CHUBB CORP
Form 425
July 23, 2015

Filed by: ACE Limited

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: The Chubb Corporation

Commission File No. 001-08661

The following is a transcript of the second quarter 2015 earnings conference call and webcast hosted by ACE Limited on July 22, 2015 at 8:30 a.m. (EDT).

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EDITED TRANSCRIPT

ACE - Q2 2015 ACE Ltd Earnings Call

EVENT DATE/TIME: JULY 22, 2015 / 12:30PM GMT

OVERVIEW:

Co. reported 2Q15 after-tax operating income of $788m or $2.40 per share.

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JULY 22, 2015 / 12:30PM GMT, ACE - Q2 2015 ACE Ltd Earnings Call

CORPORATE PARTICIPANTS

Helen Wilson *ACE Limited - Senior VP of IR*

Evan Greenberg *ACE Limited - Chairman and CEO*

Phil Bancroft *ACE Limited - CFO*

John Keogh *ACE Limited - Chairman, ACE Overseas General*

Sean Ringsted *ACE Limited - Chief Risk Officer and Chief Actuary*

CONFERENCE CALL PARTICIPANTS

Michael Nannizzi *Goldman Sachs - Analyst*

Ryan Tunis *Credit Suisse - Analyst*

Charles Sebaski BMO *Capital Markets - Analyst*

Sarah DeWitt *JPMorgan - Analyst*

Kai Pan *Morgan Stanley - Analyst*

Brian Meredith *UBS - Analyst*

Jay Gelb *Barclays Capital - Analyst*

Meyer Shields *Keefe, Bruyette & Woods - Analyst*

Larry Greenberg *Janney Capital Markets - Analyst*

Ian Gutterman *Balyasny Asset Management - Analyst*

Jay Cohen *BofA Merrill Lynch - Analyst*

PRESENTATION

Operator

Good day and welcome to ACE Limited s second-quarter 2015 earnings call. Today s call is being recorded.

(Operator Instructions)

For opening remarks and introductions, I would like to turn the call over to Helen Wilson, Investor Relations.

Helen Wilson - ***ACE Limited - Senior VP of IR***

Thank you. And welcome to the ACE Limited June 30, 2015 second-quarter earnings conference call. My report today will contain forward-looking statements, including statements relating to Company and investment portfolio performance, pricing and business mix, economic and insurance market conditions, including foreign exchange and completion and integration of acquisitions, all of which are subject to risks and uncertainties. Actual results may differ materially.

Please refer to our most recent SEC filings, as well as our earnings press release and financial supplement, which are available on our website for more information on factors that could affect these matters. This call is being webcast live and the webcast replay will be available for one month. All remarks made during the call are current at the time of the call and will not be updated to reflect subsequent material developments.

Now I d like to introduce our speakers. First we have Evan Greenberg, Chairman and Chief Executive Officer, followed by Phil Bancroft, our Chief Financial Officer. Then we ll take your questions. Also with us to assist with your questions are several members of our Management team.

Now it s my pleasure to turn the call over to Evan.

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JULY 22, 2015 / 12:30PM GMT, ACE - Q2 2015 ACE Ltd Earnings Call

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Good morning. ACE produced excellent second-quarter results with earnings per share essentially flat with prior year. Earnings and revenue growth were strong in spite of foreign exchange and market conditions that are growing more competitive.

After-tax operating income for the quarter was $788 million or $2.40 per share. Our annualized operating return on equity was 11.4%, a good return -- a good return on shareholder capital. Underwriting results in the quarter were excellent. We produced $478 million of total P&C underwriting income; flat with prior year and up 5 1/2% on a constant-dollar basis.

The P&C combined ratio was 87.7%, and the P&C current accident- year combined ratio, excluding cat losses, was 88.4% versus 88.7% prior-year. Cat losses were up relative to prior year by $44 million pretax, as a result of increased cat activity around the world. And positive prior period reserve development was up modestly as well. All divisions produced outstanding calendar year and current accident year results in the quarter. This was the first quarter that included the contributions of the Fireman s Fund US high network business, which contributed to both revenue and earnings, including a $15 million nonrecurring benefit to operating income. On the other hand, foreign exchange negatively impacted operating income by $29 million.

We produced $562 million investment income, up 3% in constant dollars. This is a very good result given the interest rate environment and speaks to our strong cash flow. Book value per share growth was flat in the quarter, affected by the impact of a rise in interest rates on our corporate bond portfolio. Frankly, if sustainable, I view this as a positive. The mark-to-market hit is simply a question of timing since we are essentially a buy-and-hold bond investor, while higher rates mean greater investment income over time. Phil will have more to say about the impact of Fireman s Fund on revenue and earnings, our investment portfolio, prior year s reserve development, and cat losses.

The big news in the quarter obviously was our announced agreement to acquire Chubb. And I must tell you, I am even more excited and convinced of the potential opportunity and the fit in terms of talent and complementary capabilities. The senior leadership of both Companies met for two and half days last week for integration planning purposes and the chemistry, the optimism, the energy, and the earnestness to succeed could not have been better. I am awfully impressed by the Chubb leadership my colleagues and I met. They are peers. We are moving quickly. We have initiated the process for teams to be engaged on integration planning that covers all businesses in functional areas of both companies. We are planning to file an S4 by the end of the month and following that, will each set the date for shareholders votes which should occur somewhere between the end of September and the end of October. Were preparing to file for regulatory approvals and, as we said, we expect the transaction to close in the first quarter of 2016.

Turning to revenue growth. Global P&C net premiums, excluding agriculture, grew about 6 1/2% in the quarter, or over 13% on a constant-dollar basis. The assumption of the unearned premium from the enforced Fireman s Fund portfolio contributed about 6 1/2% to this growth and it is nonrecurring. Once again, we expect global P&C premium revenue growth on a published basis for the balance of the year will be mid-single-digit in spite of foreign exchange.

In North America, net premiums for P&C, excluding crop, and the non-recurring premiums from the Fireman s Fund transaction, grew 6% in constant dollars. In both our large commercial business, ACE USA, and in Ace Westchester E&S, net premiums declined about 4%. There were some one-time items in 2014 that distorted second-quarter growth, and as such, we expect premium growth in our US commercial business to improve for the balance of the year. We grew over 20% in ACE Commercial Risk Services, which serves small to mid-market clients.

Turning to our international operations, P&C net premiums and ACE International were up over 11% in constant dollars. Latin America and Asia had strong growth with net premiums up 25% and 14% respectively, while premiums in Europe were down 1%. In our London-based E&S business, premiums were down 16% as we [shed] business in an increasingly competitive London wholesale market. In our A&H insurance business, net premiums were up over 4% globally in constant currency. A&H premiums internationally were up about 5%, led by Asia with growth of 17%. Premiums for Combined Insurance were up about 3 1/2%, with our North American business up nearly 6%. Net premiums for personal lines globally, excluding the nonrecurring premium from Fireman s Fund, were up 46%. Our Asia-focused international life insurance business had a good quarter, with net premiums up 7 1/2% in constant currency. And finally, in our Global Re business, net premiums declined 6% due to market conditions.

I want to now say a few more words about current commercial P&C insurance market conditions. The underwriting environment continued to soften in the quarter for our commercial P&C business globally. As I ve been saying, the underlying pattern we have seen over the last few quarters is that large-account business is more competitive than mid-sized; wholesale is more competitive than retail; and property more so than casualty related.

Taking our US commercial P&C business by its components, and starting with our large and upper middle market retail business, ACE USA general and specialty casualty related pricing was up 2% in the corner and varied by line. For example, large account risk management related casualty pricing was up less than 1%. Excess casualty was up about 2 1/2%. Foreign casualty pricing was up 0.5%. And management and professional liability pricing was flat. Property-related pricing was down 10%, a steeper decline from prior quarter.

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New business activity slowed as expected. And renewal retention levels are good. Both reflect market conditions and our underwriting discipline. We will not chase under priced business. For our US retail business, the renewal retention rate, as measured by premium, was 89%.

Turning to our US E&S business, casualty rates were up less than 1% in the quarter. Professional lines was up 2%, while property was down about 10%. Internationally, commercial P&C insurance market conditions also grew more competitive. Again, for the business we wrote, casualty rates were down 2%; property was down 7%; and financial lines were down 4%. Rates in both Asia and Latin America overall were down 7%, led by property, while rates on the continent in the UK were down 2%. In our London market E&S business, rates were down 8% in the quarter.

For our commercial P&C business, we are ameliorating the impact of pricing on our combined ratio through a combination of mix-shift, targeting classes with better margin, portfolio management that informs underwriting actions, including tighter individual risk selection and pricing actions in more stressed areas, as well as better marketing and new product innovation. As you know, personal lines of all commercial and A&H are about 40% of ACE s business, and for these lines rates were flat to up mid-single-digit, depending on portfolio and territory. John Keogh, John Lupica and Juan Andrede can provide further color on market conditions and pricing trends.

In summary, we produced good results this quarter, despite the strong dollar. As you can see, given our breadth of product, customer segment, distribution and territory, we continue to capitalize on areas that represent attractive opportunities to grow profitably.

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

Phil Bancroft - ***ACE Limited - CFO***

Thanks, Evan. Book value per share grew 0.5% for the quarter and 1.4% for the year. Book value growth for the quarter was adversely impacted by rising interest rates which resulted in realized and unrealized losses in our investment portfolio of $602 million after tax. These losses were partially offset by favorable foreign currency movements of $103 million after tax and realized gains of $102 million after tax related to our variable annuity reinsurance business. Tangible book value per share declined 1.5% for the quarter and increased 0.3% for the year. In addition to net realized and unrealized losses and favorable FX for the quarter, tangible book value per share was negatively impacted by goodwill and intangibles related to the Fireman s Fund acquisition. Excluding the impact of the acquisition, tangible book value per share increased 0.5% for the quarter, and 2.3% for the year.

We had strong operating cash flow of $816 million that benefited net investment income. Investment income of $562 million, which was impacted negatively by $11 million of foreign exchange versus prior-year, was better than expected due to higher private equity distributions and call activity in our corporate bond portfolio. Our strong cash flow will continue to benefit our estimated quarterly investment income run rate of $550 million, even with current new money rates of 2.9% versus our current book yield of 3.6%. The estimated investment income run rate is subject to variability in portfolio rates, call activity, private equity distributions, and foreign exchange. Our net loss reserves were up about $100 million for the quarter after adjusting for foreign exchange and the Fireman s Fund acquisition. The paid-to-incurred ratio was 94%.

In the quarter, we had net positive prior-period development of $153 million pretax, approximately half from long-tail lines, principally from 2010 in prior years. The remainder was from short-tail lines. Cat losses were $106 million after tax in the quarter, primarily from a number of US weather events, hailstorms in Australia, and floods in Chile.

North American P&C net premiums written included $252 million from the transfer of the Fireman s Fund s business in force at the time of the transaction. Underwriting income included $50 million from Fireman s Fund that will be nonrecurring in 2016. This amount is the result of eliminating the deferred-acquisition costs or DAC, associated with the Fireman s Fund s business at the time of the close as part of purchase accounting. Future amortization of the DAC is also eliminated.

The North American current accident year combined ratio, excluding cats, and the nonrecurring underwriting benefit from Fireman s Fund, was 87.9% compared with 87.3% last year. The nonrecurring underwriting benefit from Fireman s Fund was partially offset by purchase accounting intangible amortization, included in other income, of $29 million. This produced a nonrecurring net operating income benefit from the enforced business, as Evan noted, of $15 million. Total capital return to shareholders during the quarter was $610 million, including $390 million of share repurchases and $220 million in dividends. The Company has discontinued its share repurchase program in connection with the announced planned acquisition of Chubb.

I ll turn the call back to Helen.

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Helen Wilson - ***ACE Limited - Senior VP of IR***

Thank you, Phil. At this point, we ll be happy to take your questions.

QUESTION AND ANSWER

Operator

Thank you.

(Operator Instructions)

Michael Nannizzi, Goldman Sachs.

Michael Nannizzi - ***Goldman Sachs - Analyst***

Evan, I just have one question. You mentioned you just came back from meeting with Chubb management for a couple days. As far as Chubb s business, I mean, obviously, expense issues, there s certainly a different brand presence in personal lines. How do you balance maintaining that brand with talking about expense synergies and looking to optimize on that front? Thanks.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Yes, Michael, good question.

Expense synergies aren t about, in some blind way, simply trying to get every dollar of efficiency in a sterile view out of it. Chubb, as ACE does, each have virtues to their models and their franchise as to how they operate. The core of Chubb is an agency franchise. And a smaller customer segment, more work intensive, very local. The service model, very high quality, local service, in both underwriting and in claims.

We re very mindful of all of that. And so when you look at it and when you take that, you can t also say, Well, service is simply a mindless word for a shield against inefficiency. There s a tremendous duplication of expenses between the two companies in functions where you don t need two of everything. And that varies by geography; that varies by function; that varies by business.

And we didn t use just some arbitrary rule of thumb when we came to our target number of $650 million. It s a conservative, thoughtful estimate. We went function by function, geography by geography. We ve done many acquisitions before. And I don t mind telling you that we actually came up with an even higher number.

But being mindful that we re going to balance culture, we re going to balance service and quality and what the franchise is about, with a competitive profile of the combined companies that necessarily will operate efficiently. All of that together mixes to how we ve arrived at what we think is a thoughtful target.

Michael Nannizzi - *Goldman Sachs - Analyst*

Great. Thanks.

And then, Phil, I guess one follow-up on just a numbers question. It looked to be the expense ratio in North America was a little bit lower in the quarter and then looking for some noise in ag. Was there anything unusual in the quarter? And I m guessing -- I wonder if some of the Fireman s Fund adjustments went through as a contract expense potentially? Maybe some color on that. Thanks.

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Phil Bancroft - ***ACE Limited - CFO***

With respect to agriculture, I think Evan said a few quarters ago that we d expect a combined ratio of about 91%; and we re close to that. We have changed a little bit the timing of the recognition of the premium recognition as it relates to the government program. And we ve made some additional investments in our non-MPCI, P&C agriculture business. So I would say nothing significant.

Michael Nannizzi - ***Goldman Sachs - Analyst***

Okay, great. And then do you have an underlying ex-Fireman s Fund adjustment, like just so we can square that away for the quarter?

Phil Bancroft - ***ACE Limited - CFO***

When you say under, do you mean --

Michael Nannizzi - ***Goldman Sachs - Analyst***

The extra $49 million- -- yes, so you have the $49 million. Obviously, you have the goodwill in there as well, but just to make sure. t seemed like about 130 basis points. Is that (multiple speakers) --

Evan Greenberg - ***ACE Limited - Chairman and CEO***

We gave you an 87.9% ex-cat current accident year combined ratio versus last year of 87.2% for North America PNC. And so that s eliminating that one-time, (multiple speakers) --

Michael Nannizzi - ***Goldman Sachs - Analyst***

Oh, that is; okay.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Does that help you with that?

Michael Nannizzi - ***Goldman Sachs - Analyst***

That s the answer I needed. Thank you.

Operator

Ryan Tunis, Credit Suisse.

Phil Bancroft - ***ACE Limited - CFO***

Good morning. Hello?

Operator

(Operator Instructions)

Helen Wilson - *ACE Limited - Senior VP of IR*

Let s move to the next person, Operator, please.

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Operator

Ryan Tunis, Credit Suisse.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Move to the next one, Operator, please.

Operator

Go ahead, Ryan.

Ryan Tunis - ***Credit Suisse - Analyst***

Hello.

Helen Wilson - ***ACE Limited - Senior VP of IR***

Go ahead, Ryan.

Ryan Tunis - ***Credit Suisse - Analyst***

Hey, sorry. Can you guys hear me?

Helen Wilson - ***ACE Limited - Senior VP of IR***

Yes.

Ryan Tunis - ***Credit Suisse - Analyst***

Sorry about that. I just wanted to ask, on the Chubb international business, I think there s three or four bill of premium there. And I was just hoping maybe for some detail on how ACE thinks they may be able to leverage its own international business and maybe improve the profitability there, because I think it s been somewhat of an underearner in the past relative at least to their broader personal lines.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Yes. As I m sure you know, a minority percentage of that business is personal lines actually. And it s more commercial lines and specialty on some large account, but quite middle-market oriented. And Chubb has an old network and has been at it for a long time. There will be a lot of efficiency we will gain between the two operations because they are a duplication.

Our plan is to integrate Chubb s international business into ACE s. So we will have only one statutory entity in the geographies; and the vast, vast majority of those will be ACE entities. Canada is an exception. We will integrate ACE into Chubb up in Canada.

There are many good people in Chubb s international operation. And so along with that business, there is a marginal cost. You ve got to be able to service that business. And you ve got to be able to underwrite it; you ve got insight into distribution of it. There are a lot of good people who are going to bring a lot of value to ACE s international operation along with that business.

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As I said, it s marginal cost; and we will, at the same time, eliminate duplication of cost and function across geographies. In particular what we see, and we can see it by specific geographies, is that there is real opportunity internationally, given what they have built in middle-market in particular in certain territories. To take advantage of that and add meaningfully to product, add meaningfully to the leverage of some of that talent to help in some other tangential territories that are around the countries where that talent resides now. I hope that helps you with it.

Ryan Tunis - *Credit Suisse - Analyst*

Yes, that s helpful, Evan. Thanks.

And I guess my follow-up is on US personal lines. And just trying to understand -- obviously ACE and Chubb have different products. And how do we think about, with the two entities coming together, are we going to see just Chubb s product or is there a place for both products?

And a broader question, I guess, is what s been the reaction so far from independent agents in personal lines, given two of the biggest high net-worth providers announced a combination?

Evan Greenberg - *ACE Limited - Chairman and CEO*

You can t see my colleagues shaking their heads around the room. We re puzzled by the question -- by the comment, with all due respect, of different product. They re substantially the same product. We re both covering the needs of a high-net-worth customer.

Each of us may have a slightly different risk appetite, depending on cohort of customer. ACE may have been focused a little more on international. Chubb has capabilities in product that is very old and very deep. And so, frankly, we actually see the product integration as very complementary and quite comfortable.

For agents and brokers, they want to know that we re going to behave in a similar way. They want to know that we re going to covet Chubb s claims capability and service, which is simply renowned. And I can guarantee you we re going to do that. And they ll be leading those efforts.

And so, frankly, we think, for agents, it brings them a superior ultimate offering. Agents want to know that we re going to maintain compensation structures and that, by the way, we re going to keep the independent agency system as a centerpiece of distribution here for the customers. And we re being loud and clear that that is without a doubt. And so I think in this case, it s good news for agents and for brokers and for customers (multiple speakers) --

By the way, the two of us, on one hand, may appear significant in that business. On the other hand, it depends on how you define the business. The cohort of high-net-worth personal lines potential customers, in our own estimation, is north of $40 billion. And it resides on the books of so many traditional personal lines carriers around the United States.

And our objective is to identify those customers and make them aware of our offerings and give them product that s more appropriate to their needs for many of them than what they have today.

Ryan Tunis - *Credit Suisse - Analyst*

Okay. And from the product standpoint, I just wanted to confirm that, broadly speaking, there s not a big difference in price point of what ACE was offering than Chubb? I guess that s what more what I was getting at.

Evan Greenberg - *ACE Limited - Chairman and CEO*

You know, Ryan, that really varies. That varies by state, by company that is writing, by vintage of policyholder. And, as you know, there s tier pricing that is employed that allows you to more finely risk rate the business. And I think that s where a lot of that noise that you might see from the outside arises. But clear-eyed and thoughtful underwriters in portfolio management know how to rationalize that. And it s not as chaotic as you might imagine from the outside at all.

Ryan Tunis - *Credit Suisse - Analyst*

Thanks a lot, Evan.

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Evan Greenberg - ***ACE Limited - Chairman and CEO***

You re welcome.

Operator

Ladies and gentlemen, I apologize for the -- we had some technical difficulties. Anyone that was previously in the queue, please press star 1 at this time to reprompt for a question.

(Operator Instructions)

Charles Sebaski, BMO Capital Markets.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Charles, can you hear us?

Charles Sebaski - ***BMO Capital Markets - Analyst***

Hello? I can hear you.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Okay, now I can hear you.

Charles Sebaski - ***BMO Capital Markets - Analyst***

All right; thanks. Good morning.

I had a question on the growth strategy with you and Chubb, and I guess on the product line. I was wondering if you could give, not on the personal but on the small commercial middle-market, which products you really see as being the best-positioned for you to be able to introduce to the Chubb distribution?

Where do you think the strength that -- you obviously have a very broad product offering on the commercial side. Where do you see the most natural early fits for the growth plan going forward?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

You know, Charles, on one hand, some of it is a little premature. I m going to give you a general feel. Some of it is a little premature. And we also have plenty of competitors who listen to the phone calls, and we re hardly going to hand a road map to everybody.

But you can imagine, Chubb does a great job in traditional middle-market products and some specialty products, and towards industry verticals that they have such a deep knowledge of and they re great at. On the other hand, imagine the products that ACE sells, everything from environmental liability, to farm and ranch, to product recall, to construction. And we could go on and on with a lot of products that will enhance the offerings to those verticals and also might help to expand into a few others as we go along.

That s middle-market. And that is distinct from small commercial, which we each have sort of nascent efforts towards that we will endeavor to pursue in a far more meaningful way. And I think that ll present substantial opportunity.

At the same time, I don t mind telling you, while we have product synergies that we imagined around the world, whether it is cross-selling, which we re not Pollyana-ish about cross-selling, whether it is new product or new customer cohort. We also imagined revenue dissynergy in the early years, where we have overlap in duplication, where some agents may, or brokers, may think overconcentration in an area, in a line of business, in a customer, et cetera.

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And any of our projections also recognized those. There s puts and calls in the early two or three years between dissynergies and synergies. Revenue synergies, we imagine, will appear in a real way by year three and year four -- meaning full-year five, substantial.

Charles Sebaski - ***BMO Capital Markets - Analyst***

Do you need to put on more people for the middle-market product offering into that independent agency channel, given Chubb s underwriters have theirs --

Evan Greenberg - ***ACE Limited - Chairman and CEO***

No.

Charles Sebaski - ***BMO Capital Markets - Analyst***

It doesn t? You say there s no more people needed to service that model?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Not really. Not from what we - - no.

Charles Sebaski - ***BMO Capital Markets - Analyst***

Excellent. Thanks for your answers.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

You re welcome.

Operator

Sarah DeWitt, JPMorgan.

Sarah DeWitt - ***JPMorgan - Analyst***

I wanted to follow up on the Chubb acquisition on the double-digit earnings accretion. What is in that assumption for net revenue synergies? And where do you think there could be upside? Could you buy less reinsurance? Could you put in some internal quota shares to reduce the tax rate or reinvest the big portfolio?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Sarah, we re not going into that detail of specifics of the sources of earnings accretion and how much is coming from revenue and how much is coming from expense. And we re certainly not going into details about reinsurance. That is actually a competitive secret that we re not going into.

Sarah DeWitt - ***JPMorgan - Analyst***

Okay. Fair enough.

And then I d be interested in getting your broader thoughts on industry consolidation. What inning do you think we re in, in this consolidation wave? And do you think you ll see more large primary insurance respond to your Chubb acquisition with big deals?

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Evan Greenberg - ***ACE Limited - Chairman and CEO***

Well, I ve got a pretty full plate and really am pretty absorbed in all the things around ACE and around Chubb. I don t know what my competitors are imagining we re doing at the moment. I don t know what inning we re in. I can t really opine on that. I imagine there will be more acquisition.

I ve been reading lately that there will be more large acquisitions because of the ACE and Chubb. When I think about it, I m not sure that s right. I can t speak with any certainty; but, first of all, most of my or many of my competitors are very thoughtful. And they re good operators and they re good stewards. They attempt to be good stewards of shareholder money. They have a good sense of strategy for their companies.

Anybody who thinks that way, first of all, is going to look at an acquisition not from the point of view of size. They re going to look at it at the intrinsic value due to the characteristics of that to be acquired on hold. And whether it is truly value creating in a transformative way; otherwise you don t do something large.

ACE/Chubb, is a very unique opportunity. And we took advantage of that opportunity. And I believe my Chubb colleagues, who were aware of the insights behind it, feel the same way about that opportunity. And so when others are thinking about transformative, well, they ve got to imagine it s not simply about size. What does it bring to you? And there aren t too many obvious combinations when you think that way.

Sarah DeWitt - ***JPMorgan - Analyst***

Okay, great. Thank you for the answers.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

You re welcome.

Operator

Kai Pan, Morgan Stanley.

Kai Pan - *Morgan Stanley - Analyst*

Thank you.

First question, Evan, you commented on the pricing details. Thank you so much for the details. But to the pricing, looks like more competitive, especially in large accounts, property, and wholesale. Some of your industry peers opined that the market now is more disciplined in terms of better data analytics and a still low interest rate environment.

So I just wondered what s your take on that? And do you believe competition about the pricing will get any worse from here? And what that s got to do with your underwriting margin going forward?

Evan Greenberg - *ACE Limited - Chairman and CEO*

Kai, first of all, yes, I think that pricing is going to become more competitive from here. And that gets reflected in margins and there s no two ways about that.

I described to you, and have many times, the levers we have to pull in ameliorating that margin impact. 40% of our business is probably not subject to cycle, not nearly the same way. And we have a lot of portfolio management and underwriting discipline insight and product mix and territory mix that allow us to ameliorate. But you don t eliminate it. And it will have an impact on margins in due course, on one hand.

Number two, I think the question about cycle management and data and all of that, I think you can t paint it with a broad brush. And I think those who do are overly simplistic in either how they think or certainly in how they describe. Certain areas of the business, where you have broad distribution reach to get the customer, where you have more homogeneous pools of risk, lower severity-related, higher-frequency related. I think that is where there is a bit more discipline, at least at this time. So you d say more smaller commercial, more middle-market commercial. I think that is less subject, though hardly immune, on one hand.

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I think as you get up to upper middle-market, larger risk, I think you have a lot of players with a lot less data. People are buying much bigger limits. So you have a lot piling onto the same risk who just have capital and an underwriter and a dog and are chasing some volume. And there, I don t see that same sort of, Well, the insights of analytics will ameliorate a market cycle.

Kai Pan - ***Morgan Stanley - Analyst***

Thank you so much.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Everybody wants to put everything into one neat sentence in how the market works on a bumper sticker. And you know what? It s a lot bigger; it s a lot farer-ranging. And it s a lot more dynamic and open and market and free-market oriented and messy, therefore, than you can fit in 10 easy-to-say words.

Kai Pan - ***Morgan Stanley - Analyst***

That s great.

Second question is reaching to Bank Itau s PNC business. Just wonder, what s the progress of the integration over there related to, in particular, the economy in Brazil, as well as any potential claims from the Petrobras investigation?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

In a word, it s going very well. And I m going to let John Keogh embellish on that.

John Keogh - ***ACE Limited - Chairman, ACE Overseas General***

Sure. I ll pick up first the integration piece of it. It s currently on a plan in our trajectory to bring the two organizations together by end of the year. We ve received regulatory approval to do that.

As respect to the economy and Petrobras, you all read the same thing and understand that that investigation is widespread and growing. We are obviously keeping a very close eye on it as it develops and mindful of the implications of it. But having said that, as we look at the current state of all we know, there s nothing we see in terms of claims to our business in Brazil right now that is significant or material.

Certainly the economy is in bad shape. Nothing we re imagining in the near term that suggests it will get better. And the implications for that right now, in terms of the competitive market in Brazil, is hostile. It s one of the more difficult markets right now that we re operating in. And we ve got some good operators on the ground that understand that, been through a market like this before, been through an economy like this before in Brazil. And we continue to perform well there.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

What we can tell you is, that the Itau/ACE franchise is a very powerful franchise in the commercial P&C business in Brazil with deep relationships. And they ve done a very good job of maintaining the portfolio. And at the same time, they re very good underwriters; and, boy, they do know how to use reinsurance.

There is a very hungry market down there. And yet our operation, because of relationships, has a lot of influence and controls a lot of customer access. So in many cases, the road to your share of that business comes through us.

Kai Pan - ***Morgan Stanley - Analyst***

Thank you.

Lastly just a quick number question. On the Fireman s Fund that you mentioned, like a $50 million nonrecurring. Of the component of that, the $49 million benefit nonrecurring but the $29 million amortization, would that be recurring?

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Phil Bancroft - ***ACE Limited - CFO***

Both components recur, but the net of the two is very small for the remainder of the year.

Kai Pan - ***Morgan Stanley - Analyst***

But is that $29 million going forward lasting for several years or not?

Phil Bancroft - ***ACE Limited - CFO***

No. It would just be for the remainder of this year.

Kai Pan - ***Morgan Stanley - Analyst***

Okay, great. Thank you so much.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

But you heard him, Kai. That net $15 million we had diminishes significantly as you go to the rest of the [year].

Phil Bancroft - ***ACE Limited - CFO***

Right.

Kai Pan - ***Morgan Stanley - Analyst***

Thank you.

Operator

Brian Meredith, UBS.

Brian Meredith - ***UBS - Analyst***

A couple questions here for you. First, Evan, you talked about pricing. I wonder if you could give us an update on what s happening with loss trend right now, maybe domestically in the US in the internationally and commercial personal?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Yes. I ll ask Sean to opine a little bit on it, but it isn t any different than we saw last quarter or the quarter before. It s quite steady. And lost cost is running higher than pricing.

Sean Ringsted - ***ACE Limited - Chief Risk Officer and Chief Actuary***

That s right. We re not seeing any material changes in claims frequency in the quarter or year to date, Brian. Trends are generally in line with our limitations for the current accident year.

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On workers comp, as a reminder, that s risk management, ground-up. Loss frequency is slightly lower. And our casualty and professional, we mentioned before, we see frequency changes up and down. But that s in line with the portfolio management and underwriting actions that Evan mentioned not being systemic or broad-based that we re seeing now.

Brian Meredith - ***UBS - Analyst***

Great; thanks.

And then second question here, Evan, as a combined Company, Chubb/ACE is going to generate a ton of cash flow. And if I look at Chubb and ACE s capital management strategies, they re different strategies.

I m just wondering. Once you have reached your desired leverage with respect to debt to cap, do you see the ACE strategy evolving anymore closer to what the Chubb strategy was; or do you think it will be roughly similar?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Well, I think it ll evolve. I don t see it as sort of the Chubb s strategy, which was fundamentally to return all the capital you generate and maybe not have the same level of investment for growth that ACE has had. And our appetite to invest for thoughtful growth will not go away.

We keep faith that we have a franchise to build. And we ll continue to build, and we ll continue to invest in that. And that s organic, fundamentally. Remember, two-thirds of ACE s growth came organically prior to Chubb and one-third through acquisition.

We ll maintain, as Chubb, some level of prudence of capital for flexibility, for opportunity, and for risk. And beyond that, I think as you said, you re going to generate a substantial amount of cash flow. And we had already been returning capital to shareholders excess of what we thought we required for the things I just enumerated. And we will continue on that track, and I think the numbers will just be larger because the total is going to be significantly larger.

Brian Meredith - ***UBS - Analyst***

Okay, that s very helpful.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Did you want to say something?

John Keogh - ***ACE Limited - Chairman, ACE Overseas General***

I was going to say, I think as we ve thought about it, it would be a smaller percentage. It might be a larger number in terms of the total quantum, but a smaller number relative to total organization, right -- to total capital.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Yes, sure.

Does that help you, Brian?

Brian Meredith - ***UBS - Analyst***

I think that s helpful. So would you would see a smaller number -- you mean versus what Chubb was doing historically?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Not dollar number. He was saying percentage (multiple speakers) that s all.

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Brian Meredith - ***UBS - Analyst***

Got you. Helpful. Thank you very much.

Evan Greenberg - ***ACE Limited - Chairman and CEO***

You re welcome.

Operator

Jay Gelb, Barclays.

Jay Gelb - ***Barclays Capital - Analyst***

Thank you. I had two unrelated questions. The first was with regard to the global property casualty growth profile for the rest of 2015. I believe the term used was revenue growth. Is that consistent with earned premium growth?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Written premium growth.

Jay Gelb - ***Barclays Capital - Analyst***

Written; okay. Thank you.

And then the second question, Evan, is with ACE buying Chubb and the combined companies assuming the Chubb brand in the marketplace, does that also mean that from a corporate perspective the Chubb name will be adopted, including things like the stock symbol?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

Including things like what? Oh, the stock symbol? Yes, sir.

Jay Gelb - ***Barclays Capital - Analyst***

Okay. So the combined company going forward will be Chubb Corp?

Evan Greenberg - ***ACE Limited - Chairman and CEO***

We haven t said Corp, but it will be Chubb. It will be Chubb something. It might be Chubb, Limited as the parent. We have ACE Group Holdings as intermediate holding company; it may be Chubb Group Holdings. We haven t really come to that part exactly, but you get how I m thinking about it.

But the symbol will be Chubb. We will start at the top, and we will be unequivocal.

Jay Gelb - ***Barclays Capital - Analyst***

Thanks for clarifying.

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