S&P Global
Market Intelligence

Chubb Limited NYSE:CB

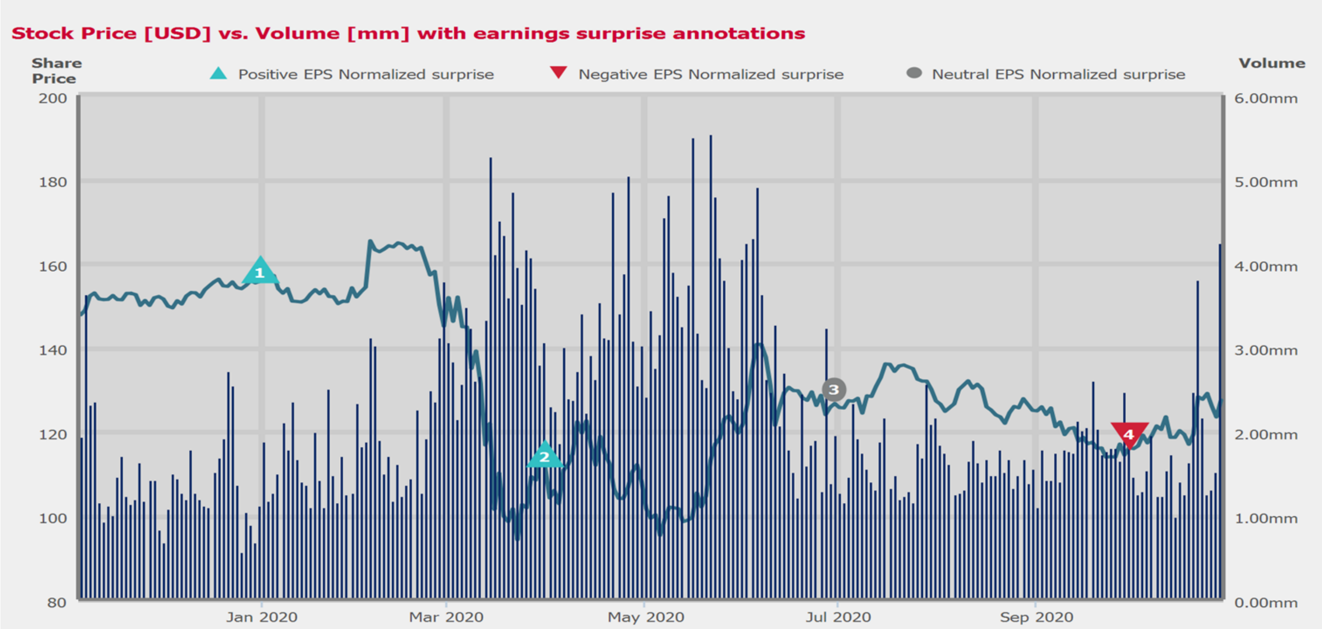
FQ3 2020 Earnings Call Transcripts

Wednesday, October 28, 2020 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2020-			-FQ4 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.23	2.00	(10.31 %)	2.78	7.14	NA
Revenue (mm)	8266.80	8468.00	2.43	7800.00	31336.17	NA

Currency: USD
Consensus as of Oct-29-2020 10:02 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2019	2.15	2.28	1 6.05 %
FQ1 2020	2.57	2.68	2 4.28 %
FQ2 2020	(0.39)	(0.56)	NM
FQ3 2020	2.23	2.00	3 (10.31 %)

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Call Participants

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Senior Vice President of Investor Relations

Philip V. Bancroft
Executive VP & CFO

ANALYSTS

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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
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Michael David Zaremski
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Michael Wayne Phillips
Morgan Stanley, Research Division

Ryan James Tunis
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Presentation

Operator

Good day, and welcome to the Chubb Limited Third Quarter 2020 Earnings Conference Call. Today's conference 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 September 30, 2020, Third Quarter Earnings Conference Call.

Our report today will contain forward-looking statements, including statements relating to the company performance, pricing and business mix, and economic market conditions, which are subject to risks and uncertainties, and actual results may differ materially. Please see our recent SEC filings, earnings release and financial supplement, which are available on our website at investors.chubb.com for more information on factors that could affect these matters.

We will also refer today to non-GAAP financial measures, reconciliations of which to the most direct comparable GAAP measures and related details are provided in our earnings press release and financial supplements.

Now I'd like to introduce our speakers. First, we have Evan Greenberg, Chairman and Chief Executive Officer; followed by Phil Bancroft, our Chief Financial Officer. Then we'll take your questions. Also with us today 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
Chairman, President & CEO

Good morning. The quarter was marked by continued insurance market hardening, an economy struggling to reopen globally and a very active period for catastrophes with current industry estimates ranging between $35 billion and $40 billion in insured natural and man-made cats globally.

As an industry leader, we, of course, have our share of exposure and losses. We published a P&C combined ratio of 95%, which was impacted by $925 million of net cat losses, a good performance, all considered, supported by both significant underlying underwriting margin improvement and very strong commercial P&C revenue growth globally as we capitalize on favorable underwriting conditions.

To begin, in terms of cats, we tracked over 40 separate events globally in the quarter, a very high frequency. For the North Atlantic hurricane season, we're now under the Greek Alphabet. Aside from hurricanes, we had the derecho in the Midwest, the wildfires along the West Coast and a number of international weather events.

The increasing trend of both frequency and severity of events from a variety of natural perils, wind, flood and fire related, informs our views of current and future expected cat loss levels as well as our view of required rate to ensure the exposure in both commercial and consumer property-related lines. Where we can get paid adequately for the volatility and uncertainty, we will maintain and even grow our exposures. Where we cannot, we shrink. And in either case, shape our portfolio according to our risk appetite.

California wildfire is a good example of both shrinking and shaping the portfolio. We shrunk our overall insured home count, 16% over the past few years, and improved the shape of the portfolio by reducing the home count 21% in fire-exposed areas. Overall, for cat risk, there is more to come as we continue to improve the tools we use, both science and technology, to better assess the risk and concentration of exposure in the areas of flood, wildfire and wind.

Our Global P&C, which excludes agriculture, ex-cat current accident year combined ratio, was 85%, an improvement of 3.3 points over prior year, with underwriting income up 36% in constant dollars as a result of both margin improvement

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and earned premium growth of 10% in commercial lines. Over 2 points of the margin improvement were loss ratio related and the balance was expense ratio related.

Of the loss ratio component, about 1 point was margin improvement because earned rate exceeded loss cost trend. The balance was a modest recognition of the favorable impact from the health-related shutdown and economic conditions, principally a reduction in loss frequency in U.S. and Latin American automobile lines. Of the 1.2 points expense ratio improvement, the acquisition-related portion is due to mix of business, i.e., less consumer, more commercial. And of the operating portion, 1/2 is efficiency related and the balance is due to current operating conditions.

As for crop insurance, much has been written about the impact of the derecho on crops. Despite the derecho, from all we can see, we are on track for an average crop insurance year.

Finally, given the relatively improved visibility and stability in both the risk and business environment as compared to the first 3 quarters of the year, and given our very strong capital position, we are lifting the moratorium on our share repurchase activities. So we'll have more to say about investment income, book value, cats and prior period development.

Turning to growth and the rate environment. P&C Premium revenue in the quarter grew about 6.5% globally in constant dollars, made up of 10.8% growth in Commercial P&C and 3.3% decline in consumer lines, which included negative growth in Global A&H and international personal lines and positive growth in North America Personal lines. In the quarter, we continued to experience a strong and continuously improving Commercial P&C pricing environment, particularly in North America, the U.K., the continent of Europe and certain locations in Asia Pacific, and it continues to spread further.

In North America, Commercial P&C net premiums grew over 11%, which is very strong and, by the way, includes a reduction in growth of 5 points due to reduced exposures from the decline in economic activity, including employment. New business was up 15%, and renewal retention remains strong at 93.6% on a premium basis.

In our North America Major Accounts & Specialty business, net premiums written grew over 12%, while our middle market and small commercial business grew about 5.5%. In our International General Insurance operations, Commercial P&C net premiums grew 13% in the quarter in constant dollars. Our International Retail Commercial grew 11%, and our London Wholesale business grew nearly 22%. New business was up over 6.5% overall internationally.

Retail Commercial P&C growth by region with net premiums written, up 26% in Continental Europe, 11.5% in Asia Pacific and about 9% in U.K. and Ireland. Globally, in those markets where we grew, we continued to achieve improved rate to exposure across our commercial portfolio, and I'll return to that.

Overall rates increased in North America Commercial P&C by over 15%. In Major Accounts, risk management casualty rates were up 6.5%. General casualty was up 31%. Property rates were up 22% and financial lines rates were up 23%. In our E&S wholesale business, property rates were up 21%, casualty was up almost 32% and financial lines, up about 25.5%.

And in our middle market U.S. business, rates for property were up 16%, casualty rates were up over 11%, excluding comp, which was down 1.2%, and financial lines rates were up over 17%. And in International General Insurance Operations, rates were up 15% in international retail and 32% in London wholesale.

Consumer lines growth globally in the quarter remains heavily impacted by the pandemic's effects on consumer-related activities. In our International Personal Lines business, predominantly auto, home and cell phone, premiums shrank 1.7%, while our global A&H premiums, that's U.S. and international together, were down about 12.5%. We expect both to return to growth sometime during '21.

Our North America Personal Lines business grew about 3%, as we continue to experience flight to safety and quality in our high net worth segment. New business in that line was up over 11% and retention remained very strong at 95%. Our Global Re business grew premiums 27% in constant dollar. The underwriting environment is improving in reinsurance and Global Re has become more of a growth area.

Lastly, our Asia-focused International Life business had a decent quarter, with net premiums written up about 9.5% in constant dollars.

In sum, we are in a hard market or firming market for Commercial P&C, depending on where you are in the world or cohort of business, and it is spreading. Where we are growing, we are achieving rates that exceed loss cost, and therefore, we are achieving margin improvement. More lines of business on a policy year basis are coming closer to

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achieving combined ratio levels that will produce adequate risk-adjusted returns. However, in most areas, rates need to continue moving higher. I believe they will based on everything we see, given the risk environment, interest rate levels and for how long business was inadequately priced by many companies.

The current market is a reasonable response, and the trend, in my judgment, is enduring. John Keogh, John Lupica and Juan Louis Ortega can provide further color on the quarter including current market conditions and pricing trends.

In closing, our company is in excellent shape. We have the people, the capabilities, the culture and the command and control structure to execute and continue capitalizing on this improved underwriting environment. Our fundamentals and balance sheet are strong, and we know our mines. Again, where we can get paid adequately to assume the risk and volatility, we're leaning into it, and growing exposure in rate. As we look forward, we expect to grow our EPS through both revenue growth and improve margins.

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

Philip V. Bancroft
Executive VP & CFO

Thank you, Evan. Our financial position remains exceptionally strong. Total capital grew to $73 billion and our AA-rated portfolio of cash and invested assets grew over $5 billion this quarter to $118 billion. Our strong underlying underwriting results and investment performance produced a $3.5 billion of positive cash flow in the quarter. Among the capital related actions, we returned $353 million to shareholders in dividends. And in September, we issued $1 billion of 10-year debt at an interest rate of 1.38%. The proceeds will be used to prefund $1 billion of debt due in November '22 with an interest rate of 2 and 7/8 percent.

Adjusted net investment income from the quarter of $900 million pretax was higher than our estimated range and benefited from increased corporate bond call activities. In addition, there was a $32 million of investment income previously included in other income from our private equity partnership funds where we own greater than 3%, that we are now classifying as adjusted net investment income. We believe reclassifying this income as investment income is more appropriate. We adjusted the prior period results to align with this new presentation in the financial supplement.

While there are a number of factors that impact the variability in investment income, we now expect our quarterly run rate to be in the range of $890 million to $900 million. This considers the reclassification of private equity income described above. In light of the reclassification, we now estimate other income and expense to range between 0 and a $5 million expense going forward.

As a separate matter, we continue to record the change in the fair value mark on our private equity funds outside of core operating income as realized gains and losses instead of as investment income, as other companies do. In this quarter, the mark-to-market gain related to private equities was $428 million after tax. Book intangible book value per share were up 3% and 4.7%, respectively, in the quarter, favorably impacted by net realized and unrealized gains of $1.1 billion after tax, principally in our fixed income investment portfolio from lower interest rates, and mark-to-market gains on private equities.

At September 30, our investment portfolio was in a net unrealized gain position of $4 billion after tax. Our net catastrophe losses for the quarter were $925 million pretax or $797 million after tax, primarily attributable to severe weather-related events globally and wildfires. There were no changes to the previously reported aggregate COVID-19 loss estimate from June 30. Additional information on catastrophe losses is detailed in our financial supplement.

Our net loss reserves increased $1.5 billion in constant dollars in the quarter, and our paid-to-incurred ratio was 73%. We had favorable prior period development in the quarter of $146 million pretax or $126 million after tax. This included $35 million pretax adverse development related to legacy environmental exposures. The remaining favorable development of $181 million comprises $312 million of favorable development from long-tail lines, principally from accident years 2016 and prior, and adverse development of $131 million in short-tail lines.

Our core operating effective tax rate for the quarter was 16%. We continue to expect our annual core operating tax rate to be in the range of 15% to 17%.

I'll turn the call back to Karen.

Karen L. Beyer

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

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Question and Answer

Operator

[Operator Instructions] And our first question will come from Mike Zaremski with Crédit Suisse.

Michael David Zaremski
Crédit Suisse AG, Research Division

I guess, first question, if you can kind of talk about M&A appetite and your willingness to entertain additional kind of transformational M&A. I think one of your peers earlier this week kind of talked about looking to break up the company. Do you have any view of whether there -- do you think there's kind of properties out there that could become available that you'd consider engaging in M&A with?

Evan G. Greenberg
Chairman, President & CEO

Well, very short answer. It will be real quick. I'm not commenting on M&A. And Chubb's appetite and whether we're entertaining this or that, just stay tuned.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. Okay. Moving on to, I guess, the environment. I guess one of the main questions I get asked is whether we feel COVID is -- the charges are more in the rearview mirror or is there a chance that companies kind of have to change their loss picks currently up. Clearly, COVID, demonstrating great results this quarter and there's a lot of improvement in the margin, some of it due to a benefit from COVID, most likely due to the less claims frequency. But I guess the question is, is if the pandemic drags on through next year, is that something that could cause Chubb to change its coded loss picks? Just trying to think about how sturdy the charge you took last quarter is and how to think about it potentially changing?

Evan G. Greenberg
Chairman, President & CEO

We took no adjustment to our COVID charge. We see our reserve as adequate. There's nothing that shows us any reason to be imagining any charge. Thank you very much for your questions.

Operator

And our next question will come from Greg Peters with Raymond James.

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

Thanks for all the information in the call on pricing. If I step back, Evan, in your second quarter conference call, when asked about market conditions, you opined that perhaps over 50% of your business was in a hard market sort of environment. Would you characterize the change from second to third quarter as being more of your business being in hard market? Or is it the same lines, just continuing to experience these conditions?

Evan G. Greenberg
Chairman, President & CEO

No. Greg, I haven't calculated it precisely, but it has spread to more lines of business and more cohorts of risk. And when I think of cohorts, and that's why I use that term, it's line, it's customer cohorts within line. So if you think of large account versus upper-middle market versus middle versus small. And then I do it by territory. And then I think about it across geography. And when I look at it that way, it continues to spread. It's more in the middle market than it was. It's in more geographies. It's in more large account business in more geographies, and it's spreading to more lines of business. And within lines of business, it's been accelerating.

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

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Got it. My follow-up would be just in your prepared comments, you talked about the expense ratio. And I think for one portion, you identified that half was efficiency gains and half was operating conditions. I guess considering the effect of COVID and the economic slowdown on things like T&E, et cetera. As we look forward, and let's move past this year, we think about next year and the following years, how much of the expense improvements do you think that you've realized are structural and will be with the company going forward? And how much are transitory or sort of onetime in nature?

Evan G. Greenberg
Chairman, President & CEO

Greg, I gave you such transparency by breaking down, as I did for you, in the commentary. It was a gift. And I gave you a sense of what at least I can see right now are current condition related versus what is structural related. And from there, I don't have a crystal ball to go forward. But I gave you pretty good [indiscernible]

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

So the half will have to sort of follow up on the other half.

Evan G. Greenberg
Chairman, President & CEO

That happens. But the half is run rate related. And the rest, that has to do with the environment. While I can't tell you precisely when does travel open up? When does businesses open up? When are you back at not just traveling but meetings and other activities that have to do with people to people contact and all the rest of that. I can't tell you that.

Operator

Our next question will come from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Evan, my first question, I appreciate all the comments on price increases. You're very helpful. You pointed to North America rate up over 15% in the quarter. If I also go into your other comments, you pointed to rate exceeding trend on an earned basis by about 1 point, but that's on your overall book. As we think about an earning in that 15% of rate within North America Commercial, can you just give us a sense of how that [written] could translate into margin improvement over the next year? Maybe you don't want to get into specific numbers, but just as we could think about the trajectory within North America Commercial, given that you're getting such great rate within that book of business.

Evan G. Greenberg
Chairman, President & CEO

Yes. Look, Elyse, it's going to earn its way in, and it will continue to have an ameliorating and positive impact on margin. That is what I'm telling you. And I see margin improvement in loss ratio, all things being equal, and I gave you a sense on expense ratio. Beyond that, I'm not going to get to point estimates, and I'm not going to -- as you know, I don't -- we don't give forward guidance. So I actually creeped right to the line to give you a better sense than I have of that. Remember, the 15% breaks down by line of business. And some lines require more rate than other lines do. And it depends on loss trend. It depends on where you're starting from. And I gave you a sense as well that on a policy year basis, it's not a matter of making underwriting profit.

That's your investment, my minimum red mine in a soft market. And in a harder market and what we strive for over any cycle is to earn a proper risk-adjusted rate of return, which means a combined ratio that will generate just that. And we consider all the factors, trend and loss ratio, et cetera.

And we're coming closer in different lines of business to pricing levels that will achieve that. It's not there yet. And we will continue to, I imagine, and I see that we can -- and I'm confident in it, that we'll continue to publish improved margins as we go forward. And all things being equal, because I can't predict volatility and the risk environment, cats, et cetera. So I hope that helps you.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

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Yes, that's helpful, Evan. My second question, you've been pretty bullish on the market, I would say, over the past few quarters. I recognize every hardening market is different. But if you think about these rates, right, 15% in North America Commercial, strong rates on Commercial internationally as well. Does this market feel like we're in the strongest market has compared to like the early 2000s? And obviously, there's differences with interest rates, et cetera. But do you feel like today, we're getting the best rate and have the best forward momentum with the COVID being 2000 as compared to today?

Evan G. Greenberg
Chairman, President & CEO

I don't see it as like the early 2000s. I don't see it that way in terms of rate. Look, Elyse, look at the loss cost environment. We just look at the cat environment. You got to be able to pay for cat and modeled and nonmodeled. And in short-tail lines, the industry is chasing a risk environment in that area. You look at casualty when you look through COVID, plus and minus, and I can expand on that comment of COVID plus and minus later.

But when you look through, you have a loss cost environment that is not benign. And you have an industry that, in my judgment, fell behind on pricing, quite a bit behind. And the momentum is very good, but it's got a ways to go. And then there are some areas -- look at the size of workers' comp in the market. And workers' comp rates have continued to go down. And that's -- we don't see that as a growth area to jump. Workers' comp continues to go down. And I wonder if the industry won't overshoot the mark in that area.

Right now, you have -- we can come back to it. It's one of the areas that may have some frequency benefit from COVID, et cetera, but that ultimately becomes a head fake and then you play catchup. So mixed bag that way. I don't see it as the early 2000s, but I see it as a very healthy trend, and we are in a hard market, and it needs to sustain itself.

Operator

And our next question will come from Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Evan, more on the environment. I guess kind of drilling down into -- you've talked about areas where you see growth opportunities and you're going after them aggressively because the rate is good. Can you talk about -- do you want to talk about areas, specific areas and many lines or whatever the way you want to talk about it, where you'd shy away from?

Evan G. Greenberg
Chairman, President & CEO

No. I'm not going to. I'm not -- that's proprietary. That, I'm not going to get into. And I don't think that benefits an investing thesis. So I'm not -- I'm sorry, Mike. I'm not going there.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. And then I guess, you've talked about it in the past.

Evan G. Greenberg
Chairman, President & CEO

I'm not going to help others to benefit from just now.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Fair enough. So you talked about in the past, maybe an updated view on overseas [indiscernible]

Evan G. Greenberg
Chairman, President & CEO

Mike, I lost you. You Just said overseas gen and then cut out on me.

Michael Wayne Phillips

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Morgan Stanley, Research Division

Update on Latin America and overseas general and in growth or lack of growth opportunities there.

Evan G. Greenberg
Chairman, President & CEO

Did you say Latin America?

Michael Wayne Phillips
Morgan Stanley, Research Division

I did, sir. Yes.

Evan G. Greenberg
Chairman, President & CEO

And you wanted an update on Latin America?

Michael Wayne Phillips
Morgan Stanley, Research Division

I did.

Evan G. Greenberg
Chairman, President & CEO

Okay. Latin America is -- we're only 3 months since I think I gave you the last update on it, and not much has changed. Latin America is the one region that I think is going to suffer the most and will continue to suffer. When you add the combination of economic conditions there, political and government-related policies and leadership, the general infrastructure and the management of health care and the capabilities of government health care and the security situation in numerous countries in Latin America. It all mixes to where you can't be overly optimistic. It's not a region where I'm expecting to see growth.

We are -- we have negative growth right now. And I expect that, that will turn around because we have a large consumer lines business, and that is beginning to -- it's beginning to stabilize and quarter-on-quarter is starting to look a little better. And we'll then get to -- as the year, we get into 2021, it will stop being a drag, and you'll have a year-on-year comparison, and it will improve. And some of the fundamentals in Latin America are stabilizing. But I don't see it as a real growth area now.

And at the same time, I would say this. We make money in Latin America, and our combined ratios are healthy. We have a good book of business. We have a good position. We've got a great team and we're positioned to take advantage. We've got a lot of opportunity, and we're signing up a lot of new distribution, et cetera. And so over time and at some point, and that's why it's good to be a diversified global company as we are. At some point, Latin America will contribute in a better way to the organization.

Operator

Our next question will come from David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Evan, just hoping to get a bit more of your commentary just around loss cost trends, and you had kind of mentioned it in response to Elyse's question. But just wondering, any sort of update on what you're seeing in third quarter -- in the third quarter as economic activity has picked up, courts have reopened, and how much conservatism you feel you're baking into your loss picks given the environment underneath some of the statements you made on the loss -- on the margin improvement?

Evan G. Greenberg
Chairman, President & CEO

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Look, and you don't want to divide this. We use normalized trend to price, which is really data through the first quarter of '20. We look through COVID, both the pluses and minuses, that, in our judgment, are temporarily distorting. And so we view COVID, on one hand, as a cat event. And it's a cat event that's producing some plus and minus. On the one hand, you have the COVID benefit from reduction in frequency. And that's showing up, and it shows up early.

On the other hand, COVID losses are emerging. So far from our global look at it, they're in the $30 billion range. And it's mostly short tail. And we stick to our view of the ultimate industry COVID loss. Most companies, to me, appear to be recognizing COVID losses as they emerge. And they're going to emerge over the next few years. You haven't really seen the COVID casualty end of it. Or I should -- maybe in your parlance, long tail.

Does the benefit from frequency we're seeing right now ultimately offset the ultimate development on COVID? I doubt it. But I don't know. So as things stand, that means, again, we price looking through both the benefit of lower frequency and we look through the COVID loss itself as we treat it as a cat, and we did our darndest to recognize it to ultimate. And there's nothing we see so far that changes our view of that at all. So that's fundamentally how we look at it. And in my judgment, that's how any good underwriter should be thinking about this.

So then that says, you imagine that the world ultimately reverts to the normal trend lines we had been seeing in casualty, professional lines, property, et cetera, et cetera. And that's what we use to price and to imagine the appropriate returns on the business. And maybe that gives you a better organized way of thinking about this.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

No, that does. That's very helpful. I appreciate the color there, Evan. And so it sounds like there's really -- there's nothing right now that would make you -- that would make you change your ultimate trend and whether that's -- so you feel comfortable that there may even be conservatism potentially baked in, depending on how some of these short-term benefits come through?

Evan G. Greenberg
Chairman, President & CEO

Your first part, I agree with you. Second part, you have said twice to me. You know this. I'm going to study and not answering that.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I thought I'd give it a shot, but I appreciate that. If I could just ask one --

Evan G. Greenberg
Chairman, President & CEO

It was a good shot.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just one more. This is just a quick one. I know you've said in the past that E&S book is around 10% of the total company's premium base, but that was after a time where you cut that by roughly half over 10 years. Just from your prepared remarks, it sounds like we're in rate adequacy in more and more of those lines. So my question is, how big do you think E&S can become as a percentage of the entire company as we look forward over the next few years?

Evan G. Greenberg
Chairman, President & CEO

Well, first of all, E&S is growing. Rate adequacy, I return you to my comments about policy year. Be careful with the statement. Just because you're getting a lot of rate, you got to know where the classes started from. We shrunk -- I'm going to give you an example. We shrunk primary casualty in the U.S. E&S just dramatically. That business, in my judgment, in the U.S., probably running 150. Anyway, so how much rate do you think that area needs to get to produce a reasonable risk-adjusted, let alone umbrella or excess? So what you need depends on where you're starting. And so imagine that.

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Now E&S is one of the growth engines right now for Chubb. Between Westchester, Bermuda and London. Exactly, as I told you before, it's a growth engine. And how big can it become as a percentage of the company? Well, the rest of the company is not standing still, except temporarily the consumer lines business, it's going backwards a little bit. So I'd return you -- I probably, which, okay, I'm not going to, return you to that old joke about how -- what will it be. It will grow as a percentage of the company.

Operator

And our next question will come from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

I got two ones for you, Evan. And the first one, you mentioned you're lifting the moratorium on share buyback, yet you still got, obviously, some pretty significant growth opportunities here, given that you're in this hard market and you're starting to see your growth accelerate here. Evan, how do you think about balancing the capital management with the growth here? Is it simply because you just stock too cheap, you're like it's a much better return to buy back stock today rather than allocate it to some new business? Or how are you thinking about that?

Evan G. Greenberg
Chairman, President & CEO

Oh, my God, no, Brian, you're way overthinking this. We have plenty of capital flexibility. There is not a prayer. I'm going to starve any business of growth because of capital. No. No. The businesses are left to grow as rapidly as underwriting conditions and our risk appetite warrant and our ability to get out of our own way and get after it allows. And so no. And at the same time, I can guarantee you, at this share price, I'm a buyer.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. Got you. So it was really the share price that prompted your kind of let's just lift the moratorium here?

Evan G. Greenberg
Chairman, President & CEO

Listen, this is -- no, it's not just the share price. It's -- that's actually my last consideration. That's my consideration in terms of do we buy or not buy once we've lifted the moratorium. The moratorium lifting is based on simply good balance sheet and capital management and stewardship of the business. And that is based on our visibility and confidence in both understanding the environment we're in, the risk environment, the economic environment, et cetera, the stability of the organization versus that as we see it and our overall balance sheet position.

And all of that says to us, okay, it's prudent to lift that moratorium.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then my second question, Evan, you talked about some lines getting closer to kind of acceptable risk adjusted return. I'm just curious, given the current interest rate environment, and I know you've talked about ROEs and kind of where you would like them to get to. Where do you think it -- pardon me?

Evan G. Greenberg
Chairman, President & CEO

We use the current interest rate environment.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And what do you think the appropriate kind of return on equity is right now for your business, right? And do you think, given this firm market, hard market we're in, can you get there?

Evan G. Greenberg

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Chairman, President & CEO

Well, I'm certainly driving to get there. And this isn't calculus where you approach it and never reach it. I expect to achieve it. And there's the most clear-eyed management position I can give you. And I think that's in the industry's best interest to achieve stability in the face of a more hostile loss environment and the uncertainty in the environment. This industry needs to achieve the proper risk-adjusted return. And that varies by area of business and by company, on a degree.

But I'll tell you what, our objective of achieving in that 15% range has not changed. That's what I have.

Operator

Our next question will come from Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research LLP

So yes, overseas general, really good underwriting quarter. I guess what I'm trying to understand is, how exposed is that to the dynamic between rate and loss trend? I think historically, this has been more of a stable margin business. It's a lot of A&H, some personal lines. So yes, I mean, to what extent do you think that segment should benefit in some of the same ways North America Commercial is from a margin improvement standpoint moving forward?

Evan G. Greenberg
Chairman, President & CEO

Well, the market is not -- the firming market is not about A&H, and it's not about personal lines. Those are very idiosyncratic, and they go to their own rhythm, and personal lines, in particular is country by country, line by line. But the Commercial Lines business and International has many of the same trends that North America does. And it varies by country. I guarantee you, in the short-tail lines, it's got the same trends and faces the same kinds of exposures that I'm sure you have noticed.

By the way, just remember Australia wildfires, floods, wind, hail storms. Just take them across the various geographies in International. And then in the long-tail areas, well, I'd refer you to Professional Lines into different countries casualty. Marine in certain markets. It has its own -- it has its own rhythm to it and patterns, but the themes are the same as North America. Very [similar.]

Ryan James Tunis
Autonomous Research LLP

Got you. And then I guess just on the expense ratio. It always feels like in these hard markets, if you -- you guys are, if the company is giving a 30% expense ratio to kind of keep doing one, there's not usually a lot of operating leverage, if you will. But we have seen your expense ratio improve over the past couple of quarters. And I'm wondering if -- is there a dynamic there of expense ratio improvement as well that's tied to the combination of top line growing at a more elevated pace that it continues to stay?

Evan G. Greenberg
Chairman, President & CEO

I didn't get the last part of that question. I understood what you said. Expense ratio, blah -- not blah, blah, blah. But I got expense ratio. I didn't get the punch line, Brian.

Ryan James Tunis
Autonomous Research LLP

Yes. So the punchline is, we usually think about these hard markets being loss ratio. Improvement story, but we're seeing your expense ratio improve. We're not seeing your expenses grow at the level of your premiums. Is that a sign of things you think they can continue in this type of market? Like should we also be thinking that as you're getting the rate adequacy and as you're growing faster, we should also see some ongoing positive torque in terms of expense ratio improvement?

Evan G. Greenberg
Chairman, President & CEO

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Well, I think I gave it to you already when I gave you the operating expense ratio and told you how much was kind of COVID and health-related environmental and what -- and excluding that, about half the improvement in the OpEx was our own structural. And so that gives you -- that -- I think that answers your question. But I don't give forward guidance.

On the other hand, what I -- what I also tried to give you, which I don't have a crystal ball on it. And that is in the acquisition ratio. We benefit from mix because of consumer lines coming down. And God bless, that's one that I hope turns itself around and we have the pleasure of seeing our acquisition ratio, to a degree, go back up. Because of the A&H business and some of the Personal Lines business, right?

Ryan James Tunis
Autonomous Research LLP

Yes. And then one other thing I just -- I want to know if this was possible. I don't know how much you can help me with it. But it seems like a year ago, we were -- everyone was worried about reserves, the seasoning of accident years just across the industry. And your long-tail reserve releases of $312 million were higher than, I think, $280 million last year. And I think this was like '16 and prior before, it was '15 and prior. So it feels like the -- whatever information content we're getting this year on some of those green or older accident years has been positive.

Is there a different -- do you see a different dynamic as we get into kind of the '17, '18, '19 stuff where we actually did start to see a little bit more of a pickup? Or -- I mean I'm just trying to interpret the -- because that does seem like a high-quality result. I'm just trying to interpret what you're learning, not just about the recent COVID stuff, but also the -- in terms of the stuff that, from a casualty standpoint, that you were quite --

Evan G. Greenberg
Chairman, President & CEO

Brian, I know what you're asking me. I've been saying for some time that the more recent accident years in casualty, when we look at trends, and others have spoken about it, the so-called social inflation, which I think is too narrow a way of thinking of things. But in any event, you see a -- you saw rates continue to go down and then loss cost, particularly in the frequency, and to a degree, and dependent on the area, severity, the trends worsening. We saw it, we've been aware of it, and we have reserved and priced for it.

I'm not sure the industry has reserved adequately for '17, '18 and '19. And we'll see over time. But I think that's also part of the impetus that continues hard market resolve to recognize and get paid for the exposure. And for some, maybe to address holes they'll have in some of those more recent accident years. We'll see.

Operator

Our next question will come from Yaron Kinar with Goldman Sachs.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

My first question is around premiums. So I think premium growth this quarter actually came in stronger than the cautious tone that was set last quarter. It's sounding like the tone has also changed and become a little more constructive here. What's changed, if I may ask?

Evan G. Greenberg
Chairman, President & CEO

What did you just say? I'm sorry, you're -- I'm not sure what you asked me.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Okay. I think last quarter, the tone I heard about kind of second half of the year, premium growth was cautious. And the results this quarter were actually quite strong on the premium growth side. It sounds to me like the tone has also become more constructive going forward. So I'm just trying to understand what has changed from where you were seeing the environment a quarter ago to where we are today?

Evan G. Greenberg

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Chairman, President & CEO

I see. We don't exist in a vacuum. We live in a world right now -- look around you. By the way, are you talking to me from an office or your home?

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

I'm at home.

Evan G. Greenberg
Chairman, President & CEO

Okay. You're home because we're in a health crisis. And we got an economy with fits and starts. And we've got it globally. The visibility is not great. We have economic activity in terms of businesses. Are they opened or closed? We have a hard market and we have exposures. Are they reduced? Are they the same or they're increasing? Trying to guess all of it in a general environment, don't -- I'm saying it to you this way first because don't narrow your sight to simply the insurance market or you miss the real picture that it's in context of a world that is unprecedented in our lifetimes.

And so if I'm going to be responsible in any of my comments in that regard, of course, I'm going to be reasonably sober in what I say. We're benefiting from all of the insurance market-related dynamics we've been talking about. And on the other hand, we have the vagaries of the world I just mentioned, and that's what you add together. And we're doing our best to drive through that. There will be some -- in our business, particularly by the nature of it, large account, middle market, small, consumer. And the regions of the world we operate in, there'll be some variability in growth rate quarter-on-quarter between the quarters.

But overall, all things considered, I'm very confident in Chubb's ability to outperform.

Yaron Joseph Kinar
Goldman Sachs Group, Inc., Research Division

Okay. And then my second question, probably a broader question still. So if I look at the P&C market, the tone from the supply side, including from Chubb, is that there's no need for momentum, for rate momentum, to continue with the low interest rate environment, with loss trend uncertainty. Do you think that the demand side of the market can and will support this, considering that the underlying ratios are actually improving a bit? You're getting some favorable frequency. You're getting rate in excess of trend. COVID losses seem to be manageable to date and part of your development doesn't seem to be a particular drag at this point?

Evan G. Greenberg
Chairman, President & CEO

Yaron, first of all, I'm not sure in that comment you just listened to what I had to say. I'm sorry about what's the COVID benefit versus COVID losses and how to think about that. And what I was very clear about -- so that's head fake. And you want to go back and think about that, with all due respect.

But I think we -- you see through that and you look at the trends and you look what the industry requires to achieve a reasonable risk-adjusted and will clients decide that, wow, the arbitrage -- will large clients decide. Well, the arbitrage, I got from you because you were selling to me cheap. And I can't take advantage of that anymore so I think I'll increase my retentions and take more myself. Will that occur? Sure, it will occur. And it always occurs. And it's natural, and it should happen. And that's not a problem to me. Is the industry overcharging and, therefore, there'll be a natural response against that? Absolutely not.

And by the way, the last point that I think that I'm going to make to you that I think you left out when you talked about industry loss cost, you talked about loss ratio. Well, let's also talk about the reinsurance market. And the reinsurance market, I have some sense of their exposures. And I have some sense of what they're running. And we have yet to see the real response from the reinsurance industry, which increases the cost to the insurance industry, which means that rates continue to move because costs go are up.

And do I think for the industry, this is great behavior? No. I hate the cycles this way. It's because the clients took advantage of very cheap pricing that kept going down year by year. The industry kept providing it to them. The brokers kept broking it, and no one came with clean hands in it. And it gets to a point then where pressure builds, and it goes

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the other way. And it does it in a way that I don't think is the most responsible way of doing this. But that's where we are. Thank you for the questions.

Operator

And that will conclude today's question-and-answer session. I would now like to turn the call back to Karen Beyer for any additional or closing remarks.

Karen L. Beyer
Senior Vice President of Investor Relations

Thank you, all, for your time and attention this morning. We look forward to speaking with you again next quarter. Thank you, and have a great day.

Operator
And this concludes today's conference. Thank you for your participation, and you may now disconnect.

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