S&P Global
Market Intelligence

Chubb Limited NYSE:CB

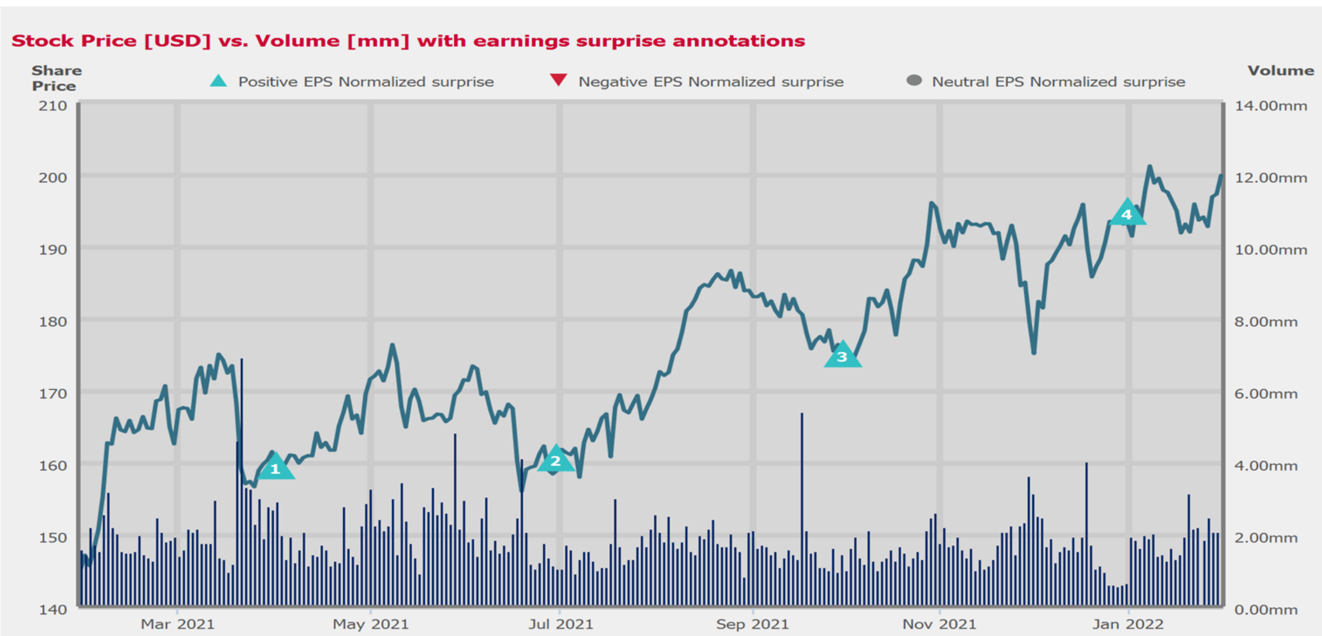
FQ4 2021 Earnings Call Transcripts

Wednesday, February 02, 2022 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2021-			-FQ1 2022-	-FY 2021-			-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	3.28	3.81	16.16	3.59	12.09	12.56	3.89	14.60
Revenue (mm)	8511.14	8517.00	0.07	8631.00	35176.91	35391.00	0.61	37287.14

Currency: USD
Consensus as of Feb-02-2022 8:30 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2021	2.49	2.52	1 1.20 %
FQ2 2021	3.02	3.62	2 19.87 %
FQ3 2021	2.25	2.64	3 17.33 %
FQ4 2021	3.28	3.81	4 16.16 %

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EXECUTIVES

Evan G. Greenberg
Executive Chairman & CEO

Karen L. Beyer
Senior Vice President of Investor Relations

Paul Gerard O'Connell
Senior VP & Chief Actuary

Peter C. Enns
CFO & Executive VP of Chubb Group

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Alexander Scott
Goldman Sachs Group, Inc., 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

Michael David Zaremski
Wolfe Research, LLC

Michael Wayne Phillips
Morgan Stanley, Research Division

Paul Newsome
Piper Sandler & Co., Research Division

Ryan James Tunis
Autonomous Research LLP

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Yaron Joseph Kinar
Jefferies LLC, Research Division

Presentation

Operator

Good day, and welcome to the Chubb Limited Fourth Quarter Year-end 2021 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 Karen Beyer, Senior Vice President, Investor Relations. Please go ahead.

Karen L. Beyer
Senior Vice President of Investor Relations

Thank you, and welcome to our December 31, 2021, 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 and financial supplement, which are available on our website at investors.chubb.com for more information on factors that can affect these matters.

We will also refer today to non-GAAP financial measures, reconciliations of which to the most direct comparable GAAP measures and related details are provided in our earnings press release and financial supplement. And 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. And 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. As you saw from the numbers, we had an excellent finish to the year with record operating earnings and underwriting results, double-digit commercial premium growth globally, strong levels of rate increase and slow but improving growth in our consumer business globally.

This performance led to one of the best years in our company's history, with the best organic growth in P&C premiums in over 15 years and record financial results spanning both net and core operating income, calendar and current accident year underwriting income and investment income. Simply stunning results across the board and a testament to the organization and so many of my colleagues last year.

Core operating income in the quarter was $1.65 billion or $3.81 per share, up nearly 20% over prior year. For the year, we produced net and core operating income of $8.5 billion and $5.6 billion, respectively. Again, both record results.

In the quarter, $1.27 billion of underwriting income was a 31% increase over prior year with a combined ratio of 85.5. Allow me to digress for just a second. In my judgment, the calendar year or published combined ratio is the primary measure of underwriting performance that investors and management should focus on because natural catastrophes are a regular and expected occurrence and the volatility cannot be dismissed away.

Our P&C current accident year combined ratio, excluding catastrophes, was 83.9%, a 2.5 point improvement over prior year. This is an important but secondary measure that provides useful insight into the current underlying strength of our businesses.

Full year P&C underwriting income was a record $3.7 billion, up over 200% and that's with $2.4 billion of catastrophe losses in the second costliest year for the industry in terms of cats. On the investment side, adjusted net investment income topped $900 million for the quarter and was a record $3.7 billion for the year.

With the Fed finally accepting that inflation is a reality that is not going away anytime soon, interest rates are rising and will continue to rise. QE is coming to a rapid end and spreads should begin to widen, particularly if the Fed begins to shrink their balance sheet, as they should.

As a reminder, every 100 basis points of yield for us provides about $1.2 billion of additional investment income, and we run about a 4-year portfolio duration. As I remarked over a year ago, we're in a period of very strong wealth creation, which is reflected vividly by our quarterly and full year results. And I expect this trend will continue, driven by further growth and margin expansion.

Peter will have more to say about cats prior period development, investment income, book value and other financial items. Before I get to our discussion of growth in rate, as you saw in the press release, we have entered into agreements with several shareholders to purchase additional ownership interest in Huatai Group in China. Upon regulatory approval, which we expect sometime during '22, our total aggregate ownership will be north of 80%.

Separately, integration planning for the Cigna transaction, which we announced in the fourth quarter and I covered on our last call is progressing well. We expect to close in the first half of the year.

Now turning to growth and the rate environment. P&C premiums in the quarter increased 9.6%, with commercial up 13% and consumer up 2.2. This strong performance capped a year where we grew our premium revenue 13%, the strongest organic growth since '03, with commercial up 17.7% and consumer up 2.3%.

Growth in the quarter was broad-based, with contributions from virtually all commercial businesses globally, from large corporate to middle market to small, from traditional to specialty to agriculture, including most regions of the world.

Commercial premiums for North America were up over 11%, while in overseas general, they grew 15%. For the year, we have grown our commercial business almost 18%. And for perspective, since 2019, it has grown by nearly 1/3 or over $5 billion of net premium, and that's the size of or bigger than most insurers.

In terms of rate, the level of rate increases remains robust and is naturally slowing as portfolios achieve or approach rate adequacy. At the same time, whether short or long-tail exposure, the loss environment is anything but benign. The level of rate increases remains well in excess of loss costs and I expect this trend to continue for some time.

In the quarter, in North America, total premiums grew 8.7%, with Commercial up over 11%, driven by growth in our major accounts and specialty business of 12% and our middle market and small commercial business of 9.7%.

Total exposure change is actually down 0.6% in the quarter. And it's a combination of an increase in economic exposure of 3.4% due to higher payrolls, sales and other economically sensitive activity; and on the other hand, a decline in exposure due to underwriting changes, such as increased detachment points and higher deductibles, a good thing, though it negatively impacted growth.

Our retail businesses achieved a 100% retention this quarter on a premium basis and 89% on an account basis, both very strong. Overall rates increased in North America commercial lines 10.5%. Loss costs are trending about 5.5% and vary by line.

In general, loss costs for short-tail classes are running about 4%. Though again, we anticipate these to rise and have reacted accordingly. In long tail, excluding workers' comp, we are trending at a 6% rate, and our first dollar workers' comp book is trending between 4% and 4.5%.

Let me give you a better sense of the rate increase movement in North America. In major accounts, which serves the largest companies in America, rates increased in the quarter by 10.5%. Risk management-related primary casualty rates were up over 4%. General casualty rates were up over 16% and varied by class of casualty, and property rates were up 9.7%, while financial lines rates were up over 17%.

In our E&S wholesale business, rates increased by 14.5% in the quarter. Property rates were up 12.5%, casualty was up almost 17%, while financial lines rates were up 18.5%.

In our middle market business, rates increased in the quarter about 9%. Rates for property were up 9%. Casualty, excluding comp, were up nearly 9% and comp rates were down 1.5%. While comp pricing on the other hand, which is rate plus exposure, was up about 3%.

And finally, financial lines rates were up about 19%. Turning to our International General Insurance operations. Commercial P&C premiums grew 15% on a published basis. International Retail Commercial grew over 13%, while our London wholesale business grew 28%.

Retail commercial growth varied by region, with premiums up 19% in our U.K. and Europe division. Asia Pacific was up about 12.5%, while our Latin America commercial business grew over 9%.

Internationally, like in the U.S., we continued to achieve improved rate to exposure across our commercial portfolio. In our international retail business, rates increased in the quarter 13% with property up 8%, financial lines up 30% and primary and excess casualty up 7% and 11%, respectively.

By the way, these rate increases were nearly identical to those from the prior quarter. In our London wholesale business in the quarter, property rates were up 8%, financial Lines rates were up 24% and marine up 5%.

Outside North America, loss costs are currently trending about 3%, though that varies by class of business and country. While international consumer lines growth in the quarter continued to be heavily impacted by the pandemic's ongoing effects on consumer-related activities, growth continued to slowly recover and was 3.5% on a published and constant dollar basis.

A clear example of that is our international A&H division, which grew for the third consecutive quarter. And on a currency-adjusted basis, Q4 was our best quarter since the beginning of the pandemic, with growth of 5.5%.

Across Asia and Latin America in our direct marketed business through banks, retailers and digital platforms, we are seeing activity pick up for consumer lending, credit card growth and branch openings. In fact, our direct marketing business grew double digits in Latin America, and we had our best growth quarter in the year in Asia Pac.

All in all, I expect growth in our consumer lines to continue to improve as the year goes along. The underlying health of the business is excellent. Net premiums in our North America high networth personal lines business were up 3.3%.

Our true high networth client segment, the heart of our business, grew 13% in the quarter. Overall retention was very strong this quarter at nearly 98%, and we achieved pricing, which includes rate and exposure of 13% -- 13.5% in our homeowners portfolio.

Claims severity in our U.S. personal lines business is running just under 9%, with homeowners cost to repair and rebuild increasing 11%. In our Asia-focused international life insurance business, net premiums plus deposits were up about 25% in the quarter.

Profitability was impacted this quarter from a true-up of our COVID reserve charges, which overall for the company were net positive, but negatively impacted life. Lastly, net premiums in our Global Re-business were up 37%. And while conditions have improved in reinsurance, we remain cautious in most lines. Rates and terms in most classes are still not adequate to earn what we believe is needed to justify the volatility and earn an appropriate risk-adjusted return.

We had an outstanding year, and I look ahead -- looking ahead, we're off to a very good start in the first quarter overall. Market conditions remain consistent with what we experienced in the fourth quarter. '22 should be a good year in terms of continued growth and margin improvement as we capitalize on favorable underwriting conditions for our commercial P&C businesses globally.

I expect rates to continue to exceed loss costs. Consumer lines growth should return as the pandemic eases, though, as you know, there is no certainty. In the future, as rates -- interest rates rise and spreads potentially widen, our investment income will rise, and our strategic investments such as Cigna and Huatai will provide us with greater revenue, earnings and growth opportunity.

All of this gives me great confidence in the future. I'll now turn the call over to Peter, and then we're going to come back and take your questions.

Peter C. Enns
CFO & Executive VP of Chubb Group

Thank you, Evan, and good morning, everyone. Consistent with the record earnings that Evan highlighted, other key financial metrics were also excellent, including a strong return on equity and book and tangible book value per share that now stand at all-time highs.

Our strong performance produced operating cash flow of $2.6 billion for the quarter and a record $11.1 billion for the year. We continue to build on our balance sheet strength with capital of $76 billion and cash and invested assets of $124 billion.

Our investment portfolio of $122 billion, supported by our positive operating cash flow, continues to be of a very high quality, which we expect will continue to support growth in our investment income. At the end of the year, our investment portfolio remained in an unrealized gain position of $2.3 billion after tax.

Among the capital-related actions in the quarter, we returned $1.2 billion to shareholders, including $905 million in share repurchases and $342 million in dividends.

For the year, we returned over $6 billion to shareholders, equaling 112% of our core earnings. This included $4.9 billion in share repurchases or 6.5% of our outstanding shares and dividends of $1.4 billion.

As of December 31, $2.6 billion of the share repurchase authorization remains. In November, we issued $600 million of 30-year debt and $1 billion of 40-year debt at a very attractive weighted average cost of under 3%. The proceeds will be used to fund up to $1.1 billion of the purchase price of Cigna's business in Asia Pacific.

The remainder will be used for general corporate purposes, including the repayment of $475 million of debt due in March 2023. Book and tangible book value per share increased 1.7% and 2.7%, respectively, from last quarter and 6.1% and 7.6%, respectively, from last year and now stand at all-time high of $139.99 and $94.38 per share, respectively.

Our reported ROE for the quarter and the year was 14.4% and 14.3%, respectively. Our core operating return on tangible equity for the quarter and year was 17.7% and 15.3%, respectively. While our core operating ROE for the quarter and year was 11.6% and 9.9%.

Adjusting for the mark-to-market gains on our private equity portfolio, our core operating ROE was 13.1% for the quarter and 13.6% for the year. As I have noted in the past, our investment income is based on many factors. We met our quarterly investment income target of $900 million this quarter after a few quarters of exceeding it, reflecting slightly lower distributions on our PE portfolio compared to recent quarters.

We continue to expect our quarterly run rate to be approximately $900 million in 2022. Pretax catastrophe losses for the quarter were $275 million, primarily from weather-related events, with about $214 million in the U.S. and $61 million internationally.

We had favorable prior period development of $145 million pretax, which included $364 million of favorable development for direct COVID-related liabilities from accident year 2020. We recognized a net charge of $375 million related to the $800 million pending settlement with Boy Scouts of America that we previously announced. The net charge takes into account reinsurance and our previously carried reserve. We also recognized $53 million of adverse development related to asbestos as part of our annual reserve review.

Excluding these items, the remaining development was essentially all favorable development in short tail lines principally in our property and A&H lines. Our reserve position remained strong, with net reserves increasing by $3.8 billion or 7.4% in constant dollars for the year.

Our paid-to-incurred ratio for the quarter was 98%, primarily reflecting significant net catastrophe loss payments, the seasonality of our crop insurance business and favorable prior period development. Adjusting for these items, our paid-to-incurred ratio for the quarter was 78%.

Our paid-to-incurred ratio for the year was 81%. Our core operating effective tax rate was 15.7% for the quarter and 15.4% for the year. For 2022, we expect our annual core operating effective tax rate will increase slightly to be in the range of 15.5% to 17.5%.

I'll turn the call back over to Karen.

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

Question and Answer

Operator

[Operator Instructions] And we'll go ahead and take our first question from Yaron Kinar from Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I guess, my first question goes back to Evan's comments on tightening terms and conditions and commercial lines and how it's impacted, I guess, a higher quality, but at the same time some premium pressure. Can you maybe talk about -- is this a step up in kind of tightening of terms and conditions that you had this quarter? Or were some of the offsets -- favorable offsets you had in prior quarters, have those diminished to some extent? Maybe we can better understand what drove you to call this out this quarter?

Evan G. Greenberg
Executive Chairman & CEO

No. I just gave you -- there's actually -- it's something that happens every quarter and has been happening every quarter. We've been -- terms and conditions have been -- along with pricing are have been a reality for the last couple of years.

And the only thing we did was I just refined to give a better sense when I listen to discussions about exposure, there is simply discussion about economic exposure changes generally, and I thought it might be helpful to just, not for the sake of the number, but to sensitize you investors better to the fact that there are 2 kinds of exposure changes that take place.

So I was just -- I was just doing that not because there was anything particular this quarter, but better for your education. That's it. And it's not something I intend to always do. I haven't done it really in the past and I don't know, I was more ambitious.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Got it. And trying to tie it back to the premium growth numbers then, why would have commercial lines premiums slow down sequentially then?

Evan G. Greenberg
Executive Chairman & CEO

Well, why would it slow down sequentially? I mean it was a great growth quarter. It was a double-digit quarter in commercial lines growth. Wow, that's the 8 out of 9 quarters. And by the way, the fourth quarter was one of the strongest quarters we've had for growth.

And there's a certain seasonality that occurs in commercial lines. But you know what, overall, I think it was an outstanding growth. So there you go. And the market, the market is -- you're in an acute phase of hard market and then you go into different phases of the hard market where it begins to heal, others start writing business and there you go, but an outstanding growth.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Right. No, I'm not challenging that. I think -- I certainly didn't want it be little the growth that you guys achieved. My second question, many insurers are building some extra conservatism into loss trends. I think some management teams have started to quantify that recently.

Can you maybe talk about your approach to be the loss trend and whether you're building an extra cushion? Can you quantify that?

Evan G. Greenberg
Executive Chairman & CEO

I'm not going to quantify any of that. What I'm going to say is this, a couple of points. Number one, we have always managed our reserves prudently, conservatively. As you know, we recognize bad news early. We're slow to recognize good news, understanding the development patterns that occur and are not 100% predictable with precision in our business.

Secondly, COVID, and we've said this for many quarters, impacted the reporting and the incurred pattern of claims: courts shut down, businesses shut down, et cetera. And to be able to accurately project that is a fool's errand. And so we've taken the approach since the beginning of COVID that the ultimate trend pattern doesn't change, the reporting pattern may change.

And that naturally, as we look at prior year reserve developments as well as our current year picks, is impacted by that.

Operator

And we'll move on to our next question from Mike Zaremski from Wolfe Research.

Evan G. Greenberg
Executive Chairman & CEO

Let's move along.

Michael David Zaremski
Wolfe Research, LLC

Is it working now?

Evan G. Greenberg
Executive Chairman & CEO

Yes, it's moving. It's working.

Michael David Zaremski
Wolfe Research, LLC

Sorry about that. So a question on loss cost. Thank you for the color about loss cost. It sounds like it didn't change much sequentially. Curious if there are kind of any major loss cost level distinctions between very old vintages, which seems to be popping up in the news about material losses coming from business written well over a decade ago, kind of versus the more recent 5-, 6-, 7-year vintages? I'm wondering if there's any distinction there we should be thinking about?

Evan G. Greenberg
Executive Chairman & CEO

No, not that I -- no. In a simple word, no.

Michael David Zaremski
Wolfe Research, LLC

Okay. Great. My follow-up question is on capital. Maybe kind of post the Cigna deal and the announced Huatai increased stake, if you can update us on the excess capital position and whether the buyback expectation is going to continue in terms of the expectation for the repurchase authorization to be utilized?

Evan G. Greenberg
Executive Chairman & CEO

I'll let Peter answer that.

Peter C. Enns
CFO & Executive VP of Chubb Group

Sure. Look, for both Cigna and Huatai, in terms of how we're going to finance them, we expect to finance them using existing cash resources and cash flow. We do not expect to issue any additional debt nor issue any equity. And we don't expect either to have any impact on our dividend nor our buybacks.

Michael David Zaremski
Wolfe Research, LLC

And so no -- is there still an excess capital drag post that or is most excess capital being utilized?

Evan G. Greenberg
Executive Chairman & CEO

We don't call it a drag. We maintain our capital position. Our philosophy doesn't change. And we maintain surplus capital for good things. And we're in the risk business, so we maintain for opportunity, and we maintain surplus capital for risk.

Operator

And we'll go ahead and move on to our next question from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, you guys have shown some -- a good level of expense ratio improvement about 2 points over the past 2 years. Is there room for further improvement there, especially on the G&A side as you guys have earned premium leverage? And can you just give us a sense of where perhaps the expense ratio could go over the longer term?

Evan G. Greenberg
Executive Chairman & CEO

Yes. I'm not going to give you a forward guidance, Elyse. But I'm going to give you a couple of thoughts. Number one, on one hand, the acquisition ratio has also improved because consumer lines have become a smaller percentage of the total business as commercial lines has grown and consumer lines initially shrank and then has been recovering slowly.

So you'll naturally see a change that way and the acquisition ratio over time as consumer lines grows more quickly. On the other hand, on the G&A side, we already run the lowest in the industry. And 2 things are occurring. One, we are investing for the future, and we are hardly slowing down in that -- in the digitization of the company and the transformation of how we do business.

And that's going to -- that pays dividends, and we'll continue to pay dividends. So we will invest. On the other hand, we continue to achieve efficiencies as a result of things like straight-through processing and robotics and other activities. So I'm not going to forecast for the future, but I feel pretty good about where we are in G&A.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then my second question, S&P is in the process of rolling out changes to their capital charges. And I was hoping you guys to just give us some thoughts as we're -- I know in the review process with companies now. I think a big component of what they're looking to do relates to changes around diversification.

And I would think a company like you guys and especially with the upcoming Cigna deal could screen well from a diversification and capital perspective. But if you can just provide some color there?

Evan G. Greenberg
Executive Chairman & CEO

Sure. Elyse, you -- I appreciate your sentiment, but you don't do the model, I would be -- I think it would be great if you want to work for S&P. But Peter, anyway, go ahead.

Peter C. Enns
CFO & Executive VP of Chubb Group

I mean I think Elyse we need to -- they've asked for comment mid-March. And then after that, they're going to go away and make their decisions and publish their model. So we need to let them finish getting their input and doing their work and making their decisions. Based on what we know now, we don't expect any change in consequence to our capital position.

Operator

And we'll move on to our next question from Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Evan, back to your earlier comments where you ambitious given the new comments on the exposure and you broke it down between economic and underwriting. How do you -- what are your thoughts on how those 2 pieces play out for this coming year?

Evan G. Greenberg
Executive Chairman & CEO

Oh, I don't know. I'm not going to forecast. Sorry, I can't help you with worksheet that way. I'm not going to forecast both economic exposure change. I mean ask the Fed and -- nor on the underwriting side, though, I do anticipate that the underwriting side is probably getting closer to a steady state.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. That makes sense. I get more [real] that make sense, I guess. And second question on your release on the COVID, but can you give us some characteristics kind of what's behind that? Was that more North America release exposures there that you released reserves or were outside North America? And then what's left, I guess, I think my math says you had about $1 billion left. Is that all still in reserves? Or what's the characteristics or what remains for your COVID cover reserves?

Evan G. Greenberg
Executive Chairman & CEO

Yes, we'll give you a little color around that. Paul O'Connell, our Chief Actuary. I'm going to ask him to comment on that.

Paul Gerard O'Connell
Senior VP & Chief Actuary

Sure. Thank you, So as we stated in the commentary, we recognized favorable prior period development of $364 million on our 2020 accident year reserves for direct COVID. It was a split, it was split between North America commercial and overseas general.

And we had some minor true-ups in product lines like A&H and property, but bulk of it, it really was financial lines that drove the prior period development. At the outset of the pandemic, we modeled losses to these product lines and our projections didn't really anticipate the unprecedented levels of economic stimulus that occurred globally in 2020 and continued into 2021.

We've been observing favorable for reported loss activity that's been lower than expected, but we've been delaying reacting to those trends out of caution, knowing the delays in the claims process and workflow. But I think -- and the impact that, that has on reporting patterns for claims.

But we feel comfortable at this point in time. And so we took action in the quarter. We continue to maintain what we think is a sufficient provision for COVID in the aggregate and for these product lines. And there's a substantial amount of IBNR included in that carry provision.

Michael Wayne Phillips
Morgan Stanley, Research Division

And I guess the remaining piece, is that still -- can you comment on how much of that is North America versus outside?

Evan G. Greenberg
Executive Chairman & CEO

No, we're not going to split it that way. And -- but the substantial outstanding is in reserves, both case and IBNR.

Operator

We'll move on to our next question from Greg Peters with Raymond James.

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

Elyse is a tough competitor, Evan, so I support your proposal to move over to S&P. Sure, she is happy to hear that as well. So I want to pivot back to the top line number, which 13% for the year, we'd like to put that into our models for eternity, but that doesn't seem realistic.

So there's 2 pieces that I was looking for further color on. First, the component of the growth that you think is due just to the reopening of the economies worldwide in '21 versus '20? And then secondly, it seems like consumer, there's an opportunity for that to grow in '22 versus '21, I'm wondering if you could comment on that as well?

Evan G. Greenberg
Executive Chairman & CEO

Yes. The first thing comment to say to you is, which I've said before, we each have our hell to live in. I certainly got mine and you've got yours, too. So I can only do so much. And you have to divine Oracle, what you think. Look, I can't give you -- I don't have in my head, none of us sitting here right now having our head or actually would be able to guess with any precision how much of the growth was due to economic activity reopening, except as we look at exposure change.

And that's not -- we don't have a good handle on that outside the U.S. with precision and -- on one hand. But the vast, vast majority of our growth was market share and rate and that's just all there is to it. And Chubb is firing on all cylinders that way, and we are a dominant competitor to reckon with across geographies and portfolio segments.

When I get to the consumer business, the consumer business is going to continue in my judgment to improve as the year goes along. And I tried to give you some color of signs of that, that we see. Travel is picking up in most of the regions of the world. Consumer spending and financing activities are returning. Purchases are returning. I mean we're one of the -- we're the largest cell phone insurer in Europe from what we know and growing quickly in other parts of the world, as an example, we see that beginning to recover and do better as people go to stores to buy cell phones.

But I can't predict with any precision because there's a certain volatility to it. So how it's going to move quarter-by-quarter, I can't predict that to you. But what I can tell you is in everything we see and all of our planning, and then I look at all the new partnerships we put on and continue to put on that open up further strength to it, consumer lines is going to be return as a growth engine as we go forward. What that level is, I can't predict with precision.

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

Got it. The second question would be on inflation. And I know you commented on it -- well, in your opening comments and then in previous calls, but -- it certainly seems to be consuming a lot of oxygen on conference calls, especially in the personal auto space. And whether it's wage inflation for employees, repair cost inflation, you mentioned housing -- the inflation trends in your home business.

What's your -- when you think about this in '22 and '23, maybe give us some additional color around your interpretation of what you're seeing in the marketplace and its impact on Chubb?

Evan G. Greenberg
Executive Chairman & CEO

We -- it's interesting. I'll give you a comment on short tail and long tail and that's why I also said it's not -- the loss environment is hardly benign and then throw into that, you have inflation, you have social inflation or, as you know, and I'm using that word though, I think it's too blunt instrument a word and I disaggregated, but it's casualty-related.

You have natural cat and climate change that is causing loss inflation, modeled and nonmodeled on the cat side, on the property side of the business as well. And you have cyber, which is a growing exposure in a very hostile environment and that the industry has to continue to come to grips with.

At Chubb, I feel good that we're managing and vigilant. And all of our management and vigilance turns into action and continued action because otherwise, it's just a bunch of talk. And I feel good about that in our businesses.

When I look at inflation, the way you're asking it, when I look at short tail, it shows up in homeowners. It's not showing up to the same degree in aggregate in commercial property. On the other hand, we see inflation in -- that shows up in severity of loss.

And on the other hand, we've seen benefits from frequency of loss ex cat and some of that is COVID related, et cetera. We have in our own pricing. So I gave you a loss cost number that is the observable inflation we see today, but we do anticipate and have been anticipating that, of course, what you see generally and general inflation will find its way more into commercial property, and we have considered that in how we price and how we reserve claims on [that].

Number two, in casualty, on the casualty side, severity in a number of classes continues to increase. And on the other hand, you have had the benefit of reduction from in frequency due to COVID in certain classes of business. We think that is -- it's obvious.

The amount of claims per exposure -- per dollar of exposure over time is going to revert to the mean unless something so fundamental in society has changed and that's nothing we can see. And so we continue to recognize that in our pricing and reserves because it's a timing question.

And there, I think I gave you a mouthful, Greg, and hopefully...

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

Yes. I mean the other piece would just be on compensation for employees for seeing -- that's being reported that there's inflation pressures there. I'm just curious on your comment on that?

Evan G. Greenberg
Executive Chairman & CEO

Yes. Look, we're of the marketplace and of the world, and we're competing for talent. I don't want the best and brightest to work here, and it's a marketplace for that. And certainly, compensation is one of the drivers, also culture and working for a winner and a place that gives you opportunity is also compelling to the kind of person we want to attract. But we have wage inflation, no different than the kind of inflation others are talking about. In aggregate, I see it in the 3.5%, 4% range.

Operator

We'll move on to our next question from David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just a question on the Huatai. Good to see you guys taking your ownership stake or put an agreement in place to take your stake up to 86%. How should we think about the capital that will be deployed in that if it does get approved in 2022?

Evan G. Greenberg
Executive Chairman & CEO

First of all, let's keep in mind, and you said it right, that we have agreements in place. It does require regulatory approval, that is not a quick process in China. And it's always fraught with sensitivities. And I can't predict the geopolitical, but I feel good about receiving approvals, and there's a lot of goodwill towards us.

In terms of capital, what do you mean? How much have we spent to purchase Huatai? Or what are you asking me?

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes. Is the price based on the initial deal that you guys struck in 2019 and we can just sort of use that as a guideline or is it something different than that?

Evan G. Greenberg
Executive Chairman & CEO

No. Each tranche is different. I had to negotiate each shareholder differently.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Yes, and I guess -- okay, so I guess that's still TBD and depends on each tranche, I guess, yes. I guess, we'll just wait and see there.

Evan G. Greenberg
Executive Chairman & CEO

It does. And we'll update you more later in the year about Huatai as we get closer to approvals and all that. We'll give you more information.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Okay. Great. And then maybe there's been a lot of talk on inflation in this call. And I just wanted to just ask a question on the North America personal lines where the current accident year loss ratio had the second straight quarter where it was under 51%. Was there anything one-off in those results or in specifically in the quarter's results like non-cat weather, light non-cat weather? Or is that representative of a sustainable level just as a result of some of the actions that you've taken there over the past year or so?

Evan G. Greenberg
Executive Chairman & CEO

Yes. So let's -- you're focused on the current accident, year ex cat in that comment, right, in that question?

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

That's right.

Evan G. Greenberg
Executive Chairman & CEO

Okay. Look, you set it right on one hand. And -- but let's just extend the thought a little bit. We've taken much rate in portfolio underwriting action over the past few years and that includes much more sophisticated pricing capability. In '21, get -- don't look at the quarter, look at the year, is an excellent result.

And I'm not going to provide forward guidance, as you know. But we do expect the combination and say it's really a combination of continued benefit from our actions, but coupled with some reversion to the mean, given likely beneficial impacts from frequency due to COVID in '21. And I think that answers your question for you.

Operator

We'll move on to our next question from Paul Newsome with Piper Sandler.

Paul Newsome
Piper Sandler & Co., Research Division

Congrats on the quarter. I was hoping to ask a big picture question. Retention by virtually every company I cover are still at a incredible highs, which is unusual for a hard market. But Chubb taken share. Where do you think just broadly speaking the kinds of companies that Chubb is taking share from? Maybe more focus on North America as I know that a little bit better. But I'm just curious as to where you think you're having the most effectiveness from a competitive perspective?

Evan G. Greenberg
Executive Chairman & CEO

We're in equal opportunity competitor. We're taking share -- have been increasing share. And in particular, we're increasing our writings, that's what I care about. Across the board, it's been in most all product lines. It's been most all customer segments, most all geographies, North America and internationally.

And it's not -- it's a combination. And remember, when you're looking at high retention rates, and that's why I gave you 2 numbers, well, it's pretty easy to look at a high retention rate when the level of -- on a premium basis when the level of rate increases are running as they are.

And so you get that as a financial number, but it doesn't really tell you on an operating, the operating answer. That's more based on unit retention. And I gave you that, which is very high. So you probably want to be poking around on that.

And -- but we have -- we came into this market with a clear mind, knowing our mind, knowing our sense of risk appetite, pricing requirements and across segments, across geographies, and we are ready to jump off the mark. And when we could see that it was conditions that were favorable to our view of risk-adjusted return, and that's all we've executed on. And we're doing it relentlessly. COVID be damned.

Paul Newsome
Piper Sandler & Co., Research Division

Great. Second question...

Evan G. Greenberg
Executive Chairman & CEO

Chubb has been present in the marketplace. Though all the time or not, it's not a question, but we are present.

Paul Newsome
Piper Sandler & Co., Research Division

It's been a good year. There's no question about it. M&A thoughts on the current environment, again, with commercial insurance margins improving as much for most insurers, I think. Do you think there's any change in what you think the sellers will be willing to sell or the environment in general from the underlying [indiscernible] pipeline?

Evan G. Greenberg
Executive Chairman & CEO

You didn't come through really clearly to me there. Can you just repeat that?

Paul Newsome
Piper Sandler & Co., Research Division

Sure, I just asking about the M&A environment and what you think is the current situation in the context of that commercial insurers, for example, are generally seeing some better margins. And I would imagine that means the sellers are less willing to sell every hard market is different.

Evan G. Greenberg
Executive Chairman & CEO

Yes. I don't know. I'm pretty at rest at the moment. And I don't notice a lot of activity out there at the moment. This is a great time to grow. And we've made a couple of moves that I'm very focused on. And of course, stay tuned.

Operator

We'll take our next question from Tracy Benguigui from Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Just also another question on Huatai. Congrats on your progress so far. I'm wondering if you could share with us early thoughts on what you could do as a majority owner in terms of having an immediate impact and what your vision is over the long term?

Evan G. Greenberg
Executive Chairman & CEO

Yes. Tracy, I don't see it as really an immediate impact. I don't think of it that way. This is a very rare asset for a foreigner to be able to purchase. It has a lot of potential with it. When you think about its nonlife, its life, its asset management, mutual funds, retail and institutional have licenses to manage pension money, have a license to manage insurance companies' assets.

It has 600 offices throughout the provinces. It's reasonably small, $1.25 billion, $1.5 billion of P&C premium, about $1 billion of life premium with now 35,000, 40,000 agents. The growth potential, if you believe, which I do, that China will continue to grow and we'll continue to emerge, though it won't be in a straight line, but that as a society and the size and scale, it requires a much larger insurance and financial services industry and requires much greater private sector participation.

They can't do it in a state-controlled manner or just won't sustain the kind of growth that it requires. And that over time, China moves to the left, it moves back to the center, a little more to the right, that will occur. And then when I look at Huatai itself, its potential within any of its businesses is huge, but it takes time. It takes time to effect strategy, train people, implement strategy and be patient that you take risk when you can get adequately paid and you don't break discipline.

All of that is in front of us. And I look at it over a 5- to 7-year time horizon. And it's the -- it's one of the next great peaks for Chubb to climb and we will.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

That was great color. I realize you've been asked a number of questions on excess capital and there's always complexities like S&P capital model. I have my own views. I published that. I know you have future capital commitments like Cigna and Huatai. Maybe an easier question to ask and you've announced this before. Just looking at the fourth quarter ROE, could you just remind us this quarter how many points you would attribute to excess capital? I know last quarter, you said 1.5 points.

Evan G. Greenberg
Executive Chairman & CEO

It's about 1.5 points.

Operator

And we'll go ahead and take our next question from Alex Scott with Goldman Sachs.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

First one I had is just on the paid claims. I heard the paid-to-incurred ratio that you referenced. And I just -- I thought I'd ask if you can kind of frame for us how much, if it all, paid claims are still kind of coming in below where they would normally be in a nonpandemic environment? And over what time you time period do you expect that to normalize?

Evan G. Greenberg
Executive Chairman & CEO

No, we're not going into any detail like that.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Got it. Okay. And then maybe a different question on the Cigna business. Can you just give an update on the time at closing? I know you mentioned first half, I think there's a series of countries with approvals. And if there's any update to your thinking on earnings contribution and there's any sort of lingering COVID impacts to think about as that comes online?

Evan G. Greenberg
Executive Chairman & CEO

No, I don't see -- not that I noticed some lingering COVID impacts. And timing is going to be in the first half of the year. That's as far as we're going to pin it. And we'll update you a bit more when we close on an updated view of what we might expect. But we're not going to do it maturely because then I'm speculating, and we're not going to do that.

The one thing I will tell you is there's not going to be a rolling close. There's going to be 1 close. That's why the approval thing you're saying is not exactly relevant tangentially so, but not in the way you might be thinking.

Operator

And we'll go ahead and take our last question from Ryan Tunis from Autonomous Research.

Ryan James Tunis
Autonomous Research LLP

Just 1 more follow-up on Huatai. And I guess I was just kind of thinking, in a lot of the countries you're in, you really understand the tort environment, your underwriting environment, the legal environment, risks like that. How do you feel about insurance contracts, things like that, tort law in China relative to some of the other places you're operating?

And is it mostly property coverage at this juncture in nonlife or is it casualty, too?

Evan G. Greenberg
Executive Chairman & CEO

Well, every country -- I mean if you ask me the -- my confidence in the rule of law globally. Well, there's a wide spectrum of variation among all the countries of the world, including starting right here in the United States, where people legally torture the contract to death for getting the intent of coverage.

So I wouldn't throw a stone at China on that basis. And I'd say that China fits right into the spectrum of countries that way. We've been doing business there. I've been doing business there for 30 years, and the company has been doing business there for 20 years now.

So we know something about it. With that said, casualty-related coverage is no different than the court system in China. And commercial law and law around individual responsibility that is evolving and has been evolving and those portfolios have been growing as well.

And we underwrite though, understanding the risk environment. As an example, and I'll just give you 1 example and just to add a little color to it. If you're going to underwrite D&O in the United States, well, you get pretty darn good accounting disclosure.

And if I'm going to underwrite D&O in China, buyer be aware there's not the same level nor veracity in many instances to accounting disclosure. We understand that. It doesn't mean that it's a binary answer either. So I will leave you with that to chew on, Ryan.

Ryan James Tunis
Autonomous Research LLP

Appreciate. I know oftentimes, you don't talk a lot about what you're doing with reinsurance. But yes, I guess I was just curious, getting to the 1/1 renewal, is there a potential that next year you might retain a little bit more and that could be an additional net premium growth tailwind?

Evan G. Greenberg
Executive Chairman & CEO

Yes, things are pretty steady. That's as much...

Operator

And with that, that does conclude our question-and-answer session. I would now like to turn the call back over to Karen for any closing remarks.

Karen L. Beyer
Senior Vice President of Investor Relations

Thanks, everyone, for your time and attention this morning. We look forward to speaking with you again next quarter. Have a great day.

Operator

And with that, that does conclude today's call. Thank you for your participation. You may now disconnect.