



The Chubb Corporation 2011 Update on Asbestos Reserves



Forward Looking Statements

The following materials contain “forward looking statements,” including those relating to loss reserves and claim estimates, that are subject to certain risks and uncertainties which could cause actual results to differ materially from those expressed or suggested by such statements. Such risks or uncertainties include but are not limited to those which may be noted more fully in the materials themselves, as well as those discussed or identified from time to time in The Chubb Corporation’s public filings with the Securities and Exchange Commission. The Chubb Corporation assumes no obligation to update any forward-looking information set forth in the following materials, which speak as of January 26, 2012 or as otherwise specified in the materials.



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Purpose of Review

- **Reassess Chubb's ultimate liability regarding asbestos exposures using an internal analysis, reviewed by our independent outside consulting actuaries**
- **Determine appropriate reserve levels**
- **Ensure aggressive case management of asbestos claims**
 - **manage our exposure**
 - **identify trends or issues that may impact exposure**
- **Provide relevant substantive information requested by investors and rating agencies**



Evaluation Methodology

- **Chubb segmented its defendant policyholders into two groups**

Traditional defendant policyholders (Tiers 1 & 2)

- **Those engaged in asbestos mining, manufacturing and building products industries**

Peripheral defendant policyholders (Tiers 3 & 4)

- **Those who manufactured, distributed, or installed an asbestos-containing product or who owned or operated a facility where asbestos products were present**



Exposure Analysis

Within these policyholder categories:

- **All Tier 1 & 2 accounts and Tier 3 & 4 accounts with Chubb incurred losses of at least \$3M or judged to have high potential exposure were evaluated individually. Claimant information and available coverage were reviewed for each defendant policyholder, including terms of coverage, policy limits and aggregate limits.**
- **Tier 3 & 4 accounts not individually evaluated were analyzed in the aggregate using statistical techniques. Factors considered include available coverage, claimant count, report year, bankruptcy, coverage dispute and case reserve amount.**
- **Future claims from unknown defendant policyholders were estimated based on claim reporting patterns and projected claim severities.**



Asbestos Payments & Reserves by Category

(\$ in millions)

	No. of Open Policyholders <u>At 12/31/11</u>	Total Net Paid <u>In 2011</u>	Net Asbestos Reserves <u>At 12/31/11</u>
	#	\$	\$
Traditional Defendants Tier 1	2	—	33
Traditional Defendants Tier 2	14	5	110
Peripheral Defendants Tiers 3 & 4	349	40	327
All Other		3	20
Reserves for future claims from unknown policyholders	Unknown	—	115
Total	<u>365</u>	<u>48</u>	<u>605</u>



Asbestos Payments & Reserves by Category

Total net asbestos reserves at 12/31/11: \$605M

- **Case reserves of \$269M**
 - **Established by Claim Department on known claims**

- **IBNR reserves of \$336M**
 - **Includes provision for:**
 - **potential reserve development on known defendant policyholders (development)**
 - **future claims from unknown defendant policyholders (pure IBNR)**
 - **future declaratory judgment actions and other litigation**



Asbestos Net Loss Reserve Comparison

(\$ in Millions)	2011	2010	2009
Beginning Reserves	\$631	\$689	\$747
Incurred Losses & LAE	22	0	0
Calendar Year Payments for Losses	(28)	(36)	(38)
Calendar Year Payments for LAE	<u>(20)</u>	<u>(22)</u>	<u>(20)</u>
Ending Reserves	\$605	\$631	\$689
IBNR portion of Ending Reserves	\$336	\$359	\$378



Conclusions

- **Chubb's asbestos net reserves of \$605M at 12/31/11 are based on our 2011 analysis of our ultimate asbestos liabilities**
- **This reserve represents Chubb's best estimate of our ultimate asbestos liability at 12/31/11**
- **This reserve amount is at full (undiscounted) value, and no consideration has been given for legislative or judicial relief**
- **The net reserve reflects a modest reinsurance recoverable amount of approximately 4% of the gross reserve**
- **Net payments for asbestos liabilities in 2011 were \$48M**
- **Reserves at 12/31/11 calculate to a 3 year survival ratio of 11.1**