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THE MONDAY INTERVIEW

Leadership

Chubb CEO Evan Greenberg on a winning M&A formula

The son of a towering industry figure is building his own empire

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Evan Greenberg says he has "great genes". Few in the insurance industry would disagree with the 62-year-old chairman and chief executive of Chubb. His nonagenarian father, Maurice "Hank" Greenberg, turned AIG into a financial powerhouse over four decades in charge. When Hank stepped down in 2005, the company was the world's biggest insurer.

Hank, a D-Day landings veteran, was known for ruling AIG with an iron fist. Evan worked under Hank for 25 years, starting at the age of 20 at a subsidiary in Colorado. By the time he left in 2000 he was the group's president and chief operating officer, and had been widely assumed to be his father's heir.

The younger Greenberg is now a towering figure in his own right. This year, Chubb overtook AIG as the biggest US non-life insurer by market capitalisation — now $70bn.

Does Mr Greenberg understand why observers compare him to his father? "I understand the parallels," he says. But he goes on: "Chubb is not an AIG. We're not an imitation or a recreation. We're an original."

Mr Greenberg created the Chubb of today when in 2015 he struck the biggest deal in property and casualty insurance history. He was CEO of Ace, the Zurich-based insurer he joined in 2001. Ace agreed to buy its New York-listed rival for almost $30bn and assumed the better-known Chubb corporate name.

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The deal stands out for its scale. It created a global underwriting powerhouse that commands $35bn of annual premium income and employs about 31,000 people in 54 countries. In an industry with a mixed record of M&A success — Citicorp's 1998 combination with Travelers was one of many ill-fated insurance deals — Mr Greenberg left nothing to chance.

Evan Greenberg at the Chubb offices in New York © Pascal Perich/FT

"Micro-managing is underrated," he says in his office in midtown Manhattan, with views of the Empire State Building and Bryant Park. "It seems many begin planning integration after a deal is closed. We began the day it was announced."

Having purchased 14 smaller insurance companies from Mexico to Malaysia before the Chubb tie-up, Mr Greenberg says he used a formula for M&A success. Senior managers follow a "cookbook", compiled by Ace executives over several years, with instructions on how to integrate newly acquired businesses. "In great detail, a road map that we follow," he says.

"For the six months before we closed, we planned in every geography, every product line, every business, every functional area — including culture . . . We planned in great detail what would happen on day one through to day 365 and, in many cases, through day 730."

He is similarly prepared for this interview. Initially, before answering some questions, he spends several seconds thinking how to reply and refers to papers laid before him — though he soon opens up.

This attention to detail seems to be paying off, for investors at least. At a time when low interest rates are putting both premium prices and investment returns under pressure, Wall Street has responded favourably to Mr Greenberg's megadeal.

Ace was founded in 1985 by large multinational companies that were struggling to secure adequate liability insurance. Chubb was a more US-centric concern, serving mid-sized companies and individuals.

Financial results from the combined entity have gone down well. For every $1 in premium income, payouts to policyholders and other expenses came to 88 cents in the second quarter.

Cost-cutting has helped win over shareholders. Savings are on track to reach $875m annually by next year, in part because more than 3,000 jobs are being shed after the merger, in roles such as legal services, HR and investment management.

Investors have pushed Chubb shares to all-time highs — in contrast to AIG, which has struggled to regain its footing since its contentious bailout in 2008 during the financial crisis.

AIG this year appointed Brian Duperreault, a former AIG colleague of Mr Greenberg's, as CEO to recover from a series of quarterly losses. Chubb's stock has outperformed AIG's by almost a third in the past couple of years, even if its market capitalisation remains far short of its rival's 2000 peak of $240bn.

"We don't need another company to suffer for us to succeed . . . Chubb is running its own race and will succeed, regardless," says Mr Greenberg.

Given Chubb's global reach — about 40 per cent of its business is outside the US — Mr Greenberg is concerned about rising protectionist sentiment.

"People are questioning the foundation, the fundamentals, that have been the source of our prosperity for 70 years, since world war two," he says. "There is a lack of leadership that is carrying the debate."

Chubb, which has a presence in London, is preparing to establish a European subsidiary outside the UK in preparation for Brexit — although Mr Greenberg would not say where.

He sees advantages in "technological, geopolitical changes that are creating more exposures. That creates insurance opportunity — whether it is environmental liability, or terrorism, or natural catastrophe protection."

Is now the time for Chubb to reopen its deal-making manual? "Nothing is off the table," he says. "We haven't limited ourselves."

If another big merger is in the offing, though, Hank will not be advising his son. "We don't mix family and business," says Evan. "We learnt not to do that a long time ago."

The younger Greenberg has an elder brother, Jeffrey, who formerly ran the broker Marsh & McLennan. But neither Evan's twenty-something daughter nor son has shown an interest in the industry, he says. He may have great genes, but Evan Greenberg is unlikely to spawn his own insurance dynasty.

Second opinion: The director

"He has the demeanour of a tough guy," says Robert Hernandez, lead director of the board at Chubb, of Mr Greenberg. "But when I first heard him speak, there was a tremendous intellect there."

Mr Hernandez says the CEO's reputation for seriousness does not reflect reality. "He has a façade. Evan has a great sense of humour."

He pays tribute to Mr Greenberg's foresight. "Pretty much single-handedly he convinced the legacy Chubb board that the deal with Ace was a good idea."