S&P Global
Market Intelligence

Chubb Limited NYSE:CB

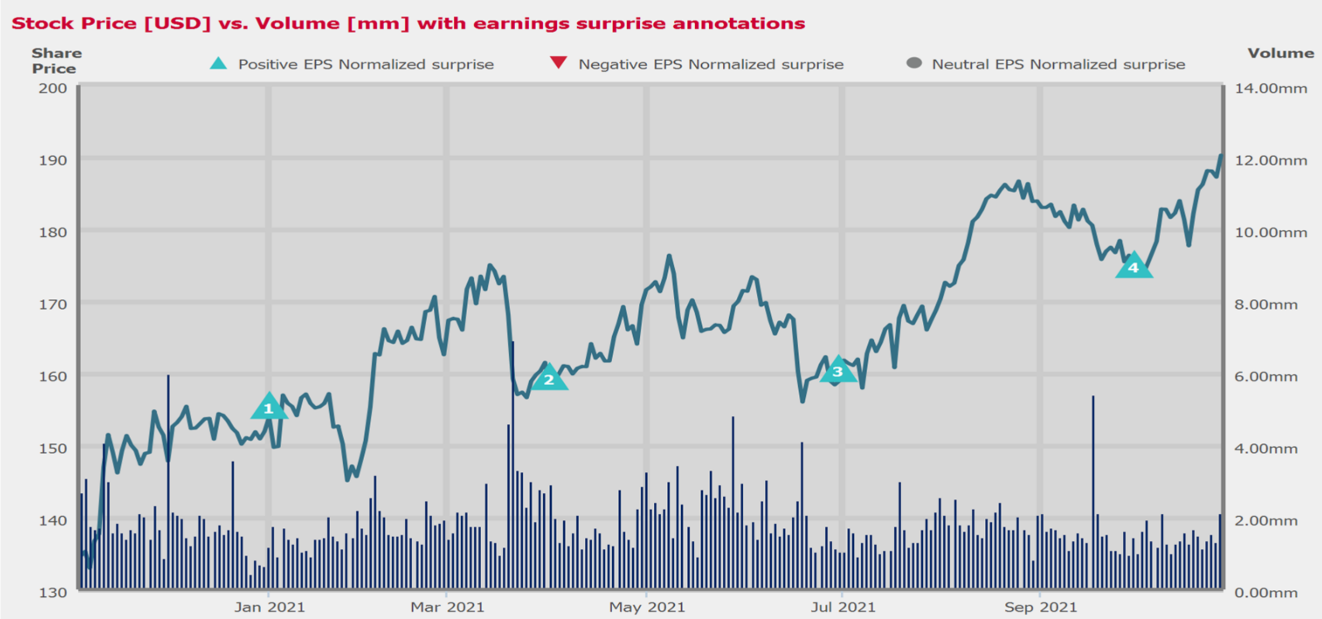
FQ3 2021 Earnings Call Transcripts

Wednesday, October 27, 2021 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.25	2.64	17.33	3.36	12.02	NA
Revenue (mm)	9206.33	9901.00	7.55	8509.67	35144.92	NA

Currency: USD
Consensus as of Oct-28-2021 10:26 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2020	2.82	3.18	1 12.77 %
FQ1 2021	2.49	2.52	2 1.20 %
FQ2 2021	3.02	3.62	3 19.87 %
FQ3 2021	2.25	2.64	4 17.33 %

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Call Participants

EXECUTIVES

Evan G. Greenberg
Executive Chairman & CEO

John Joseph Lupica
Vice Chairman of Chubb Group & President of North America Insurance Operations

Karen L. Beyer
Senior Vice President of Investor Relations

Peter C. Enns
Executive VP & CFO

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

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

Michael David Zaremski
Wolfe Research, LLC

Michael Wayne Phillips
Morgan Stanley, Research Division

Ryan James Tunis
Autonomous Research LLP

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Presentation

Operator

Good day, and welcome to the Chubb Limited Third Quarter 2021 Earnings. Today's call is being recorded. [Operator Instructions]

For opening remarks and introductions, I would like to turn the call over to Karen Beyer, Senior Vice President, Investor Relations. Please go ahead.

Karen L. Beyer
Senior Vice President of Investor Relations

Good morning, everyone, and welcome to our September 30, 2021, 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 uncertainty, 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 Officer. Then we'll take your questions. Also with us to assist with your questions are several members of our management team.

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

Evan G. Greenberg
Executive Chairman & CEO

Good morning. We had a very strong third quarter, highlighted by outstanding P&C premium revenue growth globally of 17% and simply excellent underwriting results on both the calendar and current accident year basis despite elevated catastrophe losses. Our results were powered by double-digit commercial lines growth, strong continued underlying margin expansion, the strength of our reserves and our broad diversification of businesses.

Core operating income in the quarter of $2.64 per share was up 32% or $250 million over prior year to $1.2 billion, while net income of $1.8 billion was up 53% from prior year. For the year, on both the net and core operating income basis, we have produced record earnings. Again, it was an active quarter for natural catastrophes, yet with over $1.1 billion of cats, we reported a 93.4% combined ratio with P&C underwriting income up 58% to $617 million, which speaks to the underlying strength of our businesses and, again, broad diversification of our company's sources of revenue and earnings, both domestically and globally.

Year-to-date, we have produced $2.4 billion in underwriting income for a combined ratio of 90.4%, and that includes $2.1 billion of cat losses in what is shaping up to be another year of sizable weather-related loss events, kind of the new normal, brought on by climate change and other societal changes.

Speaking again to our underwriting health. On a current accident year ex cat basis, underwriting income in the quarter was $1.4 billion, up 23% with a combined ratio of 84.8% compared to 85.7% prior year, a quarterly underwriting record. If we exclude the onetime positive adjustment we took last year due to lower frequency of loss because of the COVID-related shutdown, our current accident year combined ratio unaffected improved 2 points. This is more reflective of our margin expansion, and we included a simple exhibit in our press release showing the detail.

The strength of our balance sheet and conservative approach to loss reserving was again in evidence this quarter as we reported $321 million in favorable prior period reserve development. Net investment income in the quarter was $940 million, up 4.5%. Peter is going to have more to say about cats and prior period development, investment income and book value.

Turning to growth in the rate environment. As I said at the opening, P&C premiums were up nearly 17% globally or 15.5% in constant dollar, with commercial premiums up 22% and consumer up 4%. The 17% growth for the quarter and 14.2% for the first 9 months topped last quarters and was the strongest organic growth we have seen again since 2004.

Growth in the quarter was broad-based with contributions of virtually all commercial P&C businesses globally from our agriculture business to those serving large companies to midsized and small and most regions of the world and distribution channels. The robust commercial P&C pricing environment remains on pace in most all important regions of the world with continued year-on-year improvement and rate to exposure on the business we wrote, both new and renewal.

In North America, total P&C net premiums grew over 17% with commercial premium up about 22.5%. Excluding agriculture, which had a fantastic quarter in its own right with premium growth of over 40%, commercial P&C premiums were up over 16.5% in North America.

New business was up 13% for all commercial lines, and renewal retention remained strong at over 97% on a premium basis. The 16.5% commercial premium growth is a composite of 15.5% growth in our major accounts and specialty business and over 18% in our middle market and small commercial business, simply a standout quarter for this division.

Overall rates increased in North America commercial lines by over 12%. Once again, loss costs are currently trending about 5.5%. It can vary up or down, depending upon line of business. And again, like last quarter, just to remind you, in general, commercial lines loss costs for short-tail classes are trending around 4%, though we anticipate this to increase in the future while long-tail loss costs, excluding comp, are trending about 6%.

Let me give you a better sense of the rate increase movement in North America. In major accounts, which serves the largest companies in America, rates increased in the quarter by just over 13%. Risk management-related primary casualty rates were up over 6%. General casualty rates were up about 21% and varied by category of casualty. Property rates were up 12%, and financial lines rates were up 17%.

In our E&S wholesale business, rates increased by 16% in the quarter. Property rates were up 13%. Casualty was up 20%. And financial lines rates were up about 21%. In our middle market business, rates increased in the quarter nearly 9.5%. Rates for property were up over 11%. Casualty rates were up about 9.5%, excluding workers' comp, with comp rates down 2%. And financial lines rates were up 18%.

Turning to our international general insurance operations. Commercial P&C premiums grew 20.5% on a published basis or 16% in constant dollar. International retail commercial P&C grew nearly 17% or 12% in constant dollar, while our London wholesale business grew over 31%. Retail commercial P&C growth varied by region with premiums up almost 28% in our European division, Asia Pacific was up 15.5% while Latin America commercial lines grew about 6.5%.

Internationally, like in the U.S., in those markets where we grew, we continued to achieve improved rate to exposure across our commercial portfolio. In our international retail commercial P&C business, rates increased in the quarter by 15%; property rates were up 11%; financial lines, up 33%; and primary and excess casualty, up 7% and 11%, respectively. And in our London wholesale business, rates increased in the quarter by 11%; property, up 13%, financial; lines, up 14%; marine, up 8%.

Outside North America, loss costs are currently trending about 3%. So that varies by class of business and country. Consumer lines growth globally in the quarter continued to recover from the pandemic's ongoing effects on consumer-related activities. Our international consumer business grew almost 10% in the quarter on a published basis or 5% in constant dollar. And breaking that down a little further, international personal lines grew almost 11% on a published basis while international A&H grew over 8.5% or just 5% in constant dollar. Latin America had a particularly strong quarter in consumer, with personal lines and A&H premiums up 18.5% and 17.5%, respectively, powered by both our traditional and digitally focused distribution relationships.

Net premiums in our North America high net worth personal lines business were up just over 1%. Adjusted for nonrenewals in California and COVID-related auto renewal credits, we grew 3% in the quarter. Our true high net worth client segment, the heart of our business, grew 11% in the quarter. Overall retentions remained strong at 95.7%, and we achieved positive pricing, which includes rate and exposure of 14% in our homeowners portfolio. The severity trends in personal lines in the U.S. remain elevated.

Lastly, in our Asia-focused international life insurance business, net premiums plus deposits were up over 52% in the quarter while net premiums in our global re business were up over 22%. In sum, we continue to capitalize on broad-based and favorable market conditions and improving economic conditions. All of our businesses did well or are improving from agriculture to all forms of commercial P&C globally, both retail and wholesale, serving large companies to middle market and small, to our improving global personal lines and A&H businesses, to our Asia life businesses, to our global re business. In one sentence, both growth and margin expansion are 2 trends that will continue.

In the quarter, as you saw, we announced a definitive agreement to acquire life and non-life insurance companies that house the personal accident, supplemental health and life insurance businesses of Cigna in Asia Pacific for $5.75 billion in cash.

As you saw or can see from our investor presentation, these operations generate approximately $3 billion in premium revenue, have favorable underwriting margins and are not exposed to the P&C cycle. This highly complementary transaction advances our strategy to expand our presence in the Asia Pacific region, including our company's Asia-based life company presence, and adds significantly to our already sizable global A&H business. Upon completion of the transaction, which we expect during 2022, Asia Pacific share of Chubb's global portfolio will represent approximately 20% of the company.

For many years, we have admired Cigna's business in Asia, including its people, product innovation, distribution and management capabilities. The underlying economics and value creation of the transaction are very attractive, and these businesses will contribute to our company strategically for decades to come.

The transaction once again demonstrates our patience in advancing our strategies and confirms our consistent and disciplined approach to holding capital for risk and growth, both organic and inorganic. Our company has considerable learning power and a patient hand to deploy capital effectively over time. We return excess of what we need to shareholders in the form of dividends and share repurchases, while we continue to build future revenue and earnings generation capabilities.

In conclusion, this was another excellent quarter of growing our business and our exposures, expanding our margins and investing in our future, all in a period with substantial cats, which are not unexpected. My management team and I have never been more confident in our ability to continue to outperform and deliver strong, sustainable shareholder value.

I'll now turn the call over to Peter and then will be back to take your questions.

Peter C. Enns
Executive VP & CFO

Thank you, Evan, and good morning again, everyone. As you've just heard from Evan, our overall franchise continues to deliver outstanding top line growth, margin improvement and profit growth.

Now let me discuss our balance sheet and capital management. Our financial position remains exceptionally strong, including our cash flow, liquidity, investment portfolio, reserves and capital. It all starts with our operating performance, which produced $3.3 billion in operating cash flow for the quarter and $8.5 billion for the first 9 months. We continue to remain extremely liquid with cash and short-term investments of $5.1 billion at the end of the quarter, even after our significant capital management actions.

Among the capital-related actions in the quarter, we returned $1.9 billion to shareholders, including $1.5 billion in share repurchases and $346 million in dividends. Through the 9 months ended September 30, we returned over $5 billion, including almost $4 billion in share repurchases or over 5% of our outstanding shares and dividends of over $1 billion. The agreement to acquire Cigna's A&H and life insurance businesses in Asia Pacific is not expected to impact our share repurchase and dividend commitments.

Our investment portfolio of $122 billion continues to be of a very high quality, and we have not made any material changes during the quarter to our investment allocation. The portfolio increased $759 million in the quarter. And at September 30, our investment portfolio remained in an unrealized gain position of $2.9 billion after tax.

Adjusted pretax net investment income for the quarter was $940 million, similar to last quarter and $40 million higher than our estimated range, benefiting from higher private equity distributions. As I noted on the second quarter earnings call, our investment income is based on many factors. And notwithstanding our better-than-expected results over the last few quarters, we continue to expect our quarterly run rate to be approximately $900 million.

Pretax catastrophe losses for the quarter were $1.1 billion, with about $1 billion in the U.S., of which $806 million was from Hurricane Ida and $135 million from international events, of which $95 million was from flood losses in Europe. Our reserve position remained strong with net reserves increasing $1.7 billion or 3.2% on a constant dollar basis, reflecting the impact of catastrophe losses in the quarter and 2021 growth, in particular, from our agricultural business, which has a seasonality impact on reserves.

We had favorable prior period development of $321 million pretax, which includes $33 million of adverse development related to legacy environmental exposures. The remaining favorable development of $354 million was split approximately 30% in long-tail lines, principally from accident years 2017 and prior, and 70% in short-tail lines, principally from our 2020 North American personal lines.

Our paid-to-incurred ratio was 73% or a very strong 75% after adjusting for cats, PPD and agriculture. Book value decreased by $744 million or [1.5%], reflecting $1.16 billion in core operating income and a net gain on our investment portfolio of $190 million, which was more than offset by foreign exchange losses of $305 million and the $1.9 billion of share repurchases and dividends. Book and tangible book value per share increased 0.6% and 0.4%, respectively, from last quarter.

Our reported ROE for the quarter and year-to-date was 12.3% and 14.4%, respectively. Our core operating ROE and core operating return on tangible equity were 8.2% and 12.6%, respectively, for the quarter. As a reminder, we do not include the fair value mark on our private equity funds and core operating income as many of our peer companies do. For comparison purposes, our core operating ROE increases by 5 percentage points to 13.2% and our core operating income increases by $1.61 per share to $4.25. Year-to-date, our core operating ROE, including the fair value mark on our PE funds, would be 13.8%.

I'll turn the call back over to Karen.

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

Question and Answer

Operator

[Operator Instructions] We will begin with Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Evan, in your comments in the press release, you talked about some actions because of the climate change [indiscernible] actions you're going to take. Maybe can you talk about what some of those are and what we can expect to see from those actions, either, I don't know, exposure changes or cat load changes that might change in the future because of what you're doing?

Evan G. Greenberg
Executive Chairman & CEO

Yes. I'm going to answer it a little differently than that, and it's a broader statement that I'm making. And in the press release, it was not simply about Chubb, it's the industry. The industry and Chubb included has seen in recent years a rise in the frequency and severity of insured losses globally from commercial and personal property arising from nat cat and especially losses from less well-modeled or non-modeled clauses. Our objective with all of this is twofold: price business adequately to pay for the risk; secondly, understand and manage accumulation of exposures against weather-related perils, modeled and non or less well modeled.

Factors that are contributing to the rise in loss actually fall into 3 categories. First, we're seeing today changes globally in the frequency and severity of the perils such as tropical storms, wildfires and floods. However, the historical record provides some interesting context when thinking about today's risk environment. For example, recent land-falling U.S. hurricane activity is not especially anomalous in either frequency or frequency of intense storms as measured by wind speed compared to, say, the first part of the 20th century. And repeats of storms from this earlier period would, in fact, generate losses far greater than any modern storm in terms of industry loss, all of which is already contemplated in our modeling and risk management. And with all that said, though, there is evidence now that the amount of precipitation contained within the storms appears to be greater, and that is increasing the amount of loss emanating from events.

The second factor that contributes is changes to the exposure footprint of insurable personal and commercial properties, increases in actual exposure units and values from GDP growth, demographic shifts to higher risk geographies and aging building stock are all examples of factors that are leading to higher loss potential.

And finally, the third, the impact of natural events is further amplified by increasingly vulnerable infrastructure. For example, the levy failures during Hurricane Katrina in '05 and the systemic electric grid failure during the 2021 Texas freeze. We're actively working to reflect the impact of all of these trends in our pricing, risk selection and exposure management. We have significant advances in modeling, especially secondary perils such as floods and wildfires, but there's still a way to go.

Our loss costs consider recent experience, together with explicit recognition of factors that can be quantified such as sea level rise, exposure growth or demographic shifts. And we continue to refine our portfolio management -- our portfolio management to manage risk aggregation at an ever more granular level. The net results for us are dynamically risk-adjusted rates that appropriately reflect changes and charges for both recent loss experience and exposure concentrations. So we're striving to stay on top of this, and we have an awful lot of resources dedicated to the effort. And frankly, I think we're in pretty good shape.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. I appreciate that. I guess second question then on -- I appreciate the details you gave...

Evan G. Greenberg
Executive Chairman & CEO

Can you speak up a little bit?

Michael Wayne Phillips
Morgan Stanley, Research Division

Yes, sure. Is that better, Evan?

Evan G. Greenberg
Executive Chairman & CEO

Yes, it's a little better.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. I'll shut off my headset. I appreciate the details on the long-term numbers that you gave this quarter. I guess, clearly, a lot of debates going on, on the casualty side with long term, specifically on the casualty side here. The long term that you gave of 5.5 or 6x comp, I guess. What pieces of that, if you can kind of break that down, would be most worrisome to you that could make that number change? So again, because of all the debates going on some financial inflation, some social inflation, different things that are happening there, any pieces of that, that you'd be more worried about there that could make that number go up?

Evan G. Greenberg
Executive Chairman & CEO

No. There's no one ingredient. I'm not worried, so I wouldn't characterize it as worry. If you worry, don't be in the casualty business. These are dynamics that are enduring. And so all of the ingredients, whether it is social inflation; the trial bar; and as a business, litigation funding; at this moment in time, understanding the latency because courts are closed and not taking the head -- have been closed and not taking the head fake on the lag; and then you have simply economic inflation and science and legal environment changing with legislation. All of that has been our consistent factors.

Some rear their head a little more than others at times, and we're mindful of all of that. And that's what we try to do a good job of anticipating. And by the nature of it, you can only anticipate so much of it. And the future is unknowable until it arrives, in fact. And so therefore, you manage conservatively, declare bad news early and good news late. Thanks for the question.

Operator

We'll now move to a question from David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I was just hoping to just get a quick update on the excess capital position. Capital return has been a highlight so far this year, but so is earnings power and capital generation. And I know, in the past, I think at the end of last year, you said excess capital was about a 2 point drag on the ROE. But since then, you've returned about $5 billion through buybacks and dividends. So I guess a long-winded way of asking, where do you guys think the excess capital position was at the end of the quarter?

Evan G. Greenberg
Executive Chairman & CEO

Yes, it's in the range of about -- it's come down from about 2 to about 1.5.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And then just thinking about potential uses of capital. Obviously, you still have some headroom on the $5 billion share repurchase and then the Cigna acquisition. I guess I'm also just wondering just any sort of thoughts around the timing of buying up the additional ownership stake in Huatai and sort of how we should be thinking about that.

Evan G. Greenberg
Executive Chairman & CEO

When it comes to Huatai, the ownership stake buying that up, which -- buying it up to over 50%, and good luck prognosticating specifically with China over the next few months, a number of months. And then going well in excess of that potentially is, I would say, through 2022.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. That's helpful. And then maybe if I could just sneak one more in. Another good quarter of growth across the board, but I wanted to just drill down a little bit in North America commercial. Last quarter, you talked about exposure being negative. And I was wondering if that's still the case. And obviously, pricing and new business sounded like they were very strong. But wondering if you could maybe break down some of the other components of the strong growth this quarter.

Evan G. Greenberg
Executive Chairman & CEO

Yes. So look, exposure growth, in aggregate, net-net, had about a 0.5 point impact on our North America commercial lines growth. And that includes both positives from economic activity and then structural changes like deductible increases and retentions, et cetera, that would go the other way. And it all nets out to about 0.5 point.

Operator

Next, we will hear from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Evan, you talked about robust price increases that we've seen for a while across the industry. As you think out over the course of the next year, do you think the industry can broadly maintain rate in excess of loss trend just as you think about the underlying dynamics out there?

Evan G. Greenberg
Executive Chairman & CEO

Elyse, I do. I think -- look, I don't have a crystal ball. But from everything I see right now about rates and the shape and pattern of how -- when I look over a number of quarters, what I would call is simply a moderation in the rate of increase. When I look at that and I look at the loss cost environment, and then I look at our retention rates against the kinds of rates we're achieving, so we achieved certain rate increases, but a retention rate on business, which then tells me about the tone of the marketplace. All of that tells me that the industry should continue to achieve rate in excess of loss cost for some time to come.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. Great. And then in terms of North America Commercial, in the underlying loss ratio, there was around 150 basis points year-over-year improvement. Since you guys didn't call anything out, obviously, the COVID frequency impacted other segments, is -- was there any one-off noise? Or is that a pretty good indicator of the underlying margin improvement within North America Commercial?

Evan G. Greenberg
Executive Chairman & CEO

It's a pretty good underlying run rate number. There is not one-offs.

Operator

Next question will come from Mike Zaremski, Wolfe Research.

Michael David Zaremski
Wolfe Research, LLC

I guess going back to loss costs, I might have missed some of the exact wording, Evan, but I think you said you expected some of the short-tail commercial classes to increase in the future. If you could provide some color around that.

Evan G. Greenberg
Executive Chairman & CEO

Right now, in short tail, there is evidence of inflation in the homeowners line and has been for some time. But not so much in commercial property paid losses. But given labor costs and commodity prices and supply chain problems and scarcity of materials, we expect costs to rise. And we're building that view into future claim payments and our pricing, which is only prudent. And that's all I'm saying. We're anticipating just in the common sense way ahead of it, not waiting for it to be on top of it.

Michael David Zaremski
Wolfe Research, LLC

I guess as a follow-up, Evan, that's interesting because I -- looking at some of the carriers, it seemed like paid losses are down in the casualty lines due to some of the courts being, let's just say, delayed or clogged or running at a slower pace. Is Chubb seeing that too in the casualty lines?

Evan G. Greenberg
Executive Chairman & CEO

Yes, let's not confuse, though, what I said about short tail and what you just said about casualty. We and all the whole industry, we've been saying for over 1.5 years now that, obviously, with courts closed, dockets full, it has a delay in the processing or the final adjudication of casualty-related claims. And that's a pattern, a paid pattern and change. But any good underwriter is not going to take that head fake and believe that change of pattern means a change in ultimate loss. And so therefore, we don't believe that's a change of the trends. And so therefore, as I said earlier, we remain with a 6% trend factor, and the paid will ultimately come through.

Michael David Zaremski
Wolfe Research, LLC

Okay. Understood. Lastly...

Evan G. Greenberg
Executive Chairman & CEO

As well as the lag in incurred.

Michael David Zaremski
Wolfe Research, LLC

Understood. Okay. And then lastly, just -- thanks for the granular details about the underlying loss ratio benefits, 3Q of last year. I heard your answer to -- we heard your answer to Lisa's question in North America commercial, but I guess I just want to make sure, because you guys didn't break out the granular benefits last year or early 2021, we should be assuming there were some benefits in those same segments when we're thinking about kind of future quarters year-over-year results, mostly from personal lines?

Evan G. Greenberg
Executive Chairman & CEO

I don't know what you're saying. I'm...

Michael David Zaremski
Wolfe Research, LLC

I guess just the frequency benefits, Evan. Those just didn't...

Evan G. Greenberg
Executive Chairman & CEO

[indiscernible]

Michael David Zaremski
Wolfe Research, LLC

Okay. But the frequency benefits...

Evan G. Greenberg
Executive Chairman & CEO

We showed to you [indiscernible].

Michael David Zaremski
Wolfe Research, LLC

Yes. But they happen later, not just 3Q, right, in 4Q and probably 1Q of this year, so we should be taking that into account?

Evan G. Greenberg
Executive Chairman & CEO

No, not that we see.

Operator

We will now move to Tracy Benguigui with Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Looking at the Cigna deal, can you describe any cohesiveness of those different markets across 7 countries? Or are those marketplace dynamics more siloed?

Evan G. Greenberg
Executive Chairman & CEO

Tracy, it's like describing -- these are countries. They're not markets. They're individual countries with their own cultures, their own socioeconomic dynamics, their own social systems, their individual languages. These are -- I wouldn't view it in a sterile way. It's like it's -- Asia is vast and no different than saying, well, can we talk about the United States and France in the same breath, no, or in the United States, France and Brazil. You have to think of them each independently. That's the whole point of managing a global business. You understand the local market, idiosyncrasies, opportunities and risks. The geographies are greatly varied by each.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

All right. Maybe just going back to capital management. Back in February, you shared S&P's decision to lower its capital benchmark to AA from AAA, which helped you unlock excess capital. And as you know, S&P has published an advanced notice that plans to update its capital model. You do not know a lot about it, that will come when the request for [connect] comes out. But I guess what I'm getting at, does this development compel you to sit on the sidelines with respect to capital deployment until more is understood? Or will you cross that bridge when more information is known?

Evan G. Greenberg
Executive Chairman & CEO

We'll cross that bridge when more information is known. We have a very close and productive dialogue always on an ongoing basis with rating agencies.

Operator

Our next question comes from Greg Peters with Raymond James.

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

Evan, I guess I'd like to focus my first question around retention and recruiting. You talked about in one of your previous answers, labor shortages. And there's a lot of news in the marketplace around the availability of workers. I think St. Louis Fed was out something earlier this week about 3 million workers may have retired due to COVID. So maybe you could give us your perspective around what's going on at Chubb with retention and recruiting.

Evan G. Greenberg
Executive Chairman & CEO

Yes. Thanks. Like with all companies, it's a constant effort and it's a difficult market for recruiting. And retention rates are modestly lower. And it's a combination of people moving around and more retirements and just making different choices in their lives, an outcome, clearly, of COVID in many ways. We have -- to manage, we've significantly beefed up and improved our resource capabilities around recruiting. And we have such an intense focus on it. And the -- in aggregate, the number of open positions we had in June in North America is down today from what it was then. We're making progress and continue to make progress. But you have to grind on it.

People want -- many people want different -- a different way to work. They want more flexibility in the days that they work or the hours that they work. And while we remain a work-from-office company and will be, we have adjusted and recognized that, given the ability with technology today, that has been proven over the -- and it's accelerated, improving of that over the last 1.5 years since we went into shutdown or closer to 2 years now or I guess about 1.5 years.

The -- our ability to productively work, not simply from the office, but from home, allows for greater flexibility. And we recognize that, and therefore, are adjusting our own expectations around that. So we're mindful, obviously, that we're in a marketplace that competes for talent. We want the best and the brightest and those -- and the most ambitious, I should say, really the most ambitious, to want to work for Chubb. We are an ambitious company. We're not going to moderate our goals and our objectives. Because of employment concerns, we're going to adjust, step up our game to make sure we're a place where those who share our ambition and want to work hard. But on a different kind of work-life balance and where they work from, we want them to work here and we want them to be motivated to be here. And so we're making strides in that, I think, good strides. And as I said, the overall number of open positions here is down and down not a small amount.

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

And I guess it's sort of related, but we're hearing or seeing in the news a lot of changes going on in distribution brokers as roll-ups -- private equity involved in roll-ups. We're seeing large companies hire producers from other companies. And then you highlighted your higher retention ratios of your business. Can you talk about what the changes are in the distribution outside of Chubb, how that's affecting your business? It doesn't seem like it is. Is there some risk out there as we look forward that it might be disruptive to your renewal ratios?

Evan G. Greenberg
Executive Chairman & CEO

No, I don't believe so. Chubb has -- enjoys an extremely strong position with all of the top brokerage and agency plans in the country, strong dialogues, strong presence. Our spread of product and capability and our local capability, we are simply a very compelling offering to any broker who has to -- or agent who has to make a market. That's their job, to make a market. And pretty hard to make a market without Chubb. And so we bring a lot of compelling capability and tools. And frankly, as they compete against each other, and it's a fierce market within the brokerage community of how they compete for business. Chubb is an important ingredient in helping them in their effort to compete, and our partnership between ourselves is very well balanced.

Operator

Ryan Tunis with Autonomous has the next question.

Ryan James Tunis
Autonomous Research LLP

Another quarter of solid improvement in the policy acquisition cost ratios, I think, especially in the Commercial Lines segment. Curious what's driving that. Is that better terms on reinsurance? How sustainable is that trend, Evan?

Evan G. Greenberg
Executive Chairman & CEO

No, not better terms on reinsurance. It's sustainable. It's a mix of business-driven, predominantly within commercial lines. And it's -- there's fee business. There's commissioned business. And what you see is pretty steady. And on the margin -- and though not unimportant, commission rates in some lines of business as rates have increased have come down, and that also benefits to a degree. We think it's sustainable.

Ryan James Tunis
Autonomous Research LLP

And then a follow-up more on terms and conditions. If I recall at the beginning of the hard market, one of the things that kind of bother you is, I think, on excess casualty business. I think I remember you're talking about $1 million attachment points and how that will become stale over the years. Is that -- I guess, 2 years later into the hard market. Is that something that's been corrected of those attachment points kind of broadly self-corrected? I'm just wondering if there's something that might help us in addition to rate.

Evan G. Greenberg
Executive Chairman & CEO

Oh, yes. And it doesn't self-correct, but it is definitely, when you're in a hard market, it is one of the ingredients that also helps clients to ameliorate rate increase. And they're motivated and incented because you go from $1 million to a $2 million attachment point. And what you pay, you get out of a dollar swap layer with us. The difference between $1 million and $2 million is adequately priced, so it's rational you retain that for yourself. And so attachment points and deductibles and limits for different exposures within a policy are all ingredients that have been and continue to be adjusted to today's economic environment and a more rational construction of policy terms and conditions. And that is taking place and has been taking place on a broad basis.

And I'll remind you, Ryan, so that completely transparent about it. Within how we -- when we look at rate increase, we include that within our definition of increase in rate because in the areas and the lines where we can measure it definitively, and we can in certain lines very well.

Ryan James Tunis
Autonomous Research LLP

And yes, I mean you mentioned that happens in a hard market. Is that the type of thing that, down the road when we're not in a hard market, that those terms and conditions, there's new limits, deductibles, attachment points? Do you just tend to stick maybe a little bit better than headline rate?

Evan G. Greenberg
Executive Chairman & CEO

Yes. The attachment point and the deductibles tend to be much stickier than rate is. And depending on the business, particularly in middle market, more than stickier, it endures. It tends to endure.

Operator

[Operator Instructions] We will now move to Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Two quick questions here for you. First, what happened with the ag business, the massive growth here? Was it a new client? Or was there something happened from an accounting perspective?

Evan G. Greenberg
Executive Chairman & CEO

Wait, who was the new client? They were like -- they must have had a farm the size of...

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes, exactly. Or client portal, which take over the Western U.S.

Evan G. Greenberg
Executive Chairman & CEO

John Lupica?

John Joseph Lupica
Vice Chairman of Chubb Group & President of North America Insurance Operations

Thanks, Brian. No, the -- as simple as base prices, we're up significantly year-over-year in our spring crops. Corn and beans were up 18% and 29%, respectively. And we had another record year in terms of policy count acquisition growth and new acreage plan to be produced. So that really drove the 3-point growth that you've seen.

Evan G. Greenberg
Executive Chairman & CEO

The base price John is referring to, in a simple way, you apply a rate against the exposure. And exposure is the commodity price of, say, corn or beans. And that price, which is a February price, that's when you price the policies, is up significantly over the prior year because commodity prices were up.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. Makes sense. And my second question is, I just want to talk a little bit about your global A&H.

Evan G. Greenberg
Executive Chairman & CEO

[indiscernible] buy a farm that was like 200,000 acres [indiscernible].

Brian Robert Meredith
UBS Investment Bank, Research Division

And then the next one, I just want to talk a little bit about the global A&H business. I know there is a component, a big component of that that's travel-related. But any indications that's going to turn around here? I would have thought that with the economic growth we're seeing, that would have already start to see some nice growth out of it.

Evan G. Greenberg
Executive Chairman & CEO

Our travel business is predominantly Asia and Latin America. And if you've been following it, Asia has been locked down until very recently, where it's just starting to open. Countries like Australia have been closed for 1.5 years, they're just going to open in November. Singapore, Thailand, Korea, Hong Kong, Taiwan, they've all been locked down. And they're just starting to open now through November. And we're starting to see growth pick up, in fact. And one, Louise can remind us, I think it's the month of September or October is our first month where we've seen real growth, and it was like, let's say, 8%. And we're all jumping up and down about it. However, to remind you, our travel is off about 85% from what it was in '19. So 8% has got a ways to go.

Operator

And we will take our last question from Meyer Shields with KBW.

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

One brief question to start with. Evan, are you looking to add or shrink exposure in homeowners in Florida and California?

Evan G. Greenberg
Executive Chairman & CEO

Well, Meyer, I'll remind you, we were -- we gave some forward information that in California, we were shrinking. We were shrinking not a small amount in our footprint that is exposed to wildfire, both highly exposed and even moderately exposed to wildfire, which is not a small amount. And we gave an amount of premium that related to that, that would impact us. And that's because, in the State of California, in their own wisdom, we cannot charge an adequate price for the risk and not by a small amount. So someone else will have the pleasure of writing that business, unfortunately. And so we've been shrinking that in particular. Florida, we've been pretty steady.

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

Okay. That's helpful. And then maybe a broad question. Can you talk about maybe the opportunities and potential risks to Chubb of the infrastructure bills that Congress is now considering?

Evan G. Greenberg
Executive Chairman & CEO

Well, the opportunities are great. It's going to -- over time, it's going to add a lot of activity to construction around infrastructure. Now it's -- you pass the bill. And then putting the shovel in the ground takes a period of time. And the infrastructure bill, if I recall correctly, is to generate infrastructure improvements over a decade. But it will -- $1 trillion is an awful lot of infrastructure.

Now the issue of labor will be very interesting to see. It's one thing to want to want to realize those infrastructure projects that our country sorely needs. And on the other hand, the labor to affect those projects is something that Congress is going to have to wrestle with and read into that immigration and temporary work visas for Mexicans and others south of the border who are very capable in executing that labor and, by the way, want to go home after they -- after working here. They don't want to necessarily remain here. And we have to rationally recognize that and address that as part of a 1.2 -- a $1 trillion infrastructure package if we're to spend it and make the difference we expect. And the insurance industry will be a beneficiary of that because those projects need to be insured, both construction and surety.

Operator

And ladies and gentlemen, this concludes our question-and-answer session. I'll turn the call back over to your host for any additional or closing remarks.

Karen L. Beyer
Senior Vice President of Investor Relations

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

Operator
With that, ladies and gentlemen, this does conclude your conference for today. We do thank you for your participation, and you may now disconnect.