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# Chubb Limited NYSE:CB

*Earnings Call*

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# Call Participants

## EXECUTIVES

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*Executive Chairman & CEO*

**Karen L. Beyer**
*Senior Vice President of Investor Relations*

**Peter C. Enns**
*Executive VP & CFO*

## ANALYSTS

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*TD Cowen, Research Division*

**Brian Robert Meredith**
*UBS Investment Bank, Research Division*

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

**David Kenneth Motemaden**
*Evercore ISI Institutional Equities, Research Division*

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*Morgan Stanley, Research Division*

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# Presentation

**Operator**

Thank you for standing by, and welcome to the Chubb Limited Third Quarter 2024 Earnings Conference Call. [Operator Instructions].

I'd now like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. You may begin.

**Karen L. Beyer**
*Senior Vice President of Investor Relations*

Thank you, and welcome, everyone, to our September 30, 2024 Third Quarter 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 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 supplement.

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. And then we'll take your questions. Also with us to assist with your questions today 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've seen, we had another really great quarter with strong double-digit growth in both P&C underwriting and investment income, leading to core operating EPS growth of over 15.5%. Global P&C premium revenue, which excludes agriculture, grew 7.6%, or 8.5% in constant dollars which is the clearer way to view intrinsic growth and once again reflected the broad and diversified nature of our company and the opportunities we're capitalizing on around the world with strong contributions from our North America P&C, International P&C and Life Insurance businesses.

Core operating income for the quarter was $2.3 billion, up 14.3%. Earnings for the year are currently at record levels with net and operating income up 16.9% and 13.8%, respectively. The 3 sources of earnings growth: P&C underwriting, investment income and life income, each delivered a strong result. Our published combined ratio for the quarter was 87.7%, with P&C underwriting income of $1.5 billion, up over 11.5%, despite an active quarter for the industry globally in terms of natural catastrophes, hurricanes, floods, fires, tornadoes and other severe convective storm activity.

On an ex-cat current accident year basis, a secondary measure of underwriting, we produced record underwriting income of $2 billion, up 11.5%, with a combined ratio of 83.4%. For the year, we have produced record underwriting income on both a published and current accident year basis. As a company in the business of risk, we pride ourselves on being world-class underwriters. It's who we are. We're also asset managers with an excellent long-term record of invested asset allocation and risk-adjusted returns. Our invested asset now stands at $151 billion, and it will continue to grow as a consequence of our basic business of insurance.

For the quarter, adjusted net investment income topped $1.6 billion, up 15.9%. Our fixed income portfolio yield is 4.9 versus 4.7 a year ago, and our current new money rate is averaging 5.5%. In our judgment, given the broad-based health of the U.S. economy and the pattern of inflation when one reads past the headlines, the Fed will likely take a reasonably cautious approach to lowering rates. Given the size and continued growth of our federal deficit, which is simply unsustainable, we believe the yield curve will

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steepen, and that too will support our future reinvestment rate. We remain confident in our ability to reinvest our cash flows at rates that will continue to accrete to the overall portfolio yield.

Life Insurance segment income of $284 million was ahead of plan. And while you know it's our policy to generally refrain from guidance, we are well on pace to exceed our Life division income target of $1 billion for the year. Our annualized core operating ROE for the quarter was 13.9%, with a return on tangible equity of 21.7%. Peter will have more to say about financial items.

Turning to growth, pricing and the rate environment. Global P&C net premiums, which excludes agriculture, increased 7.6% in the quarter, or again 8.5% in constant dollar, with commercial premiums up 8.1% and consumer up 9.4%. Again, growth was global, broad-based geographically, by product and customer segment. North America, Europe, Asia and Latin America all contributed favorably. Life premiums grew 10.6% in constant dollar, with growth of 10% in international life and 15% in combined North America.

In terms of the commercial P&C rate environment, market trends were consistent with those of the previous quarter. Overall conditions are favorable in both property, which is incrementally more competitive in certain areas, and casualty, which is incrementally firmer. Loss cost inflation remains steady and within what we have contemplated in our pricing and reserving. Pricing for both remains ahead of loss costs. Property has become more competitive in the large account and E&S segments, while middle market property pricing was in fact up over prior quarter. We are large in all 3 segments of the market. Our property book is well priced and terms and conditions remain steady. As with prior quarter, casualty is firming in the areas that need rate, and we see this trend in casualty enduring. Overall, our casualty rate and price were up over prior quarter.

Let me give you a little more color by division. Beginning with North America. Premiums, excluding agriculture, were up 7.8% and consisted of 10% growth in personal insurance and 7.2% in commercial, with P&C lines up nearly 10% and financial lines down about 5%. We wrote more than $1.2 billion of new business, up over 18% versus prior year. And our renewal retention rate on a policy count basis is 89.6%. Again, both speak to the reasonably disciplined tone of the market, the power of Chubb, and our excellent operating performance.

Premiums in our major accounts and specialty division increased 7.2%, with P&C up 9.5% and financial lines down over 6%. Within major in specialty, our E&S business grew 11%, with strong contributions for both property and casualty related lines. Premium in our middle market division increased just under 7%, with P&C up 10.7% and financial lines down 5.7%. Again, the underwriting environment in North America is generally favorable and rational financial lines aside. Pricing for property and casualty, excluding financial lines and workers' comp, was up 9.9%, with rates up 8% and exposure change of 1.8%, again, with both rates and pricing up from second quarter.

Financial lines pricing was down 3.2%, with rates down about 3.4%. In workers' comp, which includes both primary and large account risk management, pricing was up 4.2%, with rates up 1.4% and exposure up 2.8%. Breaking down P&C pricing further. Property pricing was up 6.7% with rate of 3.7% and exposure change of 2.9%. Casualty pricing in North America was up 12.7%, well in excess of loss cost with rates up 11.9% and exposure 0.7%.

Our loss cost in North America, again, remained stable, no change, and in line with what we contemplate in our loss picks. In agriculture, where we are the market leader, we gained increased market share and wrote more policies, insuring more farmers and fields, though premiums were down from prior year primarily due to lower commodity prices than last year. Commodity prices are used to price the premiums we charge farmers. Far more importantly, our crop underwriting results this quarter were excellent. And from everything we know now, '24 is shaping up to be a very good underwriting year.

On the consumer side of North America, our high net worth personal lines business had another outstanding quarter with premium growth of 10%, including new business growth exceeding 25%. Premium growth for our true high net worth segments, the group that seeks our brand for the differentiated coverage and service we're known for was 16.8%. Our homeowners pricing was up 13.7% in the quarter and ahead of loss cost trend, which remained steady.

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Turning to our international general insurance operations, it was a decent quarter. Net premiums were up 4.9%, or 7.5% in constant dollars. Our international commercial business grew 6.7%, while consumer was up 8.5%. Asia Pacific led the way with premiums up 9.2%. Latin America grew over 7.5%, while Europe grew over 7%, with the content of Europe up 8.7%. Premiums at our international retail commercial P&C business, 6.5% in constant dollar.

P&C lines were up almost 11%, and financial lines were down 10%. It is worth noting, adjusting for a onetime premium benefit we received in the third quarter of last year, underlying growth was over 14% in P&C lines internationally, with financial lines down 3.8%. We continue to achieve positive rate to exposure across our international retail commercial portfolio, with P&C lines pricing up 6.3% and financial lines pricing down 3.5%.

Premiums in our international wholesale business grew about 8% in constant dollars. As is typical, the London wholesale market is growing more competitive, and frankly, for me is exhibiting classic London underwriter and broker behavior. Generally speaking, underwriting prosperity likely won't endure over time and London will underperform in due course, except for those few real underwriters who know how to manage what is simply a trade. I have seen this movie many times.

Our international personal lines business had an excellent quarter, with growth of 12.7%, led by Asia Pacific and Latin America and our global reinsurance business had a strong quarter. Premiums were up about 35%. We had a combined ratio of 94.4%, which included a more active cat loss quarter. Again, in our international life insurance business, which is fundamentally Asia, premiums and deposits were up about 21% in constant dollar. International life earnings grew over 9% in the quarter in constant dollar. So that's a lot of news. And in summary, we had another excellent quarter and having a record earnings year. While we're in the risk business and volatility is a natural feature, we are very confident in our ability to continue growing our operating earnings and EPS at a superior rate, P&C revenue growth and underwriting margins, investment income and life income.

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

**Peter C. Enns**
*Executive VP & CFO*

Good morning. As you have just heard from Evan, despite an elevated level of industry-wide cats, we had another strong quarter that generated adjusted operating cash flow for the quarter and through 9 months of $4.6 billion and a record $11.7 billion, respectively. Our results further strengthened our overall financial position, ending the quarter with all-time highs in book value of nearly $66 billion and invested assets of $151 billion.

On July 31, we issued $700 million of 5-year debt and $600 million of 10-year debt at an attractive weighted average cost of under 5%. The proceeds will be used for general corporate purposes, including a repayment of $700 million of euro-denominated debt due in December. We returned $782 million of capital to shareholders this quarter, including $413 million in share repurchases and $369 million in dividends, and $2.4 billion in total through 9 months.

Book and tangible book value per share, excluding AOCI, increased 2.7% and 4.3%, respectively, for the quarter, and 7.7% and 10.6%, respectively, year-to-date, benefiting from core operating income, partially offset by the capital returned to shareholders. Core operating ROE and return on tangible equity was 13.6% and a record 21.5%, respectively, year-to-date.

Turning to investments. Our A-rated portfolio produced adjusted net investment income of $1.64 billion, which included approximately $40 million of higher-than-normal income from private equity. Regarding underwriting results, the quarter included pretax catastrophe losses of $765 million, of which $250 million was related to Hurricane Helene and the balance principally from weather-related events split 70% in the U.S. and 30% internationally. Prior period development in the quarter in our active companies was a favorable $299 million pretax, with favorable development of $358 million in short-tail lines, primarily from property, and $59 million of unfavorable development in long-tail lines, which was primarily from general casualty.

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Our corporate runoff portfolio had adverse development of $55 million, primarily environmental liability related. Our paid-to-incurred ratio for the quarter and the year was 77%. Our core effective tax rate was 17.7% for the quarter, which is below our previously guided range, due to shifts in the mix of income as well as certain discrete tax benefits recorded in the quarter. We expect our fourth quarter core effective tax rate to now be between 19% and 19.25%, with the full year between 18% and 18.25%. We expect to provide guidance on the 2025 tax rate as part of our fourth quarter earnings at the end of January.

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

**Karen L. Beyer**
*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] Your first question comes from the line of Bob Huang from Morgan Stanley.

**Jian Huang**
*Morgan Stanley, Research Division*

First question is on the North America commercial. I think if we -- like you said before, right, pricing ex financial lines, ex workers' comp continue to be very strong over the last few quarters. And you had really incredible margin in this business. Just given the pricing and the growth, should we expect growth to accelerate from here? Or how should we think about growth in this business ex financial lines, ex workers' comp going forward?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. First of all, I don't -- we don't give forward guidance, as you know. So I'm not going to answer that in a specific way. You see the amount of new business we write. You see our retention rate. You see we're in a healthy market. And we're in an underwriter's market. Risk selection, structure of risk, how you structure it, and pricing matter. All underwriters aren't created equal. So we compete for business. And some areas of business have become more competitive, naturally, speaking to property. I'm confident when I look forward at Chubb's ability to continue to grow above trend when I look at longer-term trends, as I look forward over a period of time. And I'll leave it at that.

**Jian Huang**
*Morgan Stanley, Research Division*

Great. Second question is on the international business. Apology, in advance if I misinterpreted your commentary, but it sounded like what you're saying is that in London there could be more competition. Does that imply that a lot of the international growth going forward will be driven by Asia and elsewhere? If that is the case, does the upcoming election potentially have an impact on the growth in that area?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Well, first of all, our London wholesale business is proportionately is not the overwhelming part of our international business. It's about 10%. And so put that in perspective. 90% is our global retail international. Europe grew 8.5%, Latin America, grew 7.5%. Asia, grew in the 9s. So it's that vast territory. And then the U.K. itself grows well, and then -- which is U.K. retail, which is a big business.

And then you have the London wholesale market where business comes to London to get placed. And that's what my comment was referring to the classic London market competition that I just thought I would call out because you start to see the behavior that is classic of London. The election, I'm not sure how you linked it to the election and the election outcome. You'd have to enlighten me. But does that help you?

**Jian Huang**
*Morgan Stanley, Research Division*

No, no, I think it does. Really appreciate the U.K. comments there.

**Evan G. Greenberg**
*Executive Chairman & CEO*

You got it. I feel good about our international growth capabilities.

**Operator**

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

**Brian Robert Meredith**
*UBS Investment Bank, Research Division*

Evan, I'm just curious, given the hurricane activity we've seen and the elevated, call it, cat losses what are you seeing in the property lines right now? And what's your expectations as we go into 1/1 renewals, both on the primary and reinsured side?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. On the primary side, in the middle market, small commercial, which is really the vast majority of business in insurance in North America overall when you look at the industry, pricing is -- remains firm, and prices continue to go up. And it's both hurricane and active SCS activity, modeled, nonmodeled loss. And the market needs the price, and it continues to move in that direction.

When you get to shared and layered, particularly whether it's large account or it's E&S related, that's where there is more -- the business is well priced, but there is rate pressure. Rates are coming down, though they remain at good levels, and because there's more capital that's entered the market, more competition. And again, in particular, I call out London behavior that is almost aberrant relative to everybody else. But it remains a robust market.

**Brian Robert Meredith**
*UBS Investment Bank, Research Division*

Great. And my second question, Peter, you mentioned there was $59 million of, call it, general casualty adverse development in North America. What accident years was that coming from? And then maybe break it down a little more, was it GL, commercial auto? What's driving some of that development?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. It was 19 to 22 years. And it was in the general casualty areas. The negative -- look, we do a lot of studies in the third quarter of casualty in the U.S. And it was -- there were puts and calls so that you really have a clearer view of it. There were a number of long-tail classes in the quarter that were -- that had positive results. And then there was, in particular, excess casualty that produced a negative result. So it's a kind of a mixed bag. It's not all in one direction. And that is what all added up to the North America casualty reserve charge, which was modest.

**Operator**

Your next question comes from the line of David Motemaden from Evercore ISI.

**David Kenneth Motemaden**
*Evercore ISI Institutional Equities, Research Division*

Evan, I think over the last several quarters, you guys had called out some troubled classes in North America commercial that you guys were reworking. I think it was a $50 million drag last quarter. I know there was also some of that in 4Q '23. Is that largely behind you at this point, aside from just sort of the normal course managing the book where we should see continued acceleration in some of those commercial casualty lines?

**Evan G. Greenberg**
*Executive Chairman & CEO*

We have another quarter or 2 to go before we finish. We began fourth quarter last year in most of it. We have a part of it that we began really in the first quarter, so we have -- we had about another $50-or-so million this quarter, and it will continue into fourth and a little bit into first. But in the grand scheme of the total premiums we write, it's just not that significant.

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And remember, it's not -- it's a combination of whether some business moves to others who just don't get it. But a lot of it is due to how we change terms and attachment points, and we eliminate dollar swapping. This is a large account related comments. And then, of course, the excess areas are getting a lot of rate that helped to ameliorate. So maybe that helps you with it.

**David Kenneth Motemaden**
*Evercore ISI Institutional Equities, Research Division*

Yes. That's helpful.

**Evan G. Greenberg**
*Executive Chairman & CEO*

When you look at the broad nature of our business, I mean let's just keep a perspective. We write $20-some-odd billion of net premiums in North America. Personal lines is about $7 billion of that. So all the rest is commercial, massive. #2 middle market player, a large E&S player, a major agricultural writer, large major account writer. And so when you start hearing numbers like that we're talking about this area in large account casualty, well, it's not unimportant relative to the business perspective, it's small.

**David Kenneth Motemaden**
*Evercore ISI Institutional Equities, Research Division*

Right. No, that's fair. And I see the rate is also accelerating there in casualty, so that's good to see as well. Maybe just moving on the property side. The catastrophe losses over the last several years and in the third quarter, this third quarter, were definitely surprisingly low just given the mix shift to property that you guys have had over the last several years.

I guess I'm wondering if just from your perspective, is this third quarter sort of in line with sort of a normal third quarter that you would expect? And I guess as you think about the mix of property and casualty business, is this sort of -- are you still comfortable shifting more to property? Or is that something where, just given the market dynamics, it should stabilize at this point?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. The cat losses were a bit lower in the quarter than we would have modeled, than our modeling that we contemplated pricing, would have produced, so in our annual expected. That to me is just loss volatility. We're in a business that -- in a risk business, and there's volatility. And there's 2 sides to the volatility. There is a favorable side and an unfavorable side, because your average expected loss that you divide into 4 quarters is just an average. It's just that. And it contemplates all return periods in the loss and in the pricing. So that makes sense to me that I'd see -- you're not going to hit the number, you're either up or down from that. Number one.

Number two, we have a lot of capital flexibility. I think we're good underwriters of the business. So our risk selection and portfolio construction and ensuring we have good pricing, I think, contributes to Chubb's overall results in a major way versus the industry. And we're going to write the business, whether it is property or casualty. We have an appetite for the volatility. We are going to write the business, wherever it is. If we understand it, we can price it, structure it and assume.

And so we're going to -- we're continuing to lean into property, we're continuing to lean into cat and personal lines and all other areas where we see there is growth potential. And frankly, the most frustrating thing inside our own organization, we can't get after opportunity fast enough and execute efficiently enough for our own appetite and expectations.

**Operator**

Our next question comes from the line of Yaron Kinar from Jefferies.

**Yaron Joseph Kinar**
*Jefferies LLC, Research Division*

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And maybe just continuing on the previous questions. So when we look at North America casualty, it is where you're getting the most rate, I think, based on the data. I quickly tried to shot down, and definitely exceeding loss trend. But that's also where the exposure growth has been less pronounced. I'm guessing that's because of the work you're doing on fixing the troubled classes that you referenced. So without asking for guidance here, but just based on the data, is it fair to think of a growing appetite for casualty coming through in results as the troubled lines are fixed?

**Evan G. Greenberg**
*Executive Chairman & CEO*

I don't know where you're getting that picture, but I can tell you that our casualty lines are actually growing quickly. And I'm not going to give you a breakdown. But our casualty lines are actually growing quickly, and in North America, in the areas where we see decent pricing. And I don't see much of an overhang of $50 billion hardly much of an overhang. So I can't agree with you, your line of logic, and I have to leave you to think your own thoughts.

**Yaron Joseph Kinar**
*Jefferies LLC, Research Division*

I'm just referencing the exposure growth of 70 basis points you called out in casualty pricing in North America.

**Evan G. Greenberg**
*Executive Chairman & CEO*

No, that's -- you're missing it. That's not growth in premium. That's -- okay, I have a store. My stores sold more goods this year than last year. It sold 1% more in goods. My theater sold 1% more tickets than last year. That's exposure growth. And we rate off of that. That's how you get to price. You're confusing price and rate with growth in premium: 2 different things. My unit growth of number of customers I wrote is totally different. Yaron, you got to go just learn those basics, sorry.

**Yaron Joseph Kinar**
*Jefferies LLC, Research Division*

Okay. All right. And then in the London behavior that you've referenced, is that kind of the competitive nature true in both casualty and property?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes, across the board.

**Operator**

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

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

Evan, for my first question, I want to go back to your comments around the Life Insurance business. As you pointed out, you rarely give forward guidance, so this is somewhat of a departure. Looking at some of the statistics, with the growth in constant dollars and the growth in deposit assets, just curious why we're not seeing that translate to more income growth. Is there something going on inside there other than currency? Or just some clarification on that would be helpful.

**Peter C. Enns**
*Executive VP & CFO*

It's Peter, Greg. The top line growth on total life and on international, as you know, and I said, was around 10%. The income growth in international was just over 9%, so pretty much tracking. The combined insurance business in the last half of last year, I called out in the fourth quarterly earnings call, had a bit

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of a nonrecurring or oversized item. So if you back that out, the growth rate would be relatively consistent for all of life with international.

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

Great. I appreciate that. The second question I had was on capital. Noted your comments around dividends and share repurchase in the third quarter. The results of your company are outstanding. The free cash flow was really strong. Curious if you have any changed view on share repurchase versus special dividends as the stock price appreciates, or given the results, if there's any change on your views on capital management.

**Evan G. Greenberg**
*Executive Chairman & CEO*

No. It's steady as she goes. We're returning a healthy amount of capital to shareholders and the balance of capital that we hold, we can put to work at a good risk-adjusted returns that well exceed our cost of capital, and we're -- that's the balance.

**Operator**

Your next question comes from the line of Ryan Tunis from Autonomous Research.

**Ryan James Tunis**
*Autonomous Research US LP*

So Evan, I guess, on your comments about competition in London wholesale, typical behavior there. I guess my concern, maybe you can talk me off the ledge on this a bit, but to me, that market is -- London wholesale is pretty intertwined. And when I hear commentary like that, I start wondering a little bit about like what might be coming next. I mean is that a fair concern? Or when you say that, are you really just honing in on just strictly London?

**Evan G. Greenberg**
*Executive Chairman & CEO*

No, I think it's -- I'm saying it particularly about London. And look, the business in London overall, the market is profitable. But my real point was the kind of behavior I'm seeing them exhibit, the way they're trying to attract more capital to a finite amount of business, the behavior of the capital as I look at it and the guides that it's in, it just sets the table for the same movie I've watched that will occur over a number of years, many times, and they just can't ultimately stand prospering. And so I'm just calling it out because I'm seeing it, or I'm seeing it begin, and it is peculiar in particular to the London.

**Ryan James Tunis**
*Autonomous Research US LP*

Got it. And then I guess just a follow-up, thinking about international life. So it took more than a decade to get to $1 billion of premium. Any suggestion you want to give us on how long it's going to take to get the next $1 billion of operating earnings there?

**Evan G. Greenberg**
*Executive Chairman & CEO*

In life?

**Peter C. Enns**
*Executive VP & CFO*

International.

**Evan G. Greenberg**
*Executive Chairman & CEO*

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In international. I think it's life. But did you say international life, Ryan?

**Ryan James Tunis**
*Autonomous Research US LP*

I did, yes.

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. Stay tuned, buddy, it ain't going to take a decade.

**Operator**

Your next question comes from the line of Alex Scott from Barclays.

**Taylor Alexander Scott**
*Barclays Bank PLC, Research Division*

First one I had for you is just on the casualty pricing dynamics we're seeing in the market. I mean on one hand we're seeing some unfavorable here or there in some of these specific product lines like excess liability and so forth. But overall, profitability seems pretty good when we look at overall ROEs across many of these businesses. And I just wanted to get your thoughts on price adequacy in general across some of those casualty lines. And how much need is there for the industry in your view to keep pushing price in casualty?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. There is no general statement. It varies by area of casualty, by customer cohort, by geography. There is no simple, and that's why it's always an underwriter's mark. And you got to have the data, you got to have the experience, and then you got to have the command and control to actually put it to work. And you got to have the analytics and actuarial to back it up. So there is no general statement that could put casualty, which is a massive class of insurance, in a neat box and on a bumper sticker.

**Taylor Alexander Scott**
*Barclays Bank PLC, Research Division*

Understood. And sorry for the more broad-based question, it's just something I grapple with looking at the specific products versus like the overall profitability of companies.

**Evan G. Greenberg**
*Executive Chairman & CEO*

Honestly, I'd give -- I'd help you out and give it to you.

**Taylor Alexander Scott**
*Barclays Bank PLC, Research Division*

Understood. Next one I have is just on the asset base, I guess, as we're seeing, I guess, lower paid claims relative to incurred, sort of an elongation of the claims cycle in casualty, we're seeing asset bases kind of grow more than they otherwise would, which the good part about that is you get more net investment income potentially. I mean how should we think about the growth in the asset base?

**Evan G. Greenberg**
*Executive Chairman & CEO*

I think you just said something that you're going to have to think about how you connected those dots. You just said a elongated payout pattern. And I don't relate to an elongated payout pattern. I do relate to strength of reserves, that all things being equal paid to incurred can point to. And I do understand growth in business and in longer-tail areas and mix in that regard. But I don't relate to a notion of elongated payout pattern, generally speaking. And I don't know, I got the data, at least when it comes to Chubb.

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**Taylor Alexander Scott**
*Barclays Bank PLC, Research Division*

I mean the invested asset base growing at a pretty strong clip. I mean what's the underlying driver...

**Evan G. Greenberg**
*Executive Chairman & CEO*

Our business has been growing, and on our margins have been good. And so our invested asset base, yes, continues to grow, and our capital has been growing. And that invested asset is a source of income and superior returns on a risk adjusted well in excess of cost of capital. So that is a source of strength for the company. And we will continue to grow the invested asset on purpose. And we will continue to focus on returns within that portfolio as a good asset allocator would, which is my earlier comments about us as an asset manager. We're a manager of capital, claim reserves, that's third party and that will continue to grow.

**Operator**

Your next question comes from the line of Andrew Kligerman from TD Cowen.

**Andrew Scott Kligerman**
*TD Cowen, Research Division*

You're thinking about the financial lines where premium was down 6.2%. And I think you highlighted rate off low single digit. But you still generated about $1.5 billion of premium. So I'm wondering how much of that was D&O? Can you still make money in D&O? And just how are you thinking about the outlook there?

**Evan G. Greenberg**
*Executive Chairman & CEO*

I'm not going to give you a breakdown of how much was D&O, that's proprietary. But I am -- what I will tell you is we're not writing the business if we can't make money. And we have a very large installed customer base. We have a long-storied reputation in D&O and financial lines. We're a major brand in it. And when they're looking for someone to write their primary, that is manage their risk, more often than not, they want Chubb on it. And the competition then is more in the excess layers. And yes, we're writing D&O because, where we are, we're making.

**Andrew Scott Kligerman**
*TD Cowen, Research Division*

That makes a lot of sense. And then just maybe to kind of follow on that London movie commentary that you gave. You're doing such exceptional underlying combined, 80.8% in North America, 84.8% in overseas. Evan, could you see an environment where it just gets more competitive globally, and these excellent -- these exceptional combines maybe erode a little bit. You still do great, but it's 5 years into the hard market already. Didn't we see that loss ratio...

**Evan G. Greenberg**
*Executive Chairman & CEO*

Here's what you're missing. You're looking at it on an ex-cat basis when everyone is cat levered. Look at published combined ratios. That's what tells you. You can't chuck out the losses and leave the premium in the denominator. I reject that discussion. Because that's just not understanding risk. And so -- and that's what those ex cat look like. And then ask yourself in -- and you have to do the work. But when you look at various companies, you look at various markets, you got to understand how much is cat levered, how much is not cat levered to get a real feel of the health. And then that's why I continue to say published combined ratio is your most important indicator. And then after that, a secondary indicator, all things being equal, is ex cat, it tells you some things, but don't overread it.

**Andrew Scott Kligerman**
*TD Cowen, Research Division*

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So what I'm reading -- right. So what I should just simply read in is that the combines on an absolute basis are still very high for the industry and the outlook is good for Chubb.

**Evan G. Greenberg**
*Executive Chairman & CEO*

They're good. They're delivering good returns for the industry, overall. And it varies by company. Some companies that's delivering good returns, some it's not. They're decent. There's not a lot of room to move, if you're thinking about pricing adequacy. It's not like industry ROEs or off the charts. They're decent. They're good on a risk-adjusted basis. And then loss trend is relentless. Every year you have lost trend. So you can't just stand still. Just to stay where you are, you've got to get rate or price.

**Andrew Scott Kligerman**
*TD Cowen, Research Division*

Makes a lot of sense.

**Operator**

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

**Elyse Beth Greenspan**
*Wells Fargo Securities, LLC, Research Division*

My first question, you guys said, right, there was $59 million of, I guess, strengthening on long-tail reserves. I know in response to an earlier question there were some pushes and pulls. Can you guys give us a sense of what was released in workers' comp versus what was added to excess casualty in the quarter?

**Evan G. Greenberg**
*Executive Chairman & CEO*

No. We've given -- I gave as much color around that there was, in long tail, there was both positive and negative, and negative was more excess related. And beyond that, we're not giving detail.

**Elyse Beth Greenspan**
*Wells Fargo Securities, LLC, Research Division*

Okay. And then you guys typically provide an investment income guide. I don't think that was given this quarter. Any color you can provide there just relative to fourth quarter and forward?

**Peter C. Enns**
*Executive VP & CFO*

Yes, Elyse, and last quarter I gave last 6 months guidance. So what I would say for the fourth quarter is we will be at the high end of that guidance for the fourth quarter on a recurring basis. Obviously, there's things that are harder to predict, like I spiked out $40 million in the third quarter. That was higher than normal on P/E. But I'd say, the high end of the guidance rate level on a recurring basis for the fourth quarter.

**Elyse Beth Greenspan**
*Wells Fargo Securities, LLC, Research Division*

And then on tax, you said you would give us, right, next year with Q4. But given just Bermuda tax changes going into effect, just directionally, would that imply you guys would think the tax rate would be higher next year relative to this year's guide?

**Peter C. Enns**
*Executive VP & CFO*

Elyse, we typically give the full year guidance in the fourth quarter, not as far as we go. There is uncertainty, so we're not giving any more specific.

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**Operator**

Your next question comes from the line of Meyer Shields from KBW.

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

If I can go back to the division of pricing to rate and exposure unit. To the extent that more of pricing is coming from rate rather than closed units, does that have implications for loss ratio progress?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Does that what?

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

Does that have -- if more of pricing comes from rates and exposure units, does that imply a difference in terms of how, when these premiums are earned, the loss ratio will move?

**Evan G. Greenberg**
*Executive Chairman & CEO*

No. No. Not at all. Look, be careful, I didn't say exposure -- maybe we're using different terms. An exposure unit to me would be that I wrote more policies. I took more insured. That doesn't go into price. We're only talking rate and price times exposure. And so we have rate and then we have a certain kind of exposure, that equals price, and you apply it against units of exposure, which is insured. And so the exposure part of price is just like rate, it acts like rate, the portion of it that we count. And that has nothing to do with -- it all earns exactly the same way. Because -- driving the premium, and if it's an annual policy, it's earned 1/12 a month.

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

Yes, I apologize for the terminology issue. Second question though, to the extent that, that component of pricing is slowing down, to the extent that, that reflects maybe slowing economic growth, does that itself have implications for underwriting profitability?

**Evan G. Greenberg**
*Executive Chairman & CEO*

Not that we -- no. Not as we see it, no. Not all things being -- and that's a whole different theoretical discussion that depends on the line of business, what we're talking about. So, oh my God, no. If you want to sit and have a gestalt discussion about that sometime, Meyer, I'll deal with.

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

All right. I'll bring the herring.

**Evan G. Greenberg**
*Executive Chairman & CEO*

No, no, only in sour cream sauce.

**Operator**

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

**Michael David Zaremski**
*BMO Capital Markets Equity Research*

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So just kind of back to the casualty competitive marketplace. So casualty pricing accelerated in recent quarters to approximately 12%. And as you state too, that's well above what most companies publicly stated their loss cost assumption. I guess I'm just trying to understand why pricing would be accelerating all the way up to 12%, especially in today's higher interest rate environment, which is good for long-tail lines, if loss costs are indeed well below that number.

**Evan G. Greenberg**
*Executive Chairman & CEO*

Yes. So what I've been clear about, and that you're trying to be too simplistic, there are many cohorts of casualty. The majority, significant -- the vast majority of our portfolio, is adequately priced. There are areas where price has had to accelerate to achieve an adequate risk-adjusted return.

It's those -- everyone's book of casualty is different. And our portfolio of casualty has produced these kinds of rate increases, which were made up of just to keep pace with loss costs, where we are adequately priced, and greater levels of rate increase where we're pushing to achieve price adequacy. And it all mixes together, and by the way, what's producing outstanding combined ratios. And that's as far as I can take you.

**Michael David Zaremski**
*BMO Capital Markets Equity Research*

Okay. That's understood. Maybe just switching gears lastly, since you were willing to offer some color on your guidance on Life Insurance. So if the target this year was, I guess, $1 billion or so...

**Evan G. Greenberg**
*Executive Chairman & CEO*

No, I'm not giving you -- no. Mike, it's not going to happen. I'm not giving you forward looking guidance. The only thing I was doing is because it was a year where -- it's the first year and I was just doing it for all of you because this was our first year where you didn't have noise of acquisitions and that in it, and you're trying to get it, where are we and relative to where we think we should be. That was why I gave a comment about the '24 full year where our own target was, I just said, in excess of $1 billion, for operating income, and that we are well on track to achieve that or exceed that. And that it was just to give you guys a sort of a landing place. And then from there, we don't give forward.

**Michael David Zaremski**
*BMO Capital Markets Equity Research*

Okay. Got it. Because last year was over $1 billion, but there was definitely some noise and, obviously, earnings there have been great.

**Evan G. Greenberg**
*Executive Chairman & CEO*

But by the way, it's a growth area.

**Karen L. Beyer**
*Senior Vice President of Investor Relations*

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

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

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