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OVERVIEW:

Company Summary

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Peter Enns *Chubb Ltd - Executive Vice President, Chief Financial Officer of Chubb Group*

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Brian Meredith *UBS Securities LLC - Analyst*

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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 Beyer - *Chubb Ltd - Senior Vice President, 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 Officer. 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 three 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 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 dollars, with commercial premiums up 8.1% and consumer up 9.4%.

Again, growth was global and 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 dollars, 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 remained 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 three 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 & Specialty division increased 7.2%, with P&C up 9.5% and financial lines down over 6%. Within Major & Specialty, our E&S business grew 11%, with strong contributions from both property and casualty related lines. Premiums 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 costs, with rates up 11.9% and exposure 0.7%. Our loss costs 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.

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 grew 6.5% in constant dollars. P&C lines were up almost 11%, and financial lines were down 10%. It is worth noting, adjusting for a one-time 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 continued 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. 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 dollars. International Life earnings grew over 9% in the quarter in constant dollars.

So that's a lot of news. And in summary, we had another excellent quarter and are 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 through 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 Enns - *Chubb Ltd - Executive Vice President, Chief Financial Officer of Chubb Group*

Good morning. As you have just heard from Evan, despite an elevated level of industrywide Cats, we had another strong quarter that generated adjusted operating cash flow for the quarter and through nine 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 five-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 nine 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 US and 30% internationally.

Prior period development in the quarter in our active companies was a favorable $299 million pre-tax, 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. Our corporate run-off 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 Beyer - *Chubb Ltd - Senior Vice President, Investor Relations*

Thank you. And at this point, we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bob Huang, Morgan Stanley.

Bob Huang - *Morgan Stanley Co. LLC - Analyst*

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 margins 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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.

Bob Huang - *Morgan Stanley Co. LLC - Analyst*

Great. Thank you. Second question is on the international business. Apologies 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Well, first of all, our London wholesale business 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 9%s. So it's that vast territory.

And then the UK itself grows well, and then -- which is UK 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?

Bob Huang - *Morgan Stanley Co. LLC - Analyst*

No, no, I think it does. Really appreciate the UK comments there. Thank you.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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

Operator

Brian Meredith, UBS Financial.

Brian Meredith - *UBS Securities LLC - Analyst*

Evan, 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 reinsurance side?

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 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 Meredith - *UBS Securities LLC - Analyst*

Great. Thank you. 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 US. 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 had positive results.

And then there was, in particular, excess casualty that produced a negative result. So it's 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.

Brian Meredith - *UBS Securities LLC - Analyst*

Thank you. Appreciate it.

Operator

David Motemaden, Evercore ISI.

David Motemaden - *Evercore ISI Institutional Equities - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

We have another quarter or two 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 million or so 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.

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 comment. 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 Motemaden - *Evercore ISI Institutional Equities - Analyst*

Yeah, no, thanks. That's helpful.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

And 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. Number two 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, but keep perspective, it's small.

David Motemaden - *Evercore ISI Institutional Equities - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, 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 two sides to the volatility. There is a favorable side and an unfavorable side, because your average expected loss that you divide into four 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 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.

David Motemaden - *Evercore ISI Institutional Equities - Analyst*

Thank you.

Operator

Yaron Kinar, Jefferies.

Yaron Kinar - *Jefferies LLC - Analyst*

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 jot 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 Kinar - *Jefferies LLC - Analyst*

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

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

No, that's -- you're missing it. That's not growth in premium. That's -- okay, I have a store. My store 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, two 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 Kinar - *Jefferies LLC - Analyst*

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

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, across the board.

Operator

Gregory Peters, Raymond James.

Gregory Peters - *Raymond James & Associates, Inc. - Analyst*

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. And 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 Enns - *Chubb Ltd - Executive Vice President, Chief Financial Officer of Chubb Group*

It's Peter, Greg. The top-line growth on total Life and on international, as you know and was 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 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.

Gregory Peters - *Raymond James & Associates, Inc. - Analyst*

Great. Thanks for the reminder on that. 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 good risk-adjusted returns that well exceed our cost of capital, and we're -- that's the balance.

Gregory Peters - *Raymond James & Associates, Inc. - Analyst*

Fair enough. Thanks for your time.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

You're welcome.

Operator

Ryan Tunis, Autonomous Research.

Ryan Tunis - *Autonomous Research US - Analyst*

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 with your 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 guises 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 prosperity. 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 Tunis - *Autonomous Research US - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

In Life?

Ryan Tunis - *Autonomous Research US - Analyst*

Yeah.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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

Ryan Tunis - *Autonomous Research US - Analyst*

I did, yes.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah. Stay tuned, buddy, it is not going to take a decade.

Operator

Alex Scott, Barclays.

Alex Scott - *Barclays Capital Inc. - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 market. 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.

Alex Scott - *Barclays Capital Inc. - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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

Alex Scott - *Barclays Capital Inc. - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

I think you just said something that you're going to have to think about how you connected those dots. You just said 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.

Alex Scott - *Barclays Capital Inc. - Analyst*

Can I -- I mean the invested asset base growing at a pretty strong clip. I mean what was the underlying driver for that?

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Our business has been growing, and our margins have been good. And so our invested asset base, yes, continues to grow, and our capital has been growing. 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.

Alex Scott - *Barclays Capital Inc. - Analyst*

Thank you very much.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

You're welcome.

Operator

Andrew Kligerman, TD Cowen.

Andrew Kligerman - *TD Cowen (Research) - Analyst*

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 $1.25 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 that. 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 Kligerman - *TD Cowen (Research) - Analyst*

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 five years into the hard market already, didn't we see that loss ratio --

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Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 Kligerman - *TD Cowen (Research) - Analyst*

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

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

They're good. They're delivering good returns for the industry overall. And it varies by company. Some companies, it'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 are off the charts. They're decent. They're good on a risk-adjusted basis.

And then loss trend is relentless. Every year, you have loss trend. So you can't just stand still just to stay where you are. You've got to get rate or price.

Andrew Kligerman - *TD Cowen (Research) - Analyst*

Makes a lot of sense.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Greenspan - *Wells Fargo Securities, LLC - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 Greenspan - *Wells Fargo Securities, LLC - Analyst*

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 Enns - *Chubb Ltd - Executive Vice President, Chief Financial Officer of Chubb Group*

Elyse, and last quarter, I gave last six 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 PE. But I'd say, the high end of the guidance rate level on a recurring basis for the fourth quarter.

Elyse Greenspan - *Wells Fargo Securities, LLC - Analyst*

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 Enns - *Chubb Ltd - Executive Vice President, Chief Financial Officer of Chubb Group*

Elyse, we typically give the full-year guidance in the fourth quarter. That's as far as we go. There is uncertainty, so we're not giving anything more specific right now.

Elyse Greenspan - *Wells Fargo Securities, LLC - Analyst*

Okay. Thank you.

Operator

Meyer Shields, KBW.

Meyer Shields - *Keefe, Bruyette & Woods, Inc. - Analyst*

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 exposure units, does that have implications for loss ratio progress?

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Does it what?

Meyer Shields - *Keefe, Bruyette & Woods, Inc. - Analyst*

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

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 insureds. 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. But because -- driving the premium, and if it's an annual policy, it's earned one-twelfth a month.

Meyer Shields - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay. No, I was thinking independent. Yeah, 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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

Meyer Shields - *Keefe, Bruyette & Woods, Inc. - Analyst*

All right. I'll bring the herring.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

(laughter) No, no, only in sour cream sauce.

Operator

Mike Zaremski, BMO.

Mike Zaremski - *BMO Capital Markets (US) - Analyst*

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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

Yeah, so what I've been clear about, and that you're trying to be too simplistic, there are many cohorts of casualty. The majority, 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.

Mike Zaremski - *BMO Capital Markets (US) - Analyst*

Okay. No, 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 Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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 guidance.

Mike Zaremski - *BMO Capital Markets (US) - Analyst*

Okay. Got it. Because last year was over $1 billion, but there was definitely some noise and, obviously, earnings there are -- have been great. Okay. Thank you for taking my questions.

Evan Greenberg - *Chubb Ltd - Chairman of the Board, Chief Executive Officer*

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

Karen Beyer - *Chubb Ltd - Senior Vice President, 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.