

Chubb Limited NYSE:CB

FQ3 2022 Earnings Call Transcripts

Wednesday, October 26, 2022 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2022-			-FQ4 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.61	3.17	▲21.46	4.24	15.04	NA
Revenue (mm)	10746.12	10747.00	▲0.01	9300.00	37726.64	NA

Currency: USD

Consensus as of Oct-26-2022 10:38 AM GMT

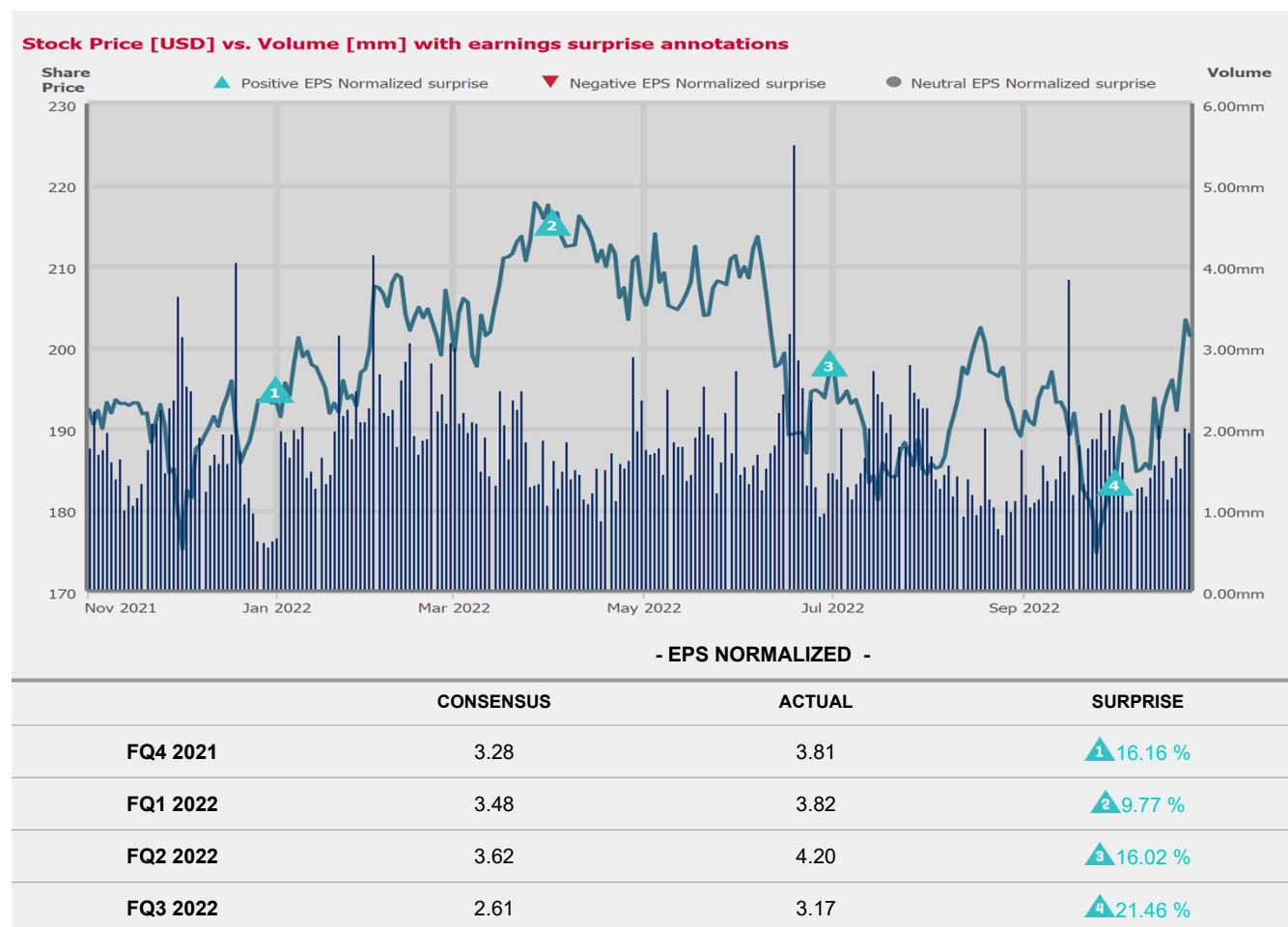


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Call Participants

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Michael Wayne Phillips
Morgan Stanley, Research Division

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I will be your conference operator today. At this time, I would like to welcome everyone to the Chubb Third Quarter 2022 Earnings Conference Call. [Operator Instructions]

It's now my pleasure to turn today's call over to Ms. Karen Beyer, Senior Vice President of Investor Relations. Please go ahead.

Karen L. Beyer

Senior Vice President of Investor Relations

Thank you, everyone, and welcome to our September 30, 2022, 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 this morning. First, we have Evan Greenberg, Chairman and Chief Executive Officer; followed by Peter Enns, our Chief Financial Officer. And then we'll take your questions. Also with us to assist with your questions this morning are several members of our management team. And now it's my pleasure to turn the call over to Evan.

Evan G. Greenberg

Executive Chairman & CEO

Good morning. As you saw from the numbers, we had an excellent quarter in spite of cat losses with terrific underwriting results, including outstanding combined ratios, record net investment income, double-digit constant dollar P&C premium growth, well balanced between commercial and consumer, and finally, surging Life division revenue growth with the addition of Cigna's Asia business. Commercial P&C pricing was strong and exceeded loss costs in aggregate and in most individual lines of business.

Core operating income in the quarter was \$1.3 billion, or \$3.17 per share, up 20% over prior. In the quarter, we produced \$710 million of underwriting income, up 15% with a published combined ratio of 93.1%. Pretax catastrophe losses were \$1.2 billion, of which \$975 million was Ian.

For the year, record underwriting income of \$3.4 billion was up more than 40% or \$1 billion leading to an 87.5% combined ratio, an improvement of nearly 3 points over prior year. Underpinning the published combined ratio was the ex-cat current accident year combined ratio, which was 84% for the quarter, adding to a record 83.7% for the year, simply stunning.

Hurricane Ian was a large event distinguished by its size, wind speed and amount of water, both surge and flood. The models we use contemplate a cat 3 or greater event striking Florida about every 3 years. We are fully prepared to take cat risk and the associated volatility. After all, it's what we do for a living. As long as we are adequately compensated and the concentration of exposure is within our balance sheet wherewithal. In my judgment, current pricing for cat is inadequate in many portfolios, and property pricing should continue to adjust to the realities of the Nat Cat environment, as well as the increased cost for reinsurance protection and potential lack of availability.

Returning to the quarter. Investment income was a record \$1.1 billion, up over 12% from prior year, topping \$1 billion for the first time. As I noted in our recent calls, with rising interest rates and widening spreads, investment income is and will continue to rise. Our reinvestment rate is now averaging 5.8% against a portfolio yield of 3.4%. During the quarter, we continued to accelerate the turnover of our portfolio in a targeted way so that we could put cash to work more quickly at higher yields. Investment income will make up a growing percentage of our company's earnings as we look forward. Obviously, rising rates have produced a sizable negative mark on our invested asset. But as a reminder, we were a buy and hold fixed income investor and the market is transitory. To put a point on that, our portfolio credit quality is high, and we expect about half of the mark will accrete back to book value over about a 2-year period.

As you saw, the addition of Cigna's business in Asia, which we closed in the quarter is making an immediate contribution to revenue and earnings in line with what we expected. It is accretive to our consolidated results, including operating income and ROE. Peter will provide more information around the financial items.

Turning to growth and the rate environment. Total P&C net written premiums globally increased 8.5% in the quarter on a published basis or 11.2% in constant dollar, with commercial up 11.7% and consumer up over 9.5%. Consolidated net premiums for the company, which include our Life Insurance segment increased 17.3% in constant dollars, reflecting the consolidation of the Cigna Asia business. P&C premium growth in earnings in the quarter were again balanced and broad-based with contributions from virtually all our commercial businesses globally. Total North America premiums were up over 10.5% with commercial up 11.4% or 8.1% excluding agriculture, and our high net worth personal lines business up over 7% in the quarter. Overseas General grew 11.7% in constant dollars, but only 2% after FX, with commercial up 11% and consumer up 12.7%. With the strongest USD in 20 years, the negative impact of FX masks the real strength of our business.

Agriculture premiums were up nearly 22% in the quarter, driven overwhelmingly by crop insurance growth as a result of commodity price increases and market share gains, we produced near record underwriting income off the back of what we project to be a decent growing season.

In terms of the commercial P&C rate environment, market conditions remain quite favorable for most lines of business. The vast majority of our portfolio is achieving favorable risk-adjusted returns. So additional rate is required primarily to keep pace with loss cost, which as I have been saying, are hardly benign in both long-tail and short-tail lines. The market is reasonably disciplined. But given loss cost inflation, and what will be slowing growth and exposure in the future given economic conditions, casualty rates in most classes will need to rise at an accelerated rate or else the industry will fail to keep pace.

In North America, growth this quarter in Commercial Lines was led by our major accounts and specialty division, which grew 9.7%, followed by our Middle Market and Small Commercial business, which grew 5.7%. And our Middle Market division, P&C lines grew almost 9%, while Financial Lines declined about 5.5%, primarily due to a lack of IPOs, M&A activity and new business. Renewal retention for our Retail Commercial business was virtually 100% on a premium basis.

Overall rates in North America Commercial Lines, excluding comp, were up 5%, while total pricing, which includes rate and exposure increased 8.5%. We are staying on top of inflation in terms of pricing and reserving. In North America Commercial Lines, we assume loss cost trends of 6.5%, the same as the second quarter.

In major accounts, which serves the largest companies in America, rates increased 5.3% with pricing up \$8.6. General casualty rates were up 8.7%. Property rates were up 9.7% and financial lines rates were up 4.3%.

In our E&S wholesale business, rates increased 9%, with pricing up nearly 13%. Property rates were up about 11.5%. Casualty rates were up 8.5%, and Financial Lines rates were up almost 9%. In our Middle Market business, rates increased 4.2%, excluding comp, with pricing up about 6.5%. Rates for property were up over 6% and pricing was up double digit. Casualty rates were up 6.5%, with pricing up over 8% and comp rates were down 3.8%. However, comp pricing was up 6.5%. Financial Lines rates were up just over 1%, with pricing up about 2%.

Our North America high net worth personal lines business had a very good quarter, with net premiums up over 7%, driven by strong new business activity. Our true high net worth client segment grew 12.5%, while overall retention was very strong at over 98%. In our homeowners business, we achieved pricing of about 11%, while the homeowners loss cost trend is running about 10.5%.

Turning to our International General Insurance operations. In constant dollars, if you haven't noticed, 2022 is the best organic growth we have experienced in nearly a decade. In the quarter, retail commercial P&C premiums grew 12.3%, while London wholesale grew over 9.5%. Retail commercial growth was led by Latin America with premiums up 23.5%, followed by growth of nearly 15.5% in Asia Pacific and over 10% in our U.K. and Europe division. Internationally, like in the U.S., we continued to achieve improved rate to exposure across our commercial portfolio.

In our International Retail business, rates increased in the quarter 9%. While we estimate pricing was up about 12%. Rates varied by class and by region as well as country within region.

Outside North America, we are currently trending loss costs at about 6.5%. Again, similar to the second quarter, though that varies by class of business and country. Like in North America, these trends factors are contemplated in both our reserving and in our accident year loss picks.

International consumer lines growth in the quarter picked up considerable momentum with premiums up over 13%, though FX scrubbed about 11.5 points off the growth. Our international A&H division had an exceptionally strong quarter. Premiums grew over 22.5% in constant dollar, with Asia Pac up over 34%, the U.K. up over 26% and Latin America up 17%.

Our International Personal Lines business grew more modestly in the quarter, with premiums up 4.5% in constant dollar. Premiums in sub life were up 17.5% -- 117% in constant dollars and impacted heavily by the Cigna acquisition. Cigna's operation contributed about \$740 million in net premiums written and \$160 million in income to the Life segment this quarter. We have hit the ground running in terms of integration and execution of our growth strategies in Asia.

So to sum it all up, all of our businesses across the globe contributed to growth and earnings in the quarter. We are firing on all cylinders. We are operating in a challenging economic environment, given inflation, the specter of recession and financial market volatility as well as the geopolitical environment and the evolving risks from climate change. Despite all of that, looking forward, we are quite bullish on the future, given our growth and exceptional underwriting margins in our commercial and consumer P&C businesses, the strong trajectory for investment income and the contributions from the Cigna acquisition to our growing Asia Life business. We expect EPS to continue to grow at a healthy rate into the future.

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

Peter C. Enns
Executive VP & CFO

Thank you, Evan. Good morning. Our strong underlying business performance continued in the third quarter, producing operating cash flow of \$3.4 billion and contributing to a record \$8.6 billion through 9 months. We remain in a position of exceptional financial strength with over \$63 billion in total capital and strong liquidity with cash and short-term investments of \$6.7 billion at quarter end, and this is after paying \$5.4 billion cash for the Cigna business on July 1.

Among the capital-related actions in the quarter, we returned \$1 billion to shareholders, including \$685 million in share repurchases at an average price of \$186.22 and \$346 million in dividends. Tangible book value per share decreased 15.2% since June, reflecting changes in AOCI, which includes realized and unrealized losses of \$3.6 billion after tax, resulting from rising interest rates on our fixed income portfolio and foreign currency translation losses of \$466 million. Additionally, the increased goodwill and intangibles of \$1.5 billion related to the Cigna acquisition represented 370 basis points of the decrease. Excluding AOCI and Cigna, the tangible book value per share increased 0.4% since last quarter. We continue to expect to recover the Cigna dilution within 6 months, as we said when we announced the acquisition.

Book value per share declined 7% for the quarter, reflecting those same AOCI factors. As you saw, the addition of Cigna's A&H and Life businesses in Asia are making an immediate contribution in line with what we expected. For the quarter, the acquisition contributed 7% accretion to operating EPS, 50 basis points to our annualized core operating ROE of 9.4% and 110 basis points to our tangible ROE of 14.4%. Our integration efforts are progressing well, and we are on track with expected expense synergies and net integration costs, as we previously announced. Almost all of Cigna's businesses are part of our Life segment. And going forward, we will not report on a stand-alone basis.

We remain consistent and conservative in our investment strategy with 82% of our fixed income portfolio rate investment grade and do not contemplate any major change to our current asset allocation. The Cigna portfolio of approximately \$4.3 billion is also high quality with an average credit rating of A+ and 96% of the fixed-income portfolio rated investment grade. As Evan noted, as rates continue to rise, our portfolio's reinvestment rate has increased from 2.3% in December to 5.8% on September 30, while our current book yield is 3.4% versus 3.2% in the second quarter.

With market rates above our book yield, we have tactically taken advantage of opportunities to increase the portfolio's yield. We have been selectively utilizing gains from equity-related investments and interest rate hedges to fund turning over parts of the fixed income portfolio in this higher rate environment. This, along with the normal turnover of our portfolio, the addition of Cigna's investments as well as certain other items contributed to adjusted net investment income of \$1.05 billion in the quarter.

Updating our quarterly guidance, we now expect adjusted net investment income to be in the range of \$1.40 billion to \$1.60 billion.

Relative to Hurricane Ian, approximately 77% of the pretax catastrophe losses were incurred in the commercial lines, 23% in personal lines. We had favorable prior period development in the quarter of \$222 million pretax or \$162 million after tax. This is net of \$73 million pretax adverse development from our legacy runoff exposures, principally environmental related. The remaining favorable development of \$295 million is split approximately 11% long-tail lines, principally from accident years 2018 and prior and 89% in short-tail lines. Our paid-to-incurred ratio for the quarter was 75% or 79% after adjusting for cats and PPD.

Our core operating effective tax rate for the quarter was 19.3%, which is above the high end of our previously announced annual range of 16.5% to 18.5%. This is primarily due to the Cigna acquisition and catastrophe losses in lower tax-paying jurisdictions in the quarter. We expect our annual core operating effective tax rate for the full year 2022 to be in the range of 17.5% to 18%.

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'll be happy to take your questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Michael Phillips with Morgan Stanley.

Michael Wayne Phillips

Morgan Stanley, Research Division

Evan, I wanted to draw down on your comments on the loss trends in North America at 6.5%, your pricing and reserving above that. You talked about in the second quarter that what you're actually seeing in the market is somewhat below that. I assume that's still the case, but I wonder if that's narrowed a bit this quarter?

Evan G. Greenberg

Executive Chairman & CEO

It's similar.

Michael Wayne Phillips

Morgan Stanley, Research Division

Similar. Okay. Great. And then industry level kind of question. I was just curious your thoughts here. With all that's going on in the property category insurance market. Does that extend to other areas? Does that extend to primary casualty? And will that help kind of lengthen the [property] market? And how about in primary markets there?

Evan G. Greenberg

Executive Chairman & CEO

No, I don't see it that way. It's not a capital question for the reinsurance industry. It's a risk question. And do you want to deploy your capital against it? In casualty for the reinsurance industry, it's a different question. And that is -- they, too, their ability to recognize that on the casualty side of the business, loss cost trends are hardly benign for all the reasons that we know, and that pricing and rate needs to keep pace with that. So the industry stays on top of it.

Reinsurers lag in their recognition of loss cost exposure. And that's at their own peril. They're not careful. So they need to recognize the environment. And I begin -- I believe we're beginning to do that in terms of the terms and conditions they provide insurers and that's more the response I see from the reinsurance industries -- the reinsurance industry in terms of casualty, versus property. They both have their own dynamics.

Operator

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

Evan G. Greenberg

Executive Chairman & CEO

David Motemaden. It's nice to hear from you.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

I've heard a lot of pronunciations over the years. So never seize this to amaze me.

Evan G. Greenberg

Executive Chairman & CEO

I get about it's been a while, too, by the way. I guess, strange pronunciations.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Both tough ones. I was hoping just to get an update on the growth prospects for Chubb in the property market. You mentioned you have the capacity to grow here as long as you're compensated, but some pricing still needs to accelerate from here. I guess, how

should we think about the runway you have to capitalize on this? But I think is -- I think it's around 16% of your book right now, if I look across the P&C business. If I just thought about property as a percentage of total. Is there a -- is there a ceiling that you think about in terms of introducing too much Nat Cat risk into the earnings? Or -- yes, I guess, just wondering how you're thinking about how much -- how big you want that to get?

Evan G. Greenberg
Executive Chairman & CEO

David, the 16% is a global number. And -- and I think that's, first of all, the right way to think about it. We're a global company. And so when we think about property and growing property, it's a global opportunity to us. And so in that respect, absolutely, and it's -- it remains and is a growth area for us.

What you then balance it against is we have a finite balance sheet. So we can only take so much concentration in any one geographic area when you imagine that the PML or the loss -- that concentration will produce over certain return periods against your capital. And then it's simply the question, are we paid adequately for the risk and for the volatility we take.

And then the last item is reinsurance. And not just the cost of it, but availability because that's renting additional capital and our ability to do that. So -- and that is what impacts certain territories and that's not new, that's standard in how you shape your portfolio and think about concentration of exposure. But we're playing a global opportunity here.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. That's helpful. And then maybe if I could just follow up on the casualty rates. You mentioned that you think that rates need to increase at an accelerated pace or else the industry will fail to keep pace with trend. I guess -- could you just talk about what you're seeing across the various lines? It looks like FINPRO or Professional Lines, Financial Lines might be taking a step down. It looks like you guys are remaining disciplined just based on your premiums growth and financial lines. But maybe just talk a little bit about that and how you think the market is placed and competitiveness in that line.

Evan G. Greenberg
Executive Chairman & CEO

Yes. So I gave you kind of a breakdown in long-tail lines, and I won't give a further breakdown that way. But -- 2 or 3 points. One, when it comes to fin lines, experience has been quite good. Overall, when I look at our pricing, it produces favorable risk-adjusted returns. Market competitiveness has been in response to the absolute pricing levels and to experience, but there's plenty of risk out there. And while it's become competitive and is reasonably rational, it can't continue this way into the future or else, frankly, it becomes irrational and would be naive.

We have remained disciplined and we are disciplined. There are certain pockets where we deem pricing and it's on the margin to be irrational and therefore, we walk away.

On the other hand, what is impacting growth. and I reiterate it, remember, you're coming off of a very hot market last year. Interest rates were low. Equity markets were -- were elevated. There was so much money around. There was a ton of M&A and IPO, and that produced more exposure. We're in a different world today. And so that exposure has shrunk, and that does impact growth as well.

Operator

Your next question is from the line of Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Maybe following up on a couple of the previous questions. With the reinsurance market hardening, what is the opportunity set that you see for Chubb as a result of this hardening in? Are you going to lean further into reinsurance? Are you going to take more net on the primary side? How are you thinking about the dynamics there?

Evan G. Greenberg
Executive Chairman & CEO

Well, I'm hardly going to read my playbook to you for broadcast out there. In that regard, just stay tuned. But -- but beyond that, property cat is not a growth area for Chubb. Property category is not a growth area. Not of any significance.

Yaron Joseph Kinar
Jefferies LLC, Research Division

And maybe changing direction a little bit here. I was curious as to your stated thoughts on China and the opportunities out there, especially with Huatai in the face of the political and economic changes there?

Evan G. Greenberg
Executive Chairman & CEO

Yes. First of all, we expect to announce the Huatai approval from the China regulator of the Huatai transaction imminently. So that will be shortly. Secondly, look, I see China as a long term, medium and long-term opportunity for Chubb and you got to be patient. Of course, and I'll say it right upfront, the trajectory of China from a geopolitical perspective, oneness authoritarian political system, United States and Europe, so the Western world, Democratic, individual rights oriented and the geopolitical aspirations of China and versus the balance of versus the U.S. If we don't find a way to coexist, we're on a path towards conflict. That risk is out there, and you know that.

The party and with now the full consolidation of power under sheet, that's not a surprise. It's just the curtain was pulled back on it and it was crisply displayed over the last 1.5 weeks. But that's not a surprise. The consolidation of party control over the economy and industrial policy. And the notion of ideology and security over economic growth as a priority.

In my judgment, will ultimately be against China's own interest. She has an ambitious agenda and to fulfill that and address financial market and economic weakness, you got to have economic growth. The pie has to grow. And my own view is over a reasonable period of time, I don't know, is it 1 year? Is it 3 years? They will -- they will be forced to moderate their approach to economic policy -- their ideology, but their approach to economic policy. Practically in their own interest because they need economic growth.

And so when it comes to Huatai, in the short term, we face those economic headwinds there without a doubt. We had a sense of that. But in time and over the medium and longer term, if we don't get in a shooting war, we're optimistic and about the long term that we're making. It is the second largest economy in the world and the need for insurance will continue to grow and that we control. We are the first foreigner to control of financial services, [old co] in China, I think, is a long-term asset for the company and we're stewards of long-term capability for this organization.

And so I'm balancing the risk and the reward. In the short term, I don't expect it to be a major contributor to Chubb's growth and earnings. But in the longer term, I do. And finally, on a micro level, I'd say this. Our ability to operate in China, Chubb as a foreigner, we have a good reputation. And I -- and I see that we won't face any more regulatory issues or discrimination from all I can see that Chinese companies themselves will face. And in that regard, I see us on a level playing field.

Operator

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, in your prepared remarks, you pointed to casualty rates needing to go up because you said that there could be slowing exposure. So -- and you also see positive on pricing following the hurricane. So I know you gave us a lot of color on North America commercial pricing? So is the overall view that, that 5% rate, which I know excludes exposure that that's going to start to trend up in the fourth quarter?

Evan G. Greenberg
Executive Chairman & CEO

Elyse, you're 2-pin quarter-to-quarter on data point. I'm looking over -- I'm giving -- I picked my head up and try to give an overall landscape, longer-term view without pinning to this period or that period precisely, I think it misses the point. That's the best I can give you.

The fact is inflation and loss cost trend is there. The fact is I don't know what quarter, but exposure growth, the industry lags, exposure growth is likely to come down because economic growth is shrinking. And that's just going to equal exposure growth shrinking. So if you look out in the future, not necessarily the fourth quarter. I'm not prognosticating quarter-to-quarter. The rate is going itself is going to have to rise if the industry is going to stay on top of loss cost. And I guarantee you one thing, Chubb is going to stay on top of loss cost.

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

That's helpful. And then my second question, you guys completed the Cigna deal, even it sounds like you're close to announcing approval for Huatai -- increase in stake and Huatai. Can you just give us an update on the M&A pipeline and how that's kind of, I guess, changed over the past year?

Evan G. Greenberg*Executive Chairman & CEO*

Elyse, as you know, I don't -- I don't talk about what we're looking at or not looking at on that. What I can tell you is right now, Chubb is at rest. And M&A is not something that's on my immediate radar. On building our balance sheet, having flexibility of capital is on my radar. And I believe we're in a period where weakness will show over time in the future. Given economic and financial market and on conditions and as I look out into the future, and we are quite patient people.

Operator

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

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

Evan and Peter and several members of the management team. Evan, in your previous answer on China, maybe you can pivot to other areas of the globe, Europe and other areas. And I guess what I'm trying to think about or understand how you're thinking about growth, especially when there's things -- the emerging energy availability crisis, supply chain issues, food security, and you've posted some substantial growth numbers this year. Just trying to think about how to frame it for next year with all these headwinds?

Evan G. Greenberg*Executive Chairman & CEO*

Yes. It's not a clear picture. And every area of the world is behaving a bit differently. You see the idiosyncratic nature of the U.S. economy that relative to other places, it's got a lot of resilience to it. Employment continues to grow. The economy is intrinsically strong on a broad-based basis and consumers thank the U.S. government, has a -- have a lot of money in their pocket. That part will be transient.

And with the Fed's actions, which I think are the right actions, and I believe the set is going to be patient and stay high for longer. I think they know the lessons, and they're going to make sure inflation is [run] out of this. The U.S. economy will slow down. No doubt and whether -- and you already see it. And whether we go into a recession or not is a question mark. And my own belief is if we do, it will be relatively mild.

You go to Europe, and Europe is a different picture. They were not experiencing strong economic growth prior to Ukraine. They have the war in Ukraine and energy availability and what that is doing is they start to ration energy on what it's doing to industry and to growth. But at the same time, for the insurance industry in certain areas, the risk environment has changed. And that benefits pricing and rate environment. And I think it benefits opportunity for us even in the face of all of that.

I turn to the Lloyd's market that is so heavily reinsurance levered and with reinsurance market contraction and our balance sheet capability, and it's another window to look on the world, and so I see opportunities as we go forward.

I moved to Asia where recession has not bitten in most of Asia. You don't see that. You see inflation picking up on what the future looks like really varies by country. But overall, Asia growth is pretty good. And what I see for our business is a lot of opportunity to continue to grow. It's a very balanced business -- jobs business in Asia between consumer and commercial between accident and health, whether it's in life or non-life and our consumer businesses there versus P&C and middle market versus large commercial, it's actually our most balanced business in Chubb around the world.

And the opportunities there, I see, whether there's a short-term impact here or there based on economic activity, I can't see that yet but whether there is or not is transient to me. And I see through that, I see a lot of growth opportunity.

So when I add it all up on balance and given the broad nature of our business, I'm pretty bullish on growth as we go forward, though, of course, I'm cautious as I'm aware about the external environment and the recessionary conditions and inflation, which no one has a perfect handle on.

Charles Gregory Peters

Raymond James & Associates, Inc., Research Division

Yes, that makes sense. I guess I'll pivot and...

Evan G. Greenberg

Executive Chairman & CEO

You've got the pivot number. That's your job, not my -- not job. I got [indiscernible] I feel really optimistic about the company.

Charles Gregory Peters

Raymond James & Associates, Inc., Research Division

When you're growing your gross premium written at 11-plus percent, it's not a bad stat to throw out there, at least for this year so far.

I'd like to -- as I've asked in previous calls, the expense ratio improvement. And if I just look at the year-to-date, just not the quarter number, but the year-to-date number, I assume some of that's a reflection of the growth and the leverage you have off the top line that you're generating. Can you give us a sense of what's transient and relates to growth? And then what's actually permanent in terms of true improvements in efficiencies? And maybe give us some color on what's actually driving that improvement.

Evan G. Greenberg

Executive Chairman & CEO

I'm not going to answer it that way for you, but I'm going to try to give you a little more color around it. Let's see if I can frame this, though, for you, which is what you really need is a framing of how we think about it.

Aside from the business mix, and seasonality, which impacts the ratio a little bit quarter-to-quarter. The company, an OpEx portion, in particular, is going to continue to improve over time. And I think about that as over a longer period of time. We already run a world-class ratio of efficiency. So let's just start with that.

And it's like interest rates dropping percentages that they turn out to be smaller and smaller basis points over time. But so success can be your enemy a little bit. But it's in our culture and operating guidelines that we -- and this has always been true. We grow revenue faster than expense. Now I balance that, though, on the other side, that we -- it's balanced against adding investments in our business to constantly improve our capabilities and efficiencies for future periods.

So on one hand, the discipline is we grow expense. We start out growing expense slower. And I'm not going to give -- I'm not going to disclose inside baseball, but we actually have ironclad, reasonably ironclad parameters around that of how much we'll grow expense relative to revenue. But then we balance that against investments we also make to improve efficiencies for the future -- for future periods.

So it's the point that while it's efficient, it will continue to improve, and by the way, particularly in our COG operation. That's where I think there is real room for that. And I'm looking at right at Juan Luis, who feels the heat, and there you go.

Charles Gregory Peters

Raymond James & Associates, Inc., Research Division

I can use some of that. So thank you.

Evan G. Greenberg

Executive Chairman & CEO

Which part can you use?

Unknown Executive

The heat for Juan Luis.

Evan G. Greenberg

Executive Chairman & CEO

Juan Luis, do you want to add to that?

Operator

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

Tracy Dolin-Benguigui

Barclays Bank PLC, Research Division

Turning to investments. It looks like you've been slightly extending the duration of your assets in the last few quarters. It's now at 4.5 years. I think historically, it's been closer to 4 years. I'm wondering if you're still at or below the duration of your liabilities? Or should we expect further extension of asset duration from here given the Cigna acquisition? I guess I'm just trying to get a sense of where you're seeing investment opportunities given the shape of the yield curve, which is less [kind] at the longer end than what we see?

Evan G. Greenberg

Executive Chairman & CEO

Tracy, our assets, our liabilities our -- the duration of our liabilities is greater than our asset duration. Right now, our invested asset duration by actually a comfortable spread. And no, we don't expect at this moment, we don't see extending duration and we're not paid to extend duration, and we're not doing that. But mix of business, Cigna has impacted it to.

And Peter, did you want to add?

Peter C. Enns

Executive VP & CFO

Yes. Tracy, the vast majority of the change you saw relates to 2 on. One is the Cigna assets coming on, which had a slightly longer duration, which reflects their underlying business. And secondly, mortgage-backed security is extending out just with a higher rate environment. So there's nothing that we've done proactively or decisively to affect that ratio.

Tracy Dolin-Benguigui

Barclays Bank PLC, Research Division

Thank you for confirming that. On the Cigna earning contribution of \$160 million, that's tracking ahead of your \$450 million annual run rate. So is \$450 million still the right run rate? Or are you more constructive, you could earn more on a quarter basis?

Peter C. Enns

Executive VP & CFO

So what I said was consolidating this into our Life segment going forward. We provided guidance on the initial announcement, and then we gave an update around the earnings accretion. So we don't want to provide ongoing guidance around what that income is going to look like. We just wanted to give you comfort that we were hitting our numbers.

Operator

Your next question is from the line of Meyer Shields with KBW.

Meyer Shields

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

Two hopefully -- 2 questions. First, in the Life Insurance segment, is there anything unusual in Cigna's results from seasonality or anything other that wouldn't recur? Or is this like a reasonable depiction of the earnings flow?

Peter C. Enns

Executive VP & CFO

There was nothing unusual in the earnings. There was a slight increase on a relative basis for some COVID charges in the prior year in the other international businesses, not Cigna. So the current is what it is.

Meyer Shields

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

Okay. Perfect. And then, Evan, I think this is a big picture question. You talked about casualty rates needing to pick up some steam. Does the industry face sort of irresistible momentum that will make that difficult or impossible or am I too pessimistic on its agility as an industry?

Evan G. Greenberg

Executive Chairman & CEO

Can you say that again?

Meyer Shields

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

Yes. I'm wondering, right, so right now, we're seeing some signs of competition emerging in some commercial -- in some casualty lines. And historically, obviously, this industry has been tremendously cyclical, which means things get a little worse and then they get a little worse from that. And I'm wondering whether your perception of the industry, I'm not worried about Chubb, but is your perception of the industry that it has the agility to resist that momentum this time around?

Evan G. Greenberg

Executive Chairman & CEO

Look, I can't prognosticate the future. I think rationally, major players have the same kind of data that we do and they have experience and they see the same trends on the casualty side. And I'm not ringing an alarm bell so that we keep perspective here. Pricing is staying ahead. I'm looking longer into the future and anticipating not what we're seeing at the moment and that it doesn't take a genius to imagine that exposure growth will not continue to benefit that. So the industry will have to get more rate. And we're in a loss cost environment where inflation, it's an inflationary environment. Inflation is running higher than it has in the past. So it will get away from the industry at a much more rapid pace at their peril.

If they don't get this, anticipate it and operationalize it in a reasonable period of time so that rate responds. And at the moment, I just play by the facts, and I am dead neutral about it. But I think most -- look, I look where Chubb's combined ratios are and then I look where others are. And there's not a lot of room for forgiveness in most companies' combined ratios. So I have to believe they will be rational.

Operator

Your next question is from the line of Brian Meredith with UBS.

Brian Robert Meredith

UBS Investment Bank, Research Division

Couple of questions for you. First one, combined U.S., it's been kind of trending downwards here all year. I know you've got a recession coming up, which probably is tough from a growth perspective. But what's going on there? And are there any kind of fixes going on?

Evan G. Greenberg

Executive Chairman & CEO

Yes. And it's a great question. I'm glad you actually asked that question. Combined U.S. is actually -- I'm quite optimistic about it. Here's a deal. COVID really, really impacted it because of 2 things. Individual -- it's individual agency sales business, going small business by small business or individual by individual, and they pay you monthly premiums. Agency sales during COVID just dried up. And then it's worksite sales, worksite benefits, voluntary benefits to small and medium-sized businesses in particular. And during COVID dramatically hit. And again, that's monthly pay business.

We -- we're actually investing. And -- and I'm actually investing money in combined retooling both agency and worksite, which we've done in a very dramatic way. And we're seeing the improvement begin to show to us in new business sales.

Now frankly, it's going to take Route 23 before it really shows -- before new business on the monthly volume of that and how it turns into renewal business to really show against the total base that has a natural lapse rate in it. And I see combined as a growth business. And for myself, where it will really show to you is 24 onwards.

Brian Robert Meredith

UBS Investment Bank, Research Division

Great. That's helpful. And then second question...

Peter C. Enns

Executive VP & CFO

That's the boiler room facts around it.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. That makes sense. A second question, Evan, can you remind us how much of your commercial business is call it E&S or non-admitted? And do you ascribe to the theory that the E&S market, so the non-admitted markets will continue to grow at a faster rate than the admitted markets here, just given the complexity of risks?

Evan G. Greenberg
Executive Chairman & CEO

Well, it's going to vary by line of business. If you're going to get a property cat exposed, yes. Though I think the E&S market is going to have pressure because of reinsurance availability and capital that uses E&S to front for it. I think that's going to -- I think that problem is in front of the E&S market overall. But rate while that may impact its overall exposure growth, I think rate is going to overwhelm it.

On the other side of the coin, I think on the casualty side, the admitted market is -- which gave up a lot of volume to the E&S side of the house. I see that actually probably growing faster on the admitted side than the E&S side as we go forward. I can only be wrong. From my point of view, I'm playing both tables aggressively where I see opportunity in rationally. So whoever wins the race, wins the race.

Operator

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

Alexander Scott
Goldman Sachs Group, Inc., Research Division

I had a follow-up on the reinsurance cost potentially going up and you talked a lot about the opportunities. I just thought I'd ask about Chubb is a buyer of reinsurance. Could you provide any information on the cost of your current catastrophe reinsurance programs? And anything you might add that help us think about how those prices may go up at the end of the year?

Evan G. Greenberg
Executive Chairman & CEO

No, I'm not answering that question. The only thing I'm the answer is we're not a January 1. We don't renew our catastrophe reinsurance January 1. Thank you very much.

Alexander Scott
Goldman Sachs Group, Inc., Research Division

Okay. And maybe just one quick one on the Life Insurance business. I mean, do you anticipate any kind of change to the run rate of earnings from the accounting changes that are going into effect at the end of the year?

Peter C. Enns
Executive VP & CFO

Nothing we can disclose at this time.

Operator

I would now like to turn today's call back over to Ms. Karen Beyer.

Karen L. Beyer
Senior Vice President of Investor Relations

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

Operator

Ladies and gentlemen, thank you for participating. This concludes today's conference call. You may now disconnect.

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