S&P Global
Market Intelligence

Chubb Limited NYSE:CB

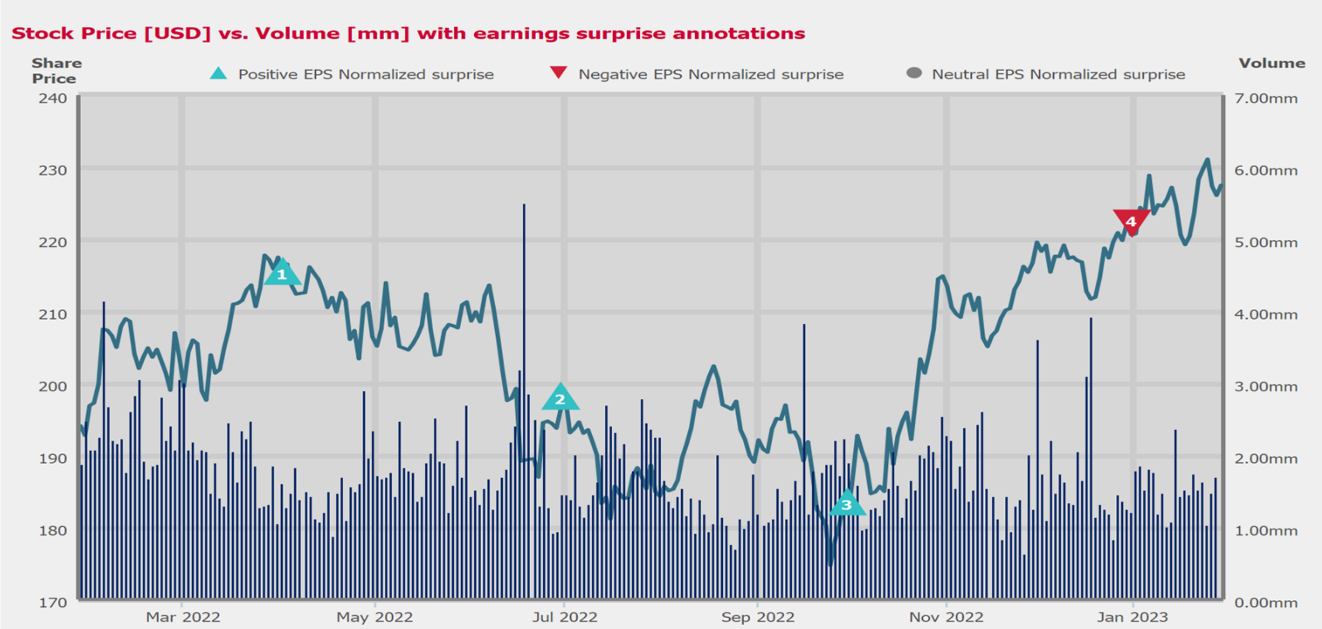
FQ4 2022 Earnings Call Transcripts

Wednesday, February 1, 2023 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2022-			-FQ1 2023-	-FY 2022-			-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	4.25	4.05	(4.71 %)	4.46	15.45	15.24	(1.36 %)	17.97
Revenue (mm)	9276.10	9021.00	(2.75 %)	8978.00	38132.67	38112.00	(0.05 %)	39765.24

Currency: USD
Consensus as of Feb-01-2023 8:30 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2022	3.48	3.82	9.77 %
FQ2 2022	3.62	4.20	16.02 %
FQ3 2022	2.61	3.17	21.46 %
FQ4 2022	4.25	4.05	(4.71 %)

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EXECUTIVES

Evan G. Greenberg
Executive Chairman & CEO

Karen L. Beyer
Senior Vice President of Investor Relations

Peter C. Enns
Executive VP & CFO

ANALYSTS

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Jon Paul Newsome
Piper Sandler & Co., Research Division

Michael David Zaremski
BMO Capital Markets Equity Research

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Presentation

Operator

Good morning. My name is Rob, and I will be your conference operator today. At this time, I'd like to welcome everyone to the Chubb Fourth Quarter 2022 Earnings Conference Call. [Operator Instructions] Thank you.

Karen Beyer, Senior Vice President of Investor Relations. You may begin your conference.

Karen L. Beyer
Senior Vice President of Investor Relations

Thank you, and welcome, everyone, to our December 31, 2022, Fourth Quarter and Year-end Earnings Conference Call. Our report today will contain forward-looking statements, including statements relating to company performance, pricing and business mix, growth opportunities and economic and market conditions, which are subject to risks and uncertainties, and actual results may differ materially. Please see our recent SEC filings, earnings release, financial supplements, which are available on our website at investors.chubb.com for more information on factors that could affect these matters. We will also refer today to non-GAAP financial measures, reconciliations of which to the most direct comparable GAAP measures and related details are provided in our earnings press release and financial supplements.

Now I'd like to introduce our speakers. First, we have Evan Greenberg, Chairman and Chief Executive Officer; followed by Peter Enns, 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.

And now it's my pleasure to turn the call over to Evan.

Evan G. Greenberg
Executive Chairman & CEO

Good morning. We had a strong finish, which contributed to another record year. Our quarterly underwriting results were excellent, with an 88% combined ratio despite a true-up to the projected '22 crop insurance full year results. We had good growth in net investment income that led to a record result. And double-digit premium growth with strong contributions from our commercial and consumer P&C lines globally and our International Life business.

More important, the quarterly results led to what was the best full year financial performance in our company's history, including record operating income on both a per share and dollar basis from record P&C underwriting and investment income and another year of double-digit premium revenue growth, including the best organic growth in our international P&C business in a decade. All areas of the company contributed to the outstanding results last year, and I want to congratulate and thank so many of my colleagues around the globe.

Core operating income in the quarter was $1.7 billion or $4.05 per share. Crop results reduced our expected reduced our expected agriculture earnings by $0.39 per share. For the year, we produced core operating income of $6.5 billion or $15.24 per share, up 21% and again, a record. Quarterly P&C underwriting income of $1.1 billion was impacted, as I said, by an underwriting loss from crop. As we trued up our projection for the '22 crop year. This change of view for the full year result was due to the late season emergence of losses from drought conditions in certain Corn Belt states, which overshadowed average to excellent growing conditions in many other areas, leading to what we now know is a below-average year overall for that business.

Agriculture is a weather exposed business with Nat Cat like characteristics. It's about growing conditions and commodity prices. And each year, you start over. For the year, we performed well, all considered. We published a 94.2% combined ratio and produced $165 million in agriculture underwriting income. Back on the quarter, excluding agriculture, the combined ratio was 85.9% and speaks to the strong broad-based underlying performance of our business, which produced an amazing 82.9% ex-cat current accident year combined ratio. Full year P&C underwriting income was a record $4.6 billion, up 23% with a published combined ratio of 87.6%, and that's with $2.2 billion of catastrophe losses in what was one of the costliest years yet for the industry in terms of cats.

On the investment side, adjusted net investment income topped $1.1 billion for the quarter, up about $215 million from prior year and $4 billion for the year, both records. Our reinvestment rate is now averaging 5.6% against a portfolio yield of 3.6%, and that's translating into annualized run rate growth simply going into the first quarter of 13%, which will continue to grow as we reinvest cash flow at higher rates. Our operating cash flow for the quarter and year was $2.7 billion and $11.2 billion, respectively.

For perspective, I want to touch on capital management. As you know, -- our policy is to maintain -- is to manage for capital flexibility after all. We are a balance sheet business in the risk business, and we are a growth company. We maintain flexibility for risk and opportunity and return the balance to shareholders, simple and consistent policy. The last 2 years are instructive. We have organically grown our P&C premiums 21.5%, and that requires capital. We have deployed $5.4 billion for the Cigna acquisition and invested a further $1.4 billion and increasing our Huatai ownership together key strategic acquisitions with an emphasis on Asia. And at the same time, we have returned over $10.5 billion of total capital to shareholders through buybacks over 9% of outstanding shares and dividends, all the while maintaining capital adequacy for risk and future opportunity, and we have capital flexibility given our strong earnings generation power. Peter will have more to say about financial items, including cats, prior period development, investment income, book value and ROE.

Now turning to growth in the rate environment. Consolidated net written premiums for the company increased nearly 12% in the quarter on a published basis or 16% in constant dollars to $10.2 billion. This includes growth of 9.8% in our P&C business and over 100% of growth in Life premiums, reflecting the addition of the Cigna Asia business. P&C premium growth in earnings in the quarter were balanced and broad-based with contributions from virtually all commercial and most consumer businesses globally. Agriculture aside, North America Commercial premiums were up almost 9%, while our high net worth Personal lines business was up 6%, a very strong result. Overseas General grew 9.7% in constant dollars, but declined 1.3% after FX, with commercial up 9.4% and consumer up 10.3%.

We are a major multinational company and are impacted by currency movements. After reaching a 20-year high in September, the dollar has been weakening, and that will benefit our growth in the future. In North America, growth this quarter in commercial lines was led by our major accounts and specialty division, which grew 9.1%, followed by our middle market and small commercial business, which grew 8.7% and renewal retention for our retail commercial businesses was over 96%. In our international general insurance operations, retail commercial P&C grew 9% in constant dollar, while our London wholesale business grew about 7.5%. Retail commercial growth was led by Latin America, with premiums up nearly 13%, followed by growth of 8.5% in Asia Pac and 6.5% in our U.K., Ireland division.

In terms of the commercial P&C rate environment, pricing conditions remain favorable for most lines of business. The vast majority of our portfolio is achieving favorable risk-adjusted returns. So like I said last quarter, in most lines, additional rate is required primarily to keep pace with loss costs, which again are hardly benign in both long-tail and short-tail lines. To illustrate, in the quarter, pricing for total North America Commercial P&C, which includes both rate and the portion of exposure that supports rate, increased 6.5%, with loss costs up 6.5% as well.

Now that's the headline. And let's drill down further because I think it's more insightful. Pricing for Commercial P&C, excluding Financial Lines and workers' comp was up 10%, with loss costs trending 6.9%. Breaking P&C down a step further, property pricing is firming in response to catastrophe exposures, inflation, reinsurance pricing and availability. Short-tail pricing was up 14.7%, while loss costs were up 6.8%. Property insurance is an opportunity for us. For the majority of casualty lines, pricing is adequate. In the quarter, pricing for North America casualty was up 7.5%, while loss cost trends were 6.9.

Now given casualty loss cost trends, rates in most classes need to rise at an accelerated pace. There is little to no room for forgiveness and here a special mention to excess casualty and auto-related liability is warranted. For Chubb, our minds are clear, and our playbook is consistent. In some lines like professional liability and workers' comp, which includes risk management, the competitive environment is quite aggressive, and rates have been falling for a number of quarters now in recognition of favorable pricing and favorable experience. However, if not careful, the market is in danger of overshooting the mark.

In the quarter, rates and pricing for North America Financial Lines in aggregate were essentially flat. They were up 0.2%, while loss cost trends were up 5%. And in workers' comp, which includes both primary comp and risk management, pricing was up 2.3% against a loss cost trend of 5.5%. Internationally, we continued to achieve improved rate to exposure across our commercial portfolio. In our International Retail business, pricing was up about 9.5%. Rates varied by class and by region as well as country within region and loss costs are trending 6.2%.

Turning to our consumer businesses. In our North America high net worth Personal Lines business, again, net written premiums were up about 6%. Our true high net worth client segment, however, grew 12.5%. There is a flight to quality and capacity. In our homeowners business, we achieved pricing of about 12.5%, while the homeowners' loss cost trend is running about 10.5. International consumer lines, premiums grew over 10% in the quarter, again, in constant dollar. Our International A&H division had another strong quarter, with premiums up about 21%. Asia Pac was up nearly 40%, with half of the growth coming from the Cigna acquisition, while Latin America and the U.K. each were up about 13.5%.

Premiums in our international personal lines business were up less than 1% in constant dollar. In our international Life Insurance business, premiums doubled in constant dollar, while life income overall was also up over 100%, both positively impacted by the addition of the Cigna Asia business, which is on track. As we enter '23, while early days, growth in our Asia consumer business, including non-Life, Life and A&H is widespread and strong, a combination of a strong external environment and our capabilities and presence. Consumer lending, increasing foot traffic across retail and banking operations and the resurgence of leisure and business travel are all contributing to strong growth. Leisure travel alone was up nearly 400% over prior year. And as China reopens from its strict pandemic controls, it will further stimulate growth in the region. Think trade, which benefits commercial lines and business travel and think tourist travel as the Chinese begin to travel again on holiday. As regards to China, as you know, last quarter, we received regulatory approval to increase our ownership in Huatai Insurance Group to 83.2%. Since then, the transfer of shares from a number of separate shareholders has taken place, and we've increased our ownership to 64%. The remaining 19% is expected to close in the next weeks or months.

In summary, we had an outstanding year. And looking ahead, we are starting off on a strong foot in the first quarter overall. Conditions remain favorable in terms of continued growth for our businesses globally and then add the strong trajectory of growth from investment income. Despite the challenging macro environment, I am quite optimistic about our future and confident in our ability to outperform.

I'll now turn the call over to Peter, and then we're going to come back, and we're going to take your questions.

Peter C. Enns
Executive VP & CFO

Thank you, Evan, and good morning. As you've just heard, we continue to deliver strong underlying business and investment performance in the fourth quarter, leading to another year of record results. Book value and tangible book value per share increased 6.2% and 9.5%, respectively, since September. The increase reflects strong operating results, $544 million in dividends and share repurchases as well as net realized and unrealized gains of $1.6 billion after tax, including $1.3 billion in the fixed income portfolio from declining interest rates and foreign currency translation gains of $594 million. This quarter's mark-to-market investment gains followed prior quarter's losses from a rising rate environment, reinforcing our view that these fluctuations in valuation, particularly on a high-quality fixed income portfolio are largely transient and don't represent real economics for a buy and hold insurance company like Chubb.

For the full year, book and tangible book value per share decreased 12.9% and 23.5%, whereas excluding AOCI, they increased 5.3% and 3%, respectively, including the dilutive impact on tangible equity of the Cigna acquisition. Our core operating return on tangible equity for the quarter and year was 18.6% and 17.2%, respectively, while our core operating ROE for the quarter and year was 11.9% and 11.2%.

Turning to investments. Adjusted net investment income for the quarter of over $1.1 billion topped last quarter's record by more than 6% and was 24% higher than the prior year quarter. We anticipate this to continue to increase in 2023 through portfolio growth and a continuing attractive rate environment. And as such, we expect our quarterly adjusted net investment income to now be in the range of $1.135 billion to $1.155 billion. The quarter included pretax catastrophe losses of $400 million, principally from winter storm Elliott. There were other weather-related events in the quarter, offset by changes from prior quarter's cats. However, there was no change in our aggregate Hurricane Ian estimate. Catastrophe and crop insurance underwriting losses together added 6.6 percentage points to our P&C combined ratio.

We had favorable prior period development in our active companies in the quarter of $254 million, mainly in the short tail lines, primarily from Commercial P&C Lines of property, marine and agriculture from 2020 and 2021 accident years. In addition, there was adverse development of $87 million in our legacy runoff exposures, including $62 million related to asbestos, which was recognized as part of our annual reserve review. Our paid-to-incurred ratio for the quarter was 102%, of which about 8 percentage points related specifically to payments in our crop insurance program, which are typically higher in the fourth quarter each year. The paid incurred -- paid-to-incurred ratio was 85%, excluding crops, cats and PPD.

International Life Insurance segment income post the Cigna acquisition is as expected, except for an adverse nonrecurring $52 million adjustment in the quarter related to Huatai, the company's partially owned insurance entity. This adjustment was to better align our accounting policies and procedures. In addition, the Life Insurance segment in total benefited from a reserve release of $60 million in the quarter related to our combined North America business. Our core operating effective tax rate was 17.5% for the quarter and 17.8% for the year, in line with previously guided range. Our expected annual core operating effective tax rate for 2023, we expect to be in the range of 18% to 19%.

On a final note, Chubb is adopting long duration targeted improvement accounting guidance or LDTI, as of January 1, 2023. This changes the accounting for long-duration contracts, which relates to our Life Insurance businesses. And this is an accounting change only, having no impact on the underlying economics. In the 10-K, we will disclose the historical book value impact as of 1 and 2 years ago. But as of year-end '22, we expect a net favorable but immaterial impact to book value.

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

Karen L. Beyer
Senior Vice President of Investor Relations
Thank you. And at this time, we're happy to take your questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of David Motemaden from Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Thanks for the detail on the rate by line of business and loss trend by line. I thought that was helpful. I'm interested in the casualty market where it sounds like price is still above loss trend. Hearing again the need for additional rate here. I'm wondering if you're seeing what the market's discipline is in terms of getting that additional rate? Or if competition is picking up here at all, interest rates are higher. We're obviously seeing some competition picking up in professional liability. So just wondering what you're seeing in North America casualty.

Evan G. Greenberg
Executive Chairman & CEO

Yes. Look, I don't think there's an increase in competition related to interest rates. And remember, look at the yield curve, look at the market expect rates to be going out a couple of years. No one misses that. And rates are not at such a level that it would have a material impact, if you were thinking about cash flow underwriting the business and you have liability durations in your question that runs somewhere between 7 years and 25 years, depending on the line of business. So I would -- I don't think that's -- I'm taking time to talk about that because I listen to those -- that kind of thinking, and you're a smart guy, and others are, I think you guys should think that through a little more. It's more to do with them. And I don't see an increase in competition. I see a pretty steady market, but what I do note in certain lines of business is either a lack of recognition of the loss cost environment naive at around loss cost environment, or just a failure of management to be in touch and drill in and show leadership, take action. And I just am concerned about that in certain lines where when you think about it on a risk-adjusted adequate return basis, and that's why I spiked out 2 lines in particular.

I don't think there is a recognition among most that to maintain discipline, you better keep pace with loss cost because there's no room and in some cases, overshooting the mark and this can get away from you pretty quickly. We're not in a benign inflation environment in casualty, and that has nothing to do with general inflation, that has to do more with everything around so-called social inflation. And you can see it. It's a trend that has footprints that go back a number of years, and it's very, very clear.

Then you have a couple of other lines, which I spike out separately from casualty where market condition -- where pricing has been very good. And loss cost has been reasonable. And so you can understand rate adjustment, give back but be careful, it's not endless.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Right. Okay. That's helpful. I appreciate that answer. And then just following up, maybe a question for Peter. Could you talk about the drivers of prior period development in North America Commercial between short tail and long tail lines?

Peter C. Enns
Executive VP & CFO

I think all I'd say is if you looked at the prior year quarter, there was a significant COVID-related release. So if you're comparing, I think you just need to adjust for that. Last year...

Evan G. Greenberg
Executive Chairman & CEO

Last quarter had a large COVID adjustment. So that's why it's hard to compare. You can't compare quarter-on-quarter that way from year-to-year within North America Commercial.

Operator

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question relates to your own reinsurance book. We've heard about some pretty strong rate increases at January 1. Did you guys choose to write more property cat reinsurance yourselves?

Evan G. Greenberg
Executive Chairman & CEO

Yes. Elyse, just so you know, you're breaking up a little bit. I think I got you, but you're just be aware that it's hard -- you're not coming through really clearly. I think you were talking about property cat and whether we see it as an opportunity. Look, we have a very clear mind about our standards, adjusted returns we would expect to see in property cat to increase our exposure. And we're in the middle of the market. And so I'm not going to comment any further than that, except that if the conditions are right, from -- in both terms and in pricing, then Chubb is a risk taker in property cat. We will increase. However, it's not a business we need to chase by any means. And so we'll only deploy additional capital to take more exposure if we like the trade.

Beyond that, I know you want to know specifics and I'm hardly going to look forward and talk about it while we're on the field of play. You'll see the footprints after the fact.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then my second question, Evan, you mentioned commercial property rates picking up following Hurricane Ian. I would think as reinsurance rates move, there would be a trickle-down impact and perhaps rates get better there as we move through '23. Would you agree with that statement?

Evan G. Greenberg
Executive Chairman & CEO

Elyse, I think if you listened to my commentary, I just said that. When I talked about the 14.8%, I believe it was increase in pricing. I mentioned the cat environment, I mentioned availability, I mentioned reinsurance availability and reinsurance pricing.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And do you think -- as you think out, do you think property is probably one of the stronger growth opportunities within your Commercial book in '23?

Evan G. Greenberg
Executive Chairman & CEO

I think I already made my comment about that property is an opportunity for Chubb is what I said only 10 minutes ago and I stand on it any further than that.

Operator

Your next question comes from the line of Paul Newsome from Piper Sandler.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Thanks for the call rest of the year. I was hoping you could give us a little bit of additional color on what we've seen at Chubb from exposure changes over the last, say, couple of quarters, is that we move into 2023. And there are some folks, including our strategists that thinks we're going to be in a recession sometime this year. I was wondering if -- so what are the sensitivities among your books, what parts of your business would we see if it happens in the future and what parts would be less sensitive to recession and exposure changes?

Evan G. Greenberg
Executive Chairman & CEO

Yes. I'm not going to go deep into that, but you -- I will relate you back in my commentary where I said that the industry in casualty needs to get more rate to keep pace with loss cost and one of the things that is in my -- on my mind in that regard is, you can't rely on price as much going forward in casualty, which is about sale, you rate off of sale or you rate off of payroll, you rate off of human for business-related exposures. It could be square footage and to measure traffic of consumers coming through. These are all economically related exposure movements. And that will -- whether we have recession or we don't have recession, I don't think that's the point. The point really is as economic activity relative to '22 and '21, certainly, is going to be slower. And so you need rate, pure rate and can rely less on the exposure -- the percentage of exposure to help the performance when you think about rate to exposure and inflation and loss cost. That is more of what's on my mind when I think about exposure. I don't think about it as much in terms of growth overall and the support of our growth rate. And I think our growth rate will be just fine.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Then maybe as well, can you talk a little bit about the ability of both Chubb and the industry to pass on higher reinsurance costs to sort of primary commercial lines. Things have changed a little bit, I think, structurally over the years. And I think I'm not sure what the sensitivity is today in terms of how quickly the primaries lines will respond to higher reinsurance costs in today's environment. But any thoughts there would be great. I think, just to help us out.

Evan G. Greenberg
Executive Chairman & CEO

Well, I can't speak to everybody else. And so you'll just have to stay tuned and figure that out, Paul. But beyond that, I know when I think about short tail lines where you're seeing reinsurance price increases, I'm not worried from a Chubb point of view of achieving rate and price to both keep pace or exceed loss costs. What we expect for cat and to manage increased reinsurance costs. I think that -- and that's why I gave you the fourth quarter pricing. I think it's -- I think that speaks for itself that way.

Operator

Your next question comes from the line of Greg Peters from Raymond James.

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

So obviously, you commented this opening your comments. So just letting you know I heard your comments, but I'm looking for further clarification.

Evan G. Greenberg
Executive Chairman & CEO

I can't just repeat myself.

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

Well, you didn't say much about this. So hopefully, I can get a little more out of you. But I was intrigued by your comment about the retention in Commercial at 96%. And maybe you could give us some historical context and then more importantly, you talk about the moving pieces of the market, Financial lines, workers' comp. Do you have a view of how that might trend over the near term? Are you willing to share with us, I should add?

Evan G. Greenberg
Executive Chairman & CEO

Yes. On your first question, it's on a premium basis, the 96%. So it's both policy count, customer retention in terms of unit count, and it has the impact of price of rate in there in the 96%. So on a policy count basis, on a customer retention basis, it is a lower number. But it's -- but on historic earns basis, it's very high. It's very stable our renewal book of business. And I think that's reasonably true for the industry given where you are, there was so much movement of customer during the hardest part of the cycle in COVID and all of that. And as people pull back capacity and so many accounts had to find a new home. And then you find that there's more stability in retention of customers, both distribution, doesn't want to move it, the customers themselves don't want. And so you have more of a stability that way. So that's running at a high level.

When I look forward on Financial Lines and comp, look, I can only give you -- if I'm going to prognosticate you, I can only prognosticate what I would think would be logical and markets are never logical. There's all kinds of players. I do see in Financial Lines, more of the established players really know the business are more stable and showing more stability and recognizing that, okay, there's been -- where are we on a risk-adjusted and at an expected loss cost basis. They have more insight into that. And then a lot -- small lot of these are. And so it creates a little chaos in the market that way, but I see a little more stability that way right now beginning to emerge. In comp, I don't know what to tell you. The market has to draw a line and I think that moment of truth is coming.

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

Yes, that makes sense. Another area that Peter commented on, it seems kind of important. And I'm going to have to review the comments in the transcript. But Peter, maybe you can go back. The give and takes out of the Life Insurance, you talked about assimilating the accounting and then you talked about some other headwinds that happened in the fourth quarter. Can you go through that and maybe give us a little additional color on that?

Peter C. Enns
Executive VP & CFO

So the onetime charge I mentioned, and it's a nonrecurring charge was related to Huatai as it relates to aligning our accounting policies as our ownership levels increased. And that was $52 million. There was an additional, which I didn't say about $8 million of FX impact. And so that's how I think about it. If you're looking at the International Life Insurance business, the reported income and adjusting for those two things. That would give you more of a sense of how we view ongoing income coming out of that business, which is why we spiked out the largest of the two, and I'll just highlight the one other one.

Evan G. Greenberg
Executive Chairman & CEO

So in our minds, that's like -- that brings you to about $175 million.

Peter C. Enns
Executive VP & CFO

It's about $60 million putting the two together. Excellent what it will be. But to be very clear, the $52 million, we view very much is onetime to align policies as we've gotten closer to and more insight.

Operator

Your next question comes from the line of Tracy Benguigui from Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

I'd like to go back to the discussion on casualty. I fully understand that rate needs to increase to keep up with loss cost trends. But there are things you could do on the structural side, are you making any meaningful changes in attachment points or deductible? One of your competitors mentioned an inflation causing more losses to creep into the excess layer.

Evan G. Greenberg
Executive Chairman & CEO

Yes, of course. That's all that -- listen, we can track attachment point changes and all of that. And ventilating of layers and all that good stuff. So yes, and that's all baked into our thinking, of course.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Okay. Got it. And we actually got more color from you on loss cost trends by business line this quarter. And you mentioned just sticking U.S. North American and casualty that loss costs were 6.9%. Can you give context how that's trended versus prior quarters? And if you could...

Evan G. Greenberg
Executive Chairman & CEO

Stable.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Stable. Okay. And if you could tease out if this is a level you're observing right now, are you using a higher projected loss trend when you think about risk-adjusted returns?

Evan G. Greenberg
Executive Chairman & CEO

I'm really not going to overly dwell on this subject now. So I'm going to move along. But what -- the only other piece of information I'll give you is that the loss cost trends we have, I gave you an overall and that means it is a mix of primary in excess and all of that baked into it. It is stable. Our view is stable at this time and we constantly look at it, and I gave you a lot of information in the second and third quarter around inflation and how we adjusted for our views and forward views on inflation, both in pricing and in our actual reserving. And so I'm going to stop right there.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

I'm just curious, given where your rate is and loss trend, is there more room here as we look into 2023 for underlying margin improvement in the business? Or are we getting close to kind of a good, solid, acceptable return on the business?

Evan G. Greenberg
Executive Chairman & CEO

I think you -- I mean look at by ratios, Brian. I think they are just stellar, they're world-class returns and I'm very happy with the returns in our portfolio. And as far as whether they would get any better, well, stay tuned.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. And then the second question...

Evan G. Greenberg
Executive Chairman & CEO

You know, I don't give forward guidance...

Brian Robert Meredith
UBS Investment Bank, Research Division

I was hoping.

Evan G. Greenberg
Executive Chairman & CEO

I know you guys. I love you dearly. It's a good try.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. The second one, I'm just curious, thanks for the comments on capital management. I know you guys have done a ton this year, and it's great, but it did slow in the fourth quarter. Was there anything going on? Anything with respect to thoughts as why you slowed the share buyback in the fourth quarter relative to call it the third quarter?

Evan G. Greenberg
Executive Chairman & CEO

No. And that's why I really did want to take time and step back and we all look at perspective together of our capital management policy and how it translated to numbers. And I mean, it's a stunning amount of capital that we have used. I mean, it speaks to our stewardship of capital and our earning power over the couple of years. And I wanted to create that context and perspective, nothing has changed at all in how we manage, think about managing capital and buybacks is just one dimension of that, as you know. And we have a buyback authorization. And we have a bunch remaining within that. And we say that as we do, when you read it, that we will repurchase up to that amount. And we're just steady as she goes. Nothing has changed about how we view it.

Peter C. Enns

Executive VP & CFO

Brian maybe to appreciate the context just to what Evan said. So we have about $1.6 billion left, so up to $1.6 billion through the first half of this year. And one more point in context as we looked at it, and this is not the framework we use, this has come up on a prior call, but buybacks and dividends of $4.4 billion aggregate to about 75% of our income for the year, which we think is a reasonable way to compare to others. But it's not actually how we manage it.

Operator

Your next question comes from the line of Alex Scott from Goldman Sachs.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

First one I had is, actually a follow-up on the last question. On the capital front, when you think through how strong the margins are, as you pointed out, and price adequacy across a lot of your business in a pretty strong place balanced with some of the comments you're making about the forward-looking casualty markets and so forth. How does that make you feel about your capital and your willingness to deploy into organic business at the moment. When we think about strong starting point, and the comments you've made about the next year in Casualty potentially?

Evan G. Greenberg
Executive Chairman & CEO

Look, we have plenty of capital and firepower to support organic growth on our appetite, and I already said it around property, and it extends to any line of business. If we like the terms and the pricing on a risk-adjusted basis, we will grow our exposure period. There is nothing to say. I don't find volatility, if I'm paid to take it.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Okay. Understood. Second question was also a growth question, but on the life insurance business. Just wanted to see if you could help us think through now that you've completed the Cigna acquisition and you get into some of the integration and so forth, what does that look like and thinking out over the next year or 2 in terms of being a growth engine for the company?

Evan G. Greenberg
Executive Chairman & CEO

Yes, I think it is both in earnings and it is both a source of earnings growth, and it is a source of revenue growth particularly in Asia, and it is in both the risk ends of Life Insurance, which think about more accident and health oriented, which I've gone into detail about that as well as protection -- more traditional protection and savings business, think about it through a variety of distribution channels, agency, direct marketing telephone-based and the fast emergence of digital channels. Think about it in partnership with our non-life business, which are very active that way and that, that's a competitive advantage for Chubb in Life and Asia's. Our integrated capability and distribution and product among Life and non-Life together to the same customers. Think about the growing consumer base, middle income in particular, and then high net worth, particularly in certain territories, China and Hong Kong based and the middle income from Korea to Thailand, Vietnam to Indonesia and think about the -- this is the most dynamic region in the world when you think about long-term wealth creation.

And I think the next 1 or 2 years, sure, look good, but that's not what's on my mind. It's the next 5 to 10 years and how it's now 20% of our business, Asia, and the majority of it is Consumer, not Commercial. And when I.

Hong Kong based and the middle income from Korea to Thailand, to Vietnam, Indonesia and think about the -- this is the most dynamic region in the world when you think about long-term wealth creation. And I think the next 1 or 2 years, sure look good, but that's not what's on my mind. It's the next 5 to 10 years and how it's now 20% of our business, Asia, and the majority of it is consumer, not commercial. And when I think across all lines including the Life and that business, to me, will represent a greater percentage of Chubb. And over time, you can't measure it just quarter-to-quarter. But over a period of time, when you look at it, well out its growth trajectory will outpace the rest of the company.

Operator

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

Michael David Zaremski
BMO Capital Markets Equity Research

First question is on the helpful pay-to-incurred ratio comments you provided us on the call, and obviously, we get them from the Qs and Ks too. But I was looking back, I can see that the underlying pay-to-incurred and the items you called out has increased to 85% up year-over-year from 81%. But if I look kind of back at 3 COVID years, pre, I guess, substantial rate increases in terms of conditions changes, too, obviously, it was running in the low 90s. So just curious at a high level, if you feel this ratio is kind of running kind of a little better than you expected. And maybe that's for a good reason, given the substantial changes in the marketplace over the last few years.

Evan G. Greenberg
Executive Chairman & CEO

Well, I think it tells you a few things. We've grown our exposure a lot. And your first incur losses, and we're in a fast -- we've been in a faster growth trajectory. So when you conceptualize, we've grown more quickly exposure, incurred losses come and grow at a certain pace before the pads come through. So on one hand, you have that. And then on the other hand, you have the strength and maybe it speaks ultimately to the strength of our reserves. And let's just wait and see over time. It's nothing but good news.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful. Follow-up is, just curious if you could provide us with a kind of update on strategic priorities as regards to North America Commercial kind of moving down market into the small and in small kind of medium-sized employer competitive sandbox. Is that still an organic strategic priority? And is M&A also on the table there?

Evan G. Greenberg
Executive Chairman & CEO

I have -- I mean M&A on the table, no, there's no M&A. I'm looking at a table that is empty at the moment. It's organic growth, and we are endeavoring along and it is very digital and modern centric and in concert with our middle market and lower middle market business. And the 2 of those, while the small commercial itself gets modernized into a digital enterprise. It is a consistent and very intense strategy in terms of management focus, resource and attention. I'm looking at John Lupica, I'm looking at John Keogh, and we have the most senior executives with their eyes and Julie Dillman, who runs all of our IT and ops and drives our transformation. From that end, we've got so much executive talent just focused and committed that this is an important future business to Chubb. And it is just -- it's consistent and it's -- you grind it out, yard by yard.

Operator

There are no further questions at this time. Ms. Karen Beyer, I turn the call back over to you for some closing remarks.

Karen L. Beyer
Senior Vice President of Investor Relations

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

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