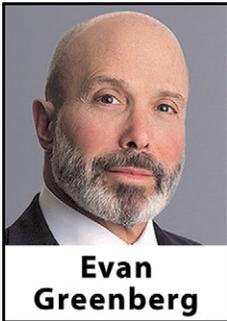


Chubb CEO: Industry Will Fight Retroactive Business Interruption Claims 'Tooth and Nail'

By David Pilla

ZURICH - Chubb Ltd. will see a negative impact from the COVID-19 pandemic over the next few quarters as the insurance industry braces for legal and political challenges related to retroactive business-interruption claims, said the group's chief executive officer.



"Get used to being in world of a lot of unknowns and a lot of uncertainty," Chairman and CEO Evan G. Greenberg said in a conference call.

The industry is in the middle of "an unprecedented event of historic proportions" that is still unfolding, and it's too early to tell the extent of the impact, he said. Noting the "surreal and catastrophic" situation created by COVID-19, he said the pandemic is "a peril that has no bounds" and "in a practical sense has infinite tail" for the industry.

Greenberg said Chubb's exposure will come from a variety of areas, including travel insurance, accident and health, business interruption, credit-related coverage such as surety and trade credit and workers' compensation.

"It will be pretty broad-based," he said, noting more than half of Chubb's business is in the United States and thus a majority of COVID-19 claims will come from there.

Pressure on insurers is coming from the political arena, where Greenberg noted "talk of retroactively imposing cover on insurers for something that they didn't cover and didn't charge premium," which he said increase an insurer's exposure.

"That's unnecessary harm," which Greenberg said "would damage or destroy the insurance industry in a terrible way."

"It would simply take money from one to give to give to another," he said. "Frankly, it's unconstitutional and we are a constitutional democracy. The preservation and certainty of that in such uncertain times is paramount."

Greenberg said except for a few customers who "discreetly purchased it, business interruption insurance doesn't cover COVID-19 — the coverage would be for direct physical loss to a property.

"The trial bar will attempt to torture the language on standard industry forms and try to prove something exists that actually doesn't exist, and try to twist the intent when the intent is very clear, and the industry will fight this tooth and nail," said Greenberg. "We will pay what we owe."

Growth for Chubb will be hit in those areas exposed by COVID-19 and "will shrink for a time with the impact varied by country." He said small commercial business will be more affected than medium companies, which themselves will be more affected than large commercial business.

The revenue impact from COVID-19 is "simply unknowable," said Greenberg.

He said he's in favor of the insurance industry entering entering a public-private partnership with the

Chubb CEO: Industry Will Fight Retroactive Business Interruption Claims 'Tooth and Nail' (continued)

federal government as something similar to the Terrorism Risk Insurance Act, in which the industry can underwrite the risk and the government could back it.

Greenberg said the insurance industry, "an important part of the economy's financial plumbing," is "shouldering our responsibilities and carrying our share of the financial load." The pandemic is hurting the industry on both the asset and liability sides, he said.

COVID-19 will be a "manageable cat-like event" with underwriting exposure somewhat similar to terrorism insurance prior to 9/11, said Greenberg.

First-quarter net income fell to \$252 million from \$1.04 billion a year ago (*Best's News Service, April 21, 2020*). Property/casualty net premiums written rose 8.9% to \$7.33 billion. The combined ratio for the quarter improved to 89.1 from 89.2.

Results were hurt by financial market volatility in credit, equity and foreign exchange markets, said Chief Financial Officer Philip V. Bancroft in the call. Bancroft said Chubb's access to liquidity "remains unimpaired."

Pretax catastrophe losses for the quarter totaled \$237 million, including \$224 million from global weather-related events and \$13 million related to the COVID-19 global pandemic, which will be tracked as a separate ongoing catastrophe event, said Bancroft.

COVID-19 will have an impact on revenue and operating income in second and possibly future quarters, Bancroft said. Greenberg said the quarter saw "very strong premium growth globally and excellent underwriting results."

An underwriting setback for the group was a reduced 2019 result for agricultural insurance, which had a bad year compared with an "excellent" 2018, he said.

Greenberg said commercial property/casualty pricing "continued to firm across the globe" in the first quarter, allowing Chubb to gain greater market share as price firming continued into April.

Greenberg said the international life business "had a strong quarter," with net written premiums up nearly 30%. He said the life business is focused on Asia savings and protection products.

To view AM Best analysis and commentary on the COVID-19 outbreak visit: <http://www.ambest.com/about/coronavirus.html>

Most underwriting entities of Chubb Ltd. have current Best's Financial Strength Ratings of A++ (Superior).

Shares of Chubb Ltd. (NYSE: CB) were trading at \$108.35 on the morning of April 22, down 3.59% from the previous close.

(By David Pilla, news editor, BestWeek: David.Pilla@ambest.com)

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