as a new Chubb and reached 2 milestones. Our total capital position now exceeds $60 billion and our cash in invested assets now exceed $100 billion. During the quarter, S&P reaffirmed our AA rating and upgraded our outlook from negative to stable. And A.M. Best reaffirmed our A++ plus rating with a stable outlook and removed their under review designation. Adjusted investment income of $816 million for the quarter was slightly lower than our expectation, because of lower than estimated private equity distributions. As Evan mentioned, and as we discussed last quarter, we are on track to reposition the portfolio to enhance returns without taking significant additional risk. However, based on the decline in investment yields during the second quarter, we are now expecting consolidated adjusted investment income to be in the range of $820 million to $830 million for the third quarter, which compares to our most recent guidance of $830 million. This is subject to volatility, investment yields, prepayments on our mortgage-backed portfolio, private equity distributions and foreign exchange. Our portfolio continues to have an average AA rating and a duration of approximately 4 years. Our current book yield is 3.4%, and new money rates are 2.3%.

Net realized and unrealized gains for the quarter were $830 million pretax and include $933 million gain from the investment portfolio, primarily from the decline in interest rates; a $159 million mark-to-market loss on the VA portfolio, also primarily from the decline in interest rates and a $59 million gain from FX.

Operating cash flow for the quarter was $1.1 billion. Tangible book value per share was up 6.1%, reflecting our strong earnings and the net realized and unrealized gains I just mentioned.

Net loss reserves increased $269 million for the quarter. The paid-to-incurred ratio was 93%. Adjusted for cat losses and prior-period development, the ratio was 89%.

As we announced, our catastrophe losses in the second quarter, net of reinsurance were $390 million pretax or $311 million after-tax. Of the pretax total, $320 million was from natural catastrophes in North America and $70 million was from events outside North America. We've included more details from where these losses were incurred in our supplement. Prior-period reserve development was positive $301 million pretax and comprised $205 million from long-tail lines, principally from 2011 and prior and $96 million from short-tail lines. Our tax rate on operating income for the quarter is 16.7%, which is in the range of the expected annual effective tax rate of 16% to 18%. Quarterly tax rates vary based on where our income emerges.

I'll turn the call back over to Helen.

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

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] And we'll take our first question from Kai Pan of Morgan Stanley.

Kai Pan
Morgan Stanley, Research Division

Thanks for all the details on the top line growth. Just want to focus on the North American personal P&C insurance. If you're excluding the Fireman's Fund onetime transfer, the overall premium is like pro forma is down 5%. I was wondering is that including sort of the -- rather than the transfer but these legacy Fireman's Fund business as you'll reunderwrite that business, and how long will it last because you started it last summer, I just wonder at which point we could reach an inflection point on that?

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

Kai, I think I answered most of your question in my commentary. Because I said the Fireman's Fund ran a 72% retention rate, that's what impacted that 5%, and excluding it, we were up 1%, and I gave you pricing and exposure numbers. The 72% was due to a couple of things: nonrenewal action, we actually nonrenewed a certain percentage of the portfolio; and pricing action we took as we convert to the legacy Chubb/ACE pricing when you -- we take an expiring policy on Fireman's Fund paper and literally convert it to ACE or Chubb paper on pricing, there is a very meaningful pricing differential in the majority of cases. And that also impacted renewal retention rates. There are customers and producers who chose a cheaper option, and by the way, an awful lot of that was contemplated when we actually determined to make the purchase of the Fireman's Fund portfolio. So you have those things. This will continue through the third quarter. And in the fourth quarter, while it will continue, it's on a far-diminished basis, and we expect a substantially higher renewal retention rates, because it's on business that's on legacy ACE paper.

Kai Pan
Morgan Stanley, Research Division

That's great. And then the second question on the integration expense savings side. How much of the $275 million you guided for the 2016 was saved in this second quarter?

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

It's about $67 million.

Kai Pan
Morgan Stanley, Research Division

$67 million. Okay. And then just looking forward, you have these cost savings. By my calculation, if you lump them all into the underwriting results probably count to anywhere between 1 to like 2.5 points of your...

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

That was your first mistake. You just counted them all into the underwriting.

Kai Pan
Morgan Stanley, Research Division

Okay. All right. So let me rephrase it. Just say, well, these cost savings be enough to overcome the pricing pressure in order for you to maintain that or improve the margin going forward?

Philip V. Bancroft

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

CFO, Executive VP, CFO of Chubb Group and Executive VP of Chubb Group

Well, that's a forward-looking statement and that's guessing everything that you can imagine about terms and conditions in pricing as -- and renewal retention rates as we go forward, so it's guessing market conditions, I think it's better to say that -- by the way, the cost savings show up in operating expense line. They show up in the claims line. The portion that is QA related. They show up in the acquisition line. And so they show up in 3 different categories. What it is safe to say is, the expense savings will ameliorate any deterioration in underwriting margin. Whether it offsets it, we'll see how future years look.

Kai Pan
Morgan Stanley, Research Division

Okay, lastly, if I may. Is there any sort of any impact from the potential near-term and long-term impact from Brexit?

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

There is no near-term. And look, the long-term is going to depend on what's negotiated between the U.K. and the EU, which we don't know. You're all familiar with the term passporting and that would be the biggest impact to us. And in which case, if passporting is not negotiated, we will have a separate European sub, which would have some capital implications. The exact amount, I can't tell you, but we'll be able to handle it easily, and we'd have a modest amount of personnel impact as well, not dramatic. I don't foresee a substantial impact, but let's wait and see what's negotiated.

Operator

And we'll take our next question from Michael Nannizzi of Goldman Sachs.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Just following up on that a bit, if I could, Evan. On the personal lines business, it sounds like the comparisons on a year-over-year basis get a little bit easier as the year progresses. Isn't it distortion in the second -- like we saw in the second quarter? Just want to try and understand if that's exactly right. And also how we should be thinking about the net impact on underwriting from this reinsurance or change in reinsurance?

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

The change in reinsurance will improve the expense ratio, in particular. And I would say that, I'm not going to give numbers. The third quarter will have less impact than the second quarter, because we don't have the onetime. And the onetime underwriting benefit, we had some in the third quarter and some in the fourth quarter last year, as you recall, but it was much larger in the first than in the third and the fourth. So you get that -- we had that positive pickup that wouldn't repeat in '16 from Fireman's Fund and we disclosed that to you. And so you have those numbers and you know those. The renewal conversion will have less of an impact in the third quarter than the second, and -- but it will still have an impact, and the fourth quarter will be dramatically less.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

Great. Okay. And then you mentioned Fireman's Fund as far as conversion, can you talk a little bit about like for legacy ACE clients on the Personal Lines side. I'm guessing the premium also there will be higher than it was? Maybe that's not true, but I'm assuming it is. So maybe you could help on that. Has that impacted retention? And then for legacy Chubb agents, has there been any change in commission structure? Or are there commissions across legacy ACE and Chubb similar?

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

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Okay. So the first part of your question, I'm going to answer quickly, and then I'm going to turn it over to Paul Krump. And -- but the -- remember, our legacy ACE customer is renewed on legacy ACE paper. They remain, and the legacy Chubb customer is renewed on a legacy Chubb paper. Our new business is written on legacy Chubb rates, terms and paper. Paul?

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

Sure, Evan. And maybe just put a sharper point on that, because we do see a little bit of account rounding coming in on the new -- on ACE paper as well. So somebody might be buying an excess policy above their homeowners and automobile, so there is a small amount of new "business" coming on to ACE paper, but that's from account rounding, and it's not truly a new customer. You mentioned commissions, there has been really no change in the commission structure whatsoever. Our agents enjoy a good commissions, and our GSE program is alive and well.

Michael Steven Nannizzi
Goldman Sachs Group Inc., Research Division

And so would you plan on maintaining the 2 separate platforms, legacy ACE, so that will continue in perpetuity for legacy ACE insureds or is there -- at some point, you'll have 1 product, 1 brand?

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

For the foreseeable future, we'll have the 2 platforms. Evan has mentioned in previous calls that we're always looking for new product, and we're kicking around how we can improve the current masterpiece, which is really the Cadillac of products out there. And over time, we will work on that. I would foresee at that point that there'll be a conversion.

Operator

We'll take our next question from Ryan Tunis of Crédit Suisse.

Ryan James Tunis
Crédit Suisse AG, Research Division

I guess, just a follow-up on the reinsurance discussion, really curious, does the increase in the reinsurance spend allow for broader strategic growth opportunity? Or does it really improve the risk profile and profitability at the existing book?

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

It does both.

Ryan James Tunis
Crédit Suisse AG, Research Division

Any interest on elaborating further?

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

No.

Ryan James Tunis
Crédit Suisse AG, Research Division

Okay. I guess, my other follow-up for Evan is just on, on where we are, I guess, in terms of tangible book? I mean I noticed tangible equity has grown about $1.6 billion since March. And I think Evan has said in the past that one of these goals of this deal is to get tangible book value -- I know it's per share back to where it was prior to the deal. We're just wondering how important is it to get the tangible book value

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

per share back to where it was prior to the deal before considering further deployment of capital either through M&A or buyback?

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

Ryan, we're on track to do that. Our own projections when we originally did the deal was, from memory 3.5 years, or under 3.5 years, our updated projections hold us right on track with that, and that is growing tangible is important to us. That's a balance sheet, quality of balance sheet question to us. You can pay claims out of tangible capital. And then your most constraining factor, financially, is tangible. So growth in tangible is important to us. On the other side of the coin, we will generate depending on, if you can't predict conditions, you can't predict losses precisely, but our own projections, if they hold, we will generate flexibility, capital flexibility as well. So I think that that's about as far as I want to go with that.

Ryan James Tunis
Crédit Suisse AG, Research Division

Okay. So it's safe to say that if at some point, you're more -- you're comfortable with the risk profile, the rating agencies were comfortable with the risk profile of the business, you potentially be willing to extend that 3.5-year goal out further, if they were an accretive opportunity?

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

No, no. I'm not willing to extend that 3.5-year goal out further. No. That's misunderstanding. We can achieve that 3.5-year goal. And at the same time, we will generate surplus capital. But we're in capital flexibility. Remember, I call it capital flexibility. I haven't said that -- we like having capital flexibility. That's a good thing. And we are in the risk business, and we're also a growth company in terms of book value. We like having capital flexibility on our balance sheet.

Operator

And we'll take our next question from Sarah DeWitt of JPMorgan.

Sarah Elizabeth DeWitt
JP Morgan Chase & Co, Research Division

I was wondering, first, if you could just elaborate a bit more on the cross-selling opportunities. I appreciate the marks, but if you could give some specific examples, I think that would be really helpful.

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

Great, and thank you, Sarah. I'm going to actually ask John Keogh to actually elaborate on those, and John Lupica or Paul Krump or Juan Andrade may want to pile in.

John W. Keogh
Chairman

Sure. Sarah, it's John Keogh. Listen, there's a bunch of examples I could give you. And Evan mentioned, where we're seeing in terms of the products, maybe I'll give you one which, I think, kind of speaks to the strength of the 2 companies coming together in a piece of business we wrote this quarter that was worth of a couple of million dollars of premium. And it was a relationship that legacy Chubb had, a very strong relationship going back for a number of years through their D&O position as lead D&O carrier and also an excess liability. The client is in the nursing home business, a large nursing home chain. Legacy Chubb had chosen to stay out of medical liability business over the years. Legacy ACE, we've been in that business for a long time, know it well, have done well in it. Knowing the client well, knowing the producer well, we went and had a conversation about their coverage for medical liability. Given the relationship they enjoyed with legacy Chubb, they were more than happy to talk to us about that, and that resulted in us writing a

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

medical liability for a couple of million dollars of premium. And I think, we probably would not have written but for the 2 companies coming together.

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

Sarah, if I can -- yes, this is John Lupica. If I can just say from the branch and office -- regional office standpoint, it's awesome to see this company come together. We have 48 branches that are really learning from one another, and the momentum we're picking up is just terrific. We have -- yes, we have policies in place with dual declination so people get to see each other's opportunity, so we know each other's appetite. The product that ACE is bringing to the table is terrific. The capabilities that Chubb is bring to the table is awesome. We have an example -- one example is we have a large risk management business out of a satellite office that came from an agent that wasn't even appointed on the ACE producer list. And this agent had a house account that was introduced to the ACE risk management team and our ACE's claim team. We took a small single specialty line that Chubb had written on financial lines and turned that into a $6.5 million relationship by being able to the write the comp, geo, auto and claims all in a cash flow basis. Again, from an office we didn't have presence in and the agent who didn't have a license. So just terrific.

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

Yes, I'll probably add just a little bit. As I watched the people travel together and understand each other's appetite, Evan called it, knitting the organization together. We're seeing every day, in the middle market, lots of opportunities. I heard about one this week out in Chicago, where we were traveling to an agent that was appointed by legacy Chubb. And I just wanted to meet some of the legacy ACE underwriters, and they walked away with $221,000 account just because they did not understand ACE's appetite, obviously, from the past. But we're very excited about the opportunity to learn more, and just in the course of last 2 days, resulted in $221,000 account.

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

And this is Juan Andrade. Speaking for the international side, I think our team is very much the same. We're particularly in places like continental Europe, the U.K. and Asia Pacific. We've been very successful in cross-selling legacy ACE's property products into legacy Chubb's casualty portfolio. In addition to that, also bringing in legacy ACE's cyber products into the legacy Chubb financial lines portfolio. And probably the last example I would give has to do with our large account multinational business, where now, with the legacy Chubb Worker's Compensation capability in the U.S., we're able to better round our multinational products for those companies.

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

You've got a mouthful there, Sarah.

Operator

We'll take our next question from Jay Gelb of Barclays.

Jay H. Gelb
Barclays PLC, Research Division

On Page 8 of the supplement, it shows total Commercial P&C on a constant-dollar basis been down just 0.5%. I was trying to get some perspective on how that result compares to your expectations at this point in the integration?

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

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Pretty much in line with our expectations. I gave you the color that we're down around 1.5%. We had an impact of about 1.5% negative growth due to actions we took related to the combined portfolio as we did the merger, and that is around underwriting actions that we had contemplated, either nonrenewable or purchasing reinsurance protections. And that is in line.

Additionally, we did -- because the market is soft, we did also take some underwriting actions a little bit above what we might have and related around the reinsurance as well, where we judged the risk rewards. So all together, and that's what I said in the commentary, it makes some -- it makes good sense to me. Our renewal retention rates have remained very high, very good. And I've got to tell you, though, you look at the middle market business at 89.5%. That's high. That's a very good renewal retention rate, which, in the middle market commercial business in The United States today, the pattern is, everyone's trying -- who is responsible is trying to hold onto their renewals and there is less drive for new business. Among those who really do have the data, have the presence, have good underwriting, there is a bunch of smaller wannabes who are doing some crazy things to -- and I think fairly desperate things to show growth and write new business. That's just normal stuff, nothing to do with the integration.

And in our large account business, we ran over 90% retention rate. Excellent. So what do you have? A higher retention rate in the commercial businesses with good underwriting, underwriting actions that we have taken to improve risk reward that we contemplated, and some actions that we took that impact net premium but improved our risk reward based on soft market conditions. Feeling pretty good to me.

Jay H. Gelb
Barclays PLC, Research Division

Then a couple of quick ones for Phil. Phil, for the net investment income of $820 million to $830 million in the third quarter, would that have any impact on quarters beyond that as well?

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

In the last call, we talked about a range of $820 million to $840 million, and we saw that as a view over the rest of the year and thinking that in the second quarter, we'll be closer to the lower end of that range, and in the fourth quarter, we'd be closer to the higher end of that range. At this point, we've said, "look, we really can't foresee what interest rates are going to do much beyond the third quarter so we've decided to limit our guidance to $820 million to $830 million for the third quarter alone."

Jay H. Gelb
Barclays PLC, Research Division

Okay. And then finally, on debt-to-capital, it's already down to 22%, taking to account AOCI, which had a gain in the second quarter. Can you remind us what your goals are relative to financial leverage?

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

Yes. Our leverage at this point is fine. From a rating agency standpoint, from any measure, our leverage is fine. I expect that as we continue to grow our capital base just naturally that, that will decrease. But we're within our range.

Operator

Our next question comes from Paul Newsome of Sandler O'Neill.

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

I want to ask a question on the middle markets business, we were out talking to agents and such. And they were commenting that they thought that the new Chubb was expanding terms and conditions and the types of customers you take on in a fairly significant way. And I guess the question is, is that true? And if it is, the extent -- if you could talk to the extent that, that's happening in the market.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

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

Well, we'll talk a little bit about it, but we're not going to give a roadmap to everybody out there. Paul, go ahead.

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

Yes. Paul. I -- This is Paul. I would unpack that a little bit. You really have 2 thoughts going there. One is appetite. And I would suggest to you that the 2 companies have come together and have very complementary appetite. Legacy ACE is bringing a lot of skill in areas that legacy Chubb didn't have. For example, cyber or environmental. And we are certainly cross-selling and taking advantage of those new skills. So yes, there's been an absolute increase in the Chubb appetite if you think about legacy Chubb in the middle market space. So accident and health would be another one, where we're cross-selling. If you're talking about terms and conditions, I think Evan said it in his remarks, that we're seeing a slight erosion around the margin, in particular, around CAT. Flood, we're seeing people lower deductibles for the same premiums or increasing the sublimits around quake. We are resisting that as best as we possibly we can. We are not in the business of underpricing exposure. So we're trying to be as disciplined as we possibly can in this marketplace.

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

And then I have an sort of an unrelated question, but a broader one. Obviously, you put 2 big companies together, and you have executive leave because there's only one slot. Do you think we're pretty much through the period of time where we're going to see continuous headlines from -- like we have in the past from people leaving and going else, is that process largely finished, more of a headline risk, I guess, that we sort of suffered through out. Wondering if we're -- you think we're done with that?

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

Well, frankly, the words you're choosing to use, I don't even relate to most of those. So it's almost -- it's too much time and gossip. We have lost. Since the acquisition was announced on the legacy Chubb's side, so in over a year, we lost, at the mid-level ranks, 60 people. We lost about 30 to 35 people we didn't want to lose. Now that grinds on me. However, that is out of 31,000 people around the world. That is not a very big number. And word Exodus of people, large numbers of this or that is, I don't even relate to that. The stability is tremendous, and the depth of talent here is great. And somebody steps out, man, I'll tell you what, there is someone is eager to take that opportunity and move along.

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

That's very helpful. Sorry for the poor choice of words, but thank you for the commentary.

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

Well, I take -- what could I tell you, bud? I take it personally. This is personal.

Operator

We'll take our next question from Charles Sebaski of BMO Capital Markets.

Charles Joseph Sebaski
BMO Capital Markets Equity Research

I have a follow-up on the cross-selling and the example that was given that was really helpful, I think, on the nursing home and the medical liability. I wanted to get...

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

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

We'll be ready for you, Charles, when you get there.

Charles Joseph Sebaski
BMO Capital Markets Equity Research

I wanted to get a little deeper on how that works internally. So you have different underwriters that have different background, and the product sets are so large. So how does the Chubb D&O underwriter and the Medical liability underwriter get together, understand, like how does that work internally to put those pieces together to realize or recognize that opportunity is there? Or is that on the agent or broker to kind of piece that together?

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

I don't know. It's about -- I mean, first of all, that's the management job, to begin with. A, it's organization structure, and then it is management activity. So product lines that you take the medical liability area. The person in charge of medical liability is now in charge of our whole medical practice group. And we know that there has been legacy Chubb, had a large appetite on the property side for that business, and had a great practice. And so those people become part of a common unit, and they -- and it begins. They begin that unit at underwriting, at the underwriting side. And they put together lists of common risks where they would -- where everyone would play. And then that moves down to our underwriters in the regions who understand that, and they're caused to come together in that practice group. And then they're moving into their branches where we have salespeople and agent relationship people who get educated. And the underwriters go out with them. And they visit producers that have that business in those portfolios of it. And so you -- and then management feedback because if you can't count it, it ain't worth doing. And so you've got targets and objectives, both financial and nonfinancial. Of -- in the beginning, it's nonfinancial because it's activity-related. It's related around internal activities of how people are organized and how they're educating each other and how they're doing discovery. And then that turns into an offering. And then you start moving that into submissions. And then those submissions move in to quotes. And those quotes move in to bound business, and you are measuring that. Now you have entered our life.

Charles Joseph Sebaski
BMO Capital Markets Equity Research

And I guess one other question, more industry-based. It seems like there's growing appetite in the marketplace of people looking to get into trade credit and political risk. Curious if that's your take on what's going on in the market. And any commentary on what's going on in those product lines where that may be the case knowing that, that's something you guys have done for a long time?

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

There's a -- first of all, it's not new. There have been people entering this. For the last 5 years, you've seen more entering the marketplace there. A lot of wannabes, small facilities and underwriter and -- one underwriter and a little bit of capital, and not real franchise. You see more people trying to enter now only because, listen, they're scratching for business. They don't want to shrink their -- they think growth at just the top line equals strength. They want to show more franchise capabilities so they begin entering the market. Just look at the world today and imagine to yourself, which I think is the background of your question. Is this a brilliant time to enter the trade credit or political risk business? Interest rates at record lows. $11 trillion in negative rates. Invested in negative spreads. You have real rates. You have a world awash in capital, tremendous amount of misallocation of capital, and with all that, you have a world growing below trend economically and slowing down more, protectionism growing, and geopolitical risk everywhere. It sounds like a brilliant time to get into that business, by the way, where rates are at a not a record low, but certainly at a low point.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I wish them a lot of luck because that's all they've got going for them.

Operator

And we'll take our next question from Ian Gutterman of Balyasny.

Ian Gutterman
Balyasny Asset Management L.P.

First, can I just get a clarification? Phil, when you talked about the $67 million of cost saves achieved, was that cumulative? Or is that just for the second -- just for the quarter?

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

That's the amount realized from an accounting standpoint in the second quarter.

Ian Gutterman
Balyasny Asset Management L.P.

Okay. So the year-to-date then is closer to about $100 million?

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

Yes, we had that at $40 million, but that's right. We had about $40 million in the first quarter.

Ian Gutterman
Balyasny Asset Management L.P.

Got it. Okay. And then just one quick clarification on the Personal Lines reinsurance. I assume that's a quota share for that size of premium?

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

That's about as far as I'm going to go.

Ian Gutterman
Balyasny Asset Management L.P.

Okay. Fair enough. And then just a bigger picture...

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

We don't talk about our reinsurance. Those are privately negotiated. And I know people, there are others who will talk about their reinsurance placements. As a matter of practice, Ian, so I'm not trying to be rude. As a matter of practice, we just don't talk about.

Ian Gutterman
Balyasny Asset Management L.P.

No, that's all right. That's okay. I was just trying to take a better guess on the model side if I needed to adjust CAT loads or anything like that. And then just....

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

That was an intelligent thought right there, by the way. Very intelligent thought.

Ian Gutterman
Balyasny Asset Management L.P.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I tried. My bigger-picture question, I thought I'd give your platform if you want to use it. Following up on the Brexit question, and then -- and what we're having here with the election, the world seems to be turning more anti-trade, anti-globalization. Chubb is obviously a big global insurance company. What ramifications are there if the world does go that way? And just sort of what things do think about and worry about if we continue down this protectionist populist path?

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

Ian, that is right question. United States is a leader in democratic, liberal-minded free world. We have a responsibility in that leadership. And we have been absent from the stage of late. We, as a country, recognize the price we seem to pay for that leadership, but we hardly recognize the benefits that are enormous that we gain as a country because the world is hardwired since World War II to advantage The United States. And the benefits to our economy and GDP and the benefits in terms of stability where economies don't flourish but with stability and predictability. And so it's worrisome. And the growing protectionism is worrisome. And the only way you move past that is with leadership and its political leadership. Central banks can't help you with this. And protectionism, we all get what that does. At the end of the day, it's beggar thy neighbor, and the pie grows smaller. The pie doesn't grow bigger. And if you want to feed those who are disadvantaged and you want to provide them opportunities and you want a more prosperous world, you need to be able to afford it. And the only way is through growth. And growth in trade and growth in global trade, where each can bring and use its comparative advantage, that has served the world well. And that -- and the way we're vilifying it and somehow retrading on the past and characterizing it that trade has been evil and has damaged our country and has damaged the world, it's just so misguided. And then to add to that, the immigration is somehow our enemy. It's again misguided populism and feeding on the suffering of those who may vote. So you get where I stand, clearly.

Ian Gutterman
Balyasny Asset Management L.P.

Well, said. Well said. But just as a follow up, does it change your appetite at all for -- when you're looking at maybe possible acquisitions overseas or putting more capital to grow in certain countries, do you hesitate in certain parts of the world now?

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

Well, Ian, I hesitate wherever it's hostile. And I give it thought. And obviously, you go where you think the opportunity is. And if the opportunity looks more hostile, you're going to hesitate. You're going to wait. You're not going to rush. Even if you think longer-term, it's like, well, am I in a hurry right now? Or do I have a year or 2 to wait? And you can see lots -- you see lots of places around the world that way. As economic growth slows, insurance growth slows. That's the way it is, and so you adjust accordingly.

Operator

And we'll go next to Larry Greenberg of Janney.

Lawrence David Greenberg
Janney Montgomery Scott LLC, Research Division

I was going to try to push you a little bit further on the reinsurance, but I get the sense that's probably not a good idea.

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

Yes. You've got it. I mean, you could push, but you ain't going to get anywhere.

Lawrence David Greenberg
Janney Montgomery Scott LLC, Research Division

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Well, let me just -- so just from a modeling standpoint, I mean, we've got the -- since you give me the opening. So we've got premiums going down. We've got the expense ratio going down. It seems under normal conditions the premium decline would more than offset the expense ratio decline. And I know we get into questions of, is this tail coverage? Is this more attritional loss coverage? But -- I mean, is there anything you could help us with in that equation?

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

No. No, we each have our own hell to live in, and the only thing I could tell you is, is that we think we're pretty good analysts. We think we understand our business pretty well, and we're thoughtful when we make trades and transactions. And we plan for the long-term, not just short-term opportunistic. And we understand how to measure risk reward. And we're fiduciaries of shareholder money, and we're going to exercise that fiduciary responsibility carefully. And so when we make any trades or any transactions like that, we do all the analysis. And as I said earlier, the risk reward is in our benefit.

Lawrence David Greenberg
Janney Montgomery Scott LLC, Research Division

Okay. That's helpful. And then just...

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

It didn't help your model. I know that.

Lawrence David Greenberg
Janney Montgomery Scott LLC, Research Division

No, no. Not at all, but that's okay. So you said that CATs in the quarter were $100 million-or-so higher than you would have contemplated before. And you also said that industry-wide, CATs were kind of in line with history but above near-term recent performance. So I'm just trying to reconcile that $100 million. And looking forward, and I know that Personal Lines reinsurance thing is going to change this a little bit, but was your CAT assumption too low relative to history? And would you adjust that at all at this point?

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

No. I don't think so. And when you look at industry historic averages, that's not necessarily what the company's and the 2 companies' historic averages are. So they each have a different basis. And remember, I was looking at -- I gave a worldwide average of industry that way. So you've got a little bit of chalk and cheese there when you're thinking about that. But where I link them is directionally. When I look at the industry losses, even though they are more elevated but historic, and I look at our share of them, and relative to our share business, et cetera, they didn't throw me at all. It made good sense to me, number one. Number two, you saw the global REIT actually had a part of CAT losses in the quarter. And they've been relatively quiet. They sell CAT excess. We have for many, many years. And so you get the natural volatility of reinsurance that way, your reinsurance portfolio, and they've done very well, by the way and -- that business of ours. And so they contributed $50 million, $60 million to that increase. And it was above what they would have "expected," but it's CAT excess. So what do you know?

If I look at what we would have anticipated in the quarter, legacy ACE, by itself, would have been about 5 points of earned premium in the quarter would have been an expected. The 2 companies together now, about 5.75 points of earned premium. So the volatility signature hasn't really changed. So anyway, maybe that gives you a little color around it.

Operator

Our next question comes from Josh Shanker of Deutsche Bank.

Joshua David Shanker

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Deutsche Bank AG, Research Division

As we get to the back half of the year, both companies do their asbestos analyses. I'm wondering if you have any thoughts on different procedures or different approach or contemplate merging those 2 sort of prophecies together as we go through that.

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

No. We're a -- one company is under a statutory order, and that is the Brandy wine, which is runoff, and so the state of Pennsylvania hires an external -- has an external review while we do our own internal, and we do our own internal annually anyway. And Legacy Chubb has done an annual review. And we bring -- we're bringing those 2 together. And by the way, it's on the margin, what the differences are between that 2 in approach, very, very similar. But it's a unified team that'll -- management team that'll oversight the 2 together. That's it.

Joshua David Shanker
Deutsche Bank AG, Research Division

And the seasonality, that's a 3Q situation for everyone?

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

No, it's a fourth quarter.

Joshua David Shanker
Deutsche Bank AG, Research Division

For fourth. Okay.

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

We do environmental in the third, asbestos in the fourth. That's it.

Operator

And we turn next to Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of questions here. First one. Last quarter, you talked a little bit about small commercial opportunity in the U.S. I noticed this quarter, U.K. Ireland, the new product on -- some other stuff in Europe. Can you talk about what the SME opportunity is for you guys now that the combined Chubb's here in Europe?

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

Yes. Juan, you want to just touch on it?

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

Sure. So Brian, I think, for us, the SME opportunity outside of United States is also pretty significant. If you look at just a number of enterprises that are out there that really would fall into that category, there's a significant amount of premium. We've had an ongoing strategy in legacy ACE, I would say over the last 6 years, to really target that space. And initially, we started in developing markets, particularly in Asia and Latin America. And frankly, we've been pretty successful at growing that business profitably. The emerging markets business is simpler, basically small property-type packages, some liability, et cetera.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

In the U.K. and in continental Europe, with the distribution that legacy Chubb's bringing, we're now expanding some of those capabilities as well. And that's probably what you have seen in maybe some of the press releases that you may have been referring to is the fact that we're rolling out new product and new capability, especially around Specialty Products, small D&O, small environmental, that sort of thing, really to target the smaller enterprises in the U.K. and the continent.

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

And that's gets around packages. We -- traditional packages. We're adding specialty coverages to them. We're after industry verticals the same way we do in the U.S. But understand that when you -- these are small premiums per policy. And so to move the stick and really grow a volume, it take years of patience. So it's not something we're going to discuss every quarter, and it's one of those things that we'll polish it in the basement and we'll march out when it's looking pretty good there.

Brian Robert Meredith
UBS Investment Bank, Research Division

And then one other quick question here to you, Evan. Another good topic with the elections here coming up. Tort environment. What are your kind of thoughts on the tort environment. We've got a new Supreme Court justice that's got to have to be put in place here. Are you seeing anything that -- anywhere that is alarmist right now with respect to trend in the tort environment in the U.S.? And what are your thoughts going forward?

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

The tort environment is reasonably stable. There are hostile trends and rulings that we have noticed over the last year or 2, particularly in labor and labor-related liability. Depending on the state, because it's state-based, not federal, worker's comp, which is, again, labor-related, and that more in the main. On the other side of the coin, the federal courts, and particularly, the Supreme Court, has been pretty friendly to -- in its rulings, more favorable for corporate. And when you look at class actions and security class actions-related rulings, those have been favorable. Look, you look forward, and if -- depending on who is elected, we could see a more liberal terms in the courts. And that would, be -- I think that would ultimately be hostile to tort and for insurance.

Operator

And we'll take that final question from Meyer Shields of KBW.

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

Evan, can you explain why the actions you're taking on legacy Fireman's Fund wouldn't necessarily work in Brazil leading to the decision to sort of exit that high-net-worth market?

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

Say that again, excuse me.

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

Okay. You talked about how you're exiting the high-net-worth Personal Lines market in Brazil, and I'm wondering why the same sort of actions that you're taking on Fireman's Fund when legacy Fireman's Fund business aren't applicable there?

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

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Yes, sure. It's the automobile business. We're -- if you look at structurally how Brazil works, there's 2 or 3 very large players who dominate the marketplace, and -- number one. And number -- and they have such an advantage in terms of distribution of claims management, data, et cetera. And high-net-worth auto in Brazil is code word for simply very-high-value automobiles. And by the way, a lot of sport cars. You may not know this, but the city -- I think the second city in the united -- in the world with the greatest number of Ferraris is São Paulo. And that's a -- just a parlor statistic figure. And the ability to be able to price that business, manage it well and have a business that is of a large-enough size because the definition of high net worth in Brazil relative to a high net worth, say, in the United States is so different.

In the U.S., a fraction of our portfolio was automobile. Most of it is homeowners, jewelry, art, furnishings. It's a much broader portfolio. Auto is the -- is a minority portion of it. You get to Brazil, there is no high-value homeowners per se. And insuring all the rest, very tiny market. So it's the reverse. We end up with an automobile portfolio that is very, in a sense, anti-selected and hard to manage and which you don't get paid for, and you don't have the benefits of all the rest. So there is an underwriting tutorial, Meyer 101.

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

That's helpful. And I did not know that about the Ferraris. In the aggregate, I guess this question is for Phil. Was there an FX impact to EPS in the quarter?

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

Yes. It was about $6 million to underwriting and $10 million to bottom line.

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

Okay. And is there a run rate for the other income that we can anticipate?

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

Yes. I think what I'll do, if you don't mind, we take that off-line and I'll take you through the documents that we put out that show the amortization of the intangibles and all of that right? So we can help you with that.

Operator

And with no further questions in the queue, I'd like to turn the conference back over to Helen Wilson for any additional or closing remarks.

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
And this does conclude today's presentation. Thank you all for your participation.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

The information in the transcripts ("Content") are provided for internal business purposes and should not be used to assemble or create a database. The Content is based on collection and policies governing audio to text conversion for readable "Transcript" content and all accompanying derived products that is proprietary to Capital IQ and its Third Party Content Providers.
The provision of the Content is without any obligation on the part of Capital IQ, Inc. or its third party content providers to review such or any liability or responsibility arising out of your use thereof. Capital IQ does not guarantee or make any representation or warranty, either express or implied, as to the accuracy, validity, timeliness, completeness or continued availability of any Content and shall not be liable for any errors, delays, or actions taken in reliance on information. The Content is not intended to provide tax, legal, insurance or investment advice, and nothing in the Content should be construed as an offer to sell, a solicitation of an offer to buy, or a recommendation for any security by Capital IQ or any third party. In addition, the Content speaks only as of the date issued and is based on conference calls that may contain projections of other forward-looking statements. You should not rely on the Content as expressing Capital IQ’s opinion or as representing current information. Capital IQ has not undertaken, and do not undertake any duty to update the Content or otherwise advise you of changes in the Content.
THE CONTENT IS PROVIDED "AS IS" AND "AS AVAILABLE" WITHOUT WARRANTY OF ANY KIND. USE OF THE CONTENT IS AT THE USERS OWN RISK. IN NO EVENT SHALL CAPITAL IQ BE LIABLE FOR ANY DECISION MADE OR ACTION OR INACTION TAKEN IN RELIANCE ON ANY CONTENT, INCLUDING THIRD-PARTY CONTENT. CAPITAL IQ FURTHER EXPLICITLY DISCLAIMS, ANY WARRANTY OF ANY KIND, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT. CAPITAL IQ, SUPPLIERS OF THIRD-PARTY CONTENT AND ANY OTHER THIRD PARTY WORKING WITH CAPITAL IQ SHALL NOT BE RESPONSIBLE OR LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY DAMAGES OR LOSS (INCLUDING DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL AND ANY AND ALL OTHER FORMS OF DAMAGES OR LOSSES REGARDLESS OF THE FORM OF THE ACTION OR THE BASIS OF THE CLAIM) CAUSED OR ALLEGED TO BE CAUSED IN CONNECTION WITH YOUR USE OF THE CONTENT WHETHER OR NOT FORESEEABLE, EVEN IF CAPITAL IQ OR ANY OF THE SUPPLIERS OF THIRD-PARTY CONTENT OR OTHER THIRD PARTIES WORKING WITH CAPITAL IQ IN CONNECTION WITH THE CONTENT HAS BEEN ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES.
© 2017 Capital IQ, Inc.

Copyright © 2017 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.