

Edgar Filing: CHUBB CORP - Form 10-Q

CHUBB CORP  
Form 10-Q  
November 09, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8661

THE CHUBB CORPORATION  
(Exact name of registrant as specified in its charter)

NEW JERSEY  
(State or other jurisdiction of  
incorporation or organization)

13-2595722  
(I. R. S. Employer  
Identification No.)

15 MOUNTAIN VIEW ROAD, WARREN, NEW JERSEY  
(Address of principal executive offices)

07061-1615  
(Zip Code)

Registrant's telephone number, including area code (908) 903-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES    X    NO  
-----

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES    X    NO  
-----

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Edgar Filing: CHUBB CORP - Form 10-Q

YES            NO    X  
-----        -----

The number of shares of common stock outstanding as of September 30, 2005 was 199,910,791.

THE CHUBB CORPORATION  
INDEX

	Page Number -----
Part I. Financial Information:	
Item 1 - Financial Statements:	
Consolidated Statements of Income for the Three Months and Nine Months Ended September 30, 2005 and 2004.....	1
Consolidated Balance Sheets as of September 30, 2005 and December 31, 2004.....	2
Consolidated Statements of Comprehensive Income for the Three Months and Nine Months Ended September 30, 2005 and 2004.....	3
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2005 and 2004.....	4
Notes to Consolidated Financial Statements.....	5
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10
Item 4 - Controls and Procedures.....	34
Part II. Other Information:	
Item 1 - Legal Proceedings.....	35
Item 6 - Exhibits.....	36
Signatures.....	36

Page 1

Part I. Financial Information

Item 1 - Financial Statements

THE CHUBB CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
PERIODS ENDED SEPTEMBER 30



## Edgar Filing: CHUBB CORP - Form 10-Q

### Assets

Invested Assets		
Short Term Investments .....	\$ 1,378.6	\$ 1,307.5
Fixed Maturities		
Held-to-Maturity - Tax Exempt (market \$233.0 and \$338.3) .....	219.8	317.2
Available-for-Sale		
Tax Exempt (cost \$14,995.5 and \$13,522.6) .....	15,346.3	14,071.3
Taxable (cost \$14,361.5 and \$13,362.7) .....	14,482.0	13,620.8
Equity Securities (cost \$1,916.6 and \$1,687.3) .....	2,058.4	1,841.3
	-----	-----
TOTAL INVESTED ASSETS .....	33,485.1	31,158.1
Cash .....	37.5	41.7
Securities Lending Collateral .....	1,693.8	1,853.9
Accrued Investment Income .....	379.3	350.0
Premiums Receivable .....	2,323.5	2,336.4
Reinsurance Recoverable on Unpaid Losses and Loss Expenses .....	4,078.5	3,483.2
Prepaid Reinsurance Premiums .....	275.5	328.3
Deferred Policy Acquisition Costs .....	1,441.1	1,434.7
Real Estate Assets .....	407.4	474.2
Investment in Partially Owned Company .....	253.7	346.2
Deferred Income Tax .....	546.3	533.5
Goodwill .....	467.4	467.4
Other Assets .....	1,355.2	1,452.7
	-----	-----
TOTAL ASSETS .....	\$46,744.3	\$44,260.3
	=====	=====
Liabilities		
Unpaid Losses and Loss Expenses .....	\$22,647.9	\$20,291.9
Unearned Premiums .....	6,384.4	6,355.9
Securities Lending Payable .....	1,693.8	1,853.9
Long Term Debt .....	2,507.8	2,813.7
Dividend Payable to Shareholders .....	85.9	75.0
Accrued Expenses and Other Liabilities .....	2,115.4	2,743.5
	-----	-----
TOTAL LIABILITIES .....	35,435.2	34,133.9
	-----	-----
Shareholders' Equity		
Common Stock - \$1 Par Value; 199,910,791 and 195,803,824 Shares .....	199.9	195.8
Paid-In Surplus .....	1,574.7	1,319.1
Retained Earnings .....	9,075.5	8,119.1
Accumulated Other Comprehensive Income		
Unrealized Appreciation of Investments, Net of Tax ....	398.5	624.5
Foreign Currency Translation Gains, Net of Tax .....	60.5	79.0
Treasury Stock, at Cost - 3,127,282 Shares in 2004 .....	--	(211.1)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY .....	11,309.1	10,126.4
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY ...	\$46,744.3	\$44,260.3
	=====	=====

See Notes to Consolidated Financial Statements.

THE CHUBB CORPORATION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
PERIODS ENDED SEPTEMBER 30

	Third Quarter		Nine Months	
	2005	2004	2005	2004
	(in millions)			
Net Income .....	\$ 246.4	\$364.0	\$1,211.5	\$1,080.8
Other Comprehensive Income (Loss)				
Change in Unrealized Appreciation of Investments, Net of Tax .....	(254.4)	319.5	(226.0)	(72.1)
Foreign Currency Translation Gains (Losses), Net of Tax .....	10.8	8.0	(18.5)	14.9
	(243.6)	327.5	(244.5)	(57.2)
Comprehensive Income .....	\$ 2.8	\$691.5	\$ 967.0	\$1,023.6

See Notes to Consolidated Financial Statements.

THE CHUBB CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30

	2005	2004
	(in millions)	
Cash Flows from Operating Activities		
Net Income .....	\$ 1,211.5	\$ 1,080.8
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Increase in Unpaid Losses and Loss Expenses, Net ....	1,760.7	1,644.8
Increase in Unearned Premiums, Net .....	88.9	362.1
Decrease (Increase) in Premiums Receivable .....	12.9	(72.8)
Increase in Deferred Policy Acquisition Costs .....	(10.3)	(65.0)
Decrease in Liability Related to Principal and Interest Guarantee .....	(186.4)	--
Change in Deferred Income Tax .....	111.3	60.7
Depreciation .....	69.1	79.6
Realized Investment Gains .....	(196.4)	(146.5)
Other, Net .....	94.8	251.6

## Edgar Filing: CHUBB CORP - Form 10-Q

Net Cash Provided by Operating Activities .....	2,956.1	3,195.3
	-----	-----
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturities .....	4,433.1	2,683.7
Proceeds from Maturities of Fixed Maturities .....	1,357.3	1,600.9
Proceeds from Sales of Equity Securities .....	571.0	586.9
Purchases of Fixed Maturities .....	(8,345.5)	(8,551.8)
Purchases of Equity Securities .....	(604.9)	(715.1)
Decrease (Increase) in Short Term Investments, Net .....	(71.1)	998.9
Increase in Net Payable from Security Transactions		
Not Settled .....	39.7	212.8
Other, Net .....	66.5	(45.8)
	-----	-----
Net Cash Used in Investing Activities .....	(2,553.9)	(3,229.5)
	-----	-----
Cash Flows from Financing Activities		
Repayment of Long Term Debt .....	(300.6)	(.3)
Increase (Decrease) in Funds Held Under		
Deposit Contracts .....	(276.3)	28.0
Proceeds from Issuance of Common Stock Under		
Incentive and Purchase Plans .....	414.2	194.3
Dividends Paid to Shareholders .....	(244.2)	(216.2)
Other, Net .....	.5	17.9
	-----	-----
Net Cash Provided by (Used in) Financing Activities .....	(406.4)	23.7
	-----	-----
Net Decrease in Cash .....	(4.2)	(10.5)
Cash at Beginning of Year .....	41.7	52.2
	-----	-----
Cash at End of Period .....	\$ 37.5	\$ 41.7
	=====	=====

See Notes to Consolidated Financial Statements.

Page 5

### THE CHUBB CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) General

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of The Chubb Corporation (Chubb) and its subsidiaries (collectively, the Corporation). Significant intercompany transactions have been eliminated in consolidation.

The amounts included in this report are unaudited but include those adjustments, consisting of normal recurring items, which management considers necessary for a fair presentation. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in the Notes to Consolidated Financial Statements included in the Corporation's 2004 Annual Report on Form 10-K.

2) Investments

Short term investments, which have an original maturity of one year or less, are carried at amortized cost which approximates market value. Fixed

## Edgar Filing: CHUBB CORP - Form 10-Q

maturities classified as held-to-maturity are carried at amortized cost. Fixed maturities classified as available-for-sale and equity securities are carried at market value as of the balance sheet date.

The net change in unrealized appreciation of investments carried at market value was as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2005	2004	2005	2004
	(in millions)			
Change in unrealized appreciation of equity securities .....	\$ (30.3)	\$ (18.5)	\$ (12.2)	\$ (23.7)
Change in unrealized appreciation of fixed maturities .....	(361.1)	510.1	(335.5)	(87.1)
	(391.4)	491.6	(347.7)	(110.8)
Deferred income tax (credit) .....	(137.0)	172.1	(121.7)	(38.7)
Change in unrealized appreciation of investments, net .....	\$ (254.4)	\$ 319.5	\$ (226.0)	\$ (72.1)

### 3) Income Tax

In connection with the sale of a subsidiary a number of years ago, the Corporation agreed to indemnify the buyer for certain pre-closing tax liabilities. During the first quarter of 2005, this obligation was settled with the purchaser. Accordingly, the income tax liability was reduced, which resulted in the recognition of a tax benefit of \$22 million.

Page 6

### 4) Debt

In November 2002, Chubb issued \$600 million of unsecured 4% senior notes due November 16, 2007 and 24 million mandatorily exercisable warrants to purchase the Corporation's common stock on or before November 16, 2005. The notes and warrants were issued together in the form of 7% equity units. Each equity unit initially represented one warrant and \$25 principal amount of senior notes. In August 2005, the notes were successfully remarketed as required by their terms. The interest rate on the notes was reset to 4.934% from 4%, effective August 16, 2005. The remarketed notes are due November 16, 2007. Chubb did not receive any proceeds from the remarketing of the notes. Instead, the proceeds from the remarketing will be used to satisfy the holders' obligation under the warrants to purchase the Corporation's common stock on November 16, 2005.

### 5) Segments Information

The principal business of the Corporation is property and casualty insurance. The profitability of the property and casualty insurance

## Edgar Filing: CHUBB CORP - Form 10-Q

business depends on the results of both underwriting operations and investments, which are viewed as two distinct operations. The underwriting operations are managed and evaluated separately from the investment function.

The reporting format for property and casualty underwriting results by business unit was changed in the first quarter of 2005 to more closely reflect the way the business is now managed. Prior year amounts have been reclassified to conform with the new presentation.

The property and casualty underwriting operations consist of four separate business units: personal insurance, commercial insurance, specialty insurance and reinsurance assumed. The personal segment targets the personal insurance market. The personal classes include automobile, homeowners and other personal coverages. The commercial segment includes those classes of business that are generally available in broad markets and are of a more commodity nature. Commercial classes include multiple peril, casualty, workers' compensation and property and marine. The specialty segment includes those classes of business that are available in more limited markets since they require specialized underwriting and claim settlement. Specialty classes include professional liability coverages and surety. Reinsurance assumed includes the business produced by Chubb Re.

Chubb Financial Solutions' non-insurance business was primarily structured credit derivatives, principally as a counterparty in portfolio credit default swap contracts. The Corporation has implemented a plan to exit the credit derivatives business.

Corporate and other includes investment income earned on corporate invested assets, corporate expenses and the Corporation's real estate and other non-insurance subsidiaries.

Page 7

Revenues and income before income tax of the operating segments were as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2005	2004	2005	2004
	-----			
	(in millions)			
Revenues				
Property and casualty insurance				
Premiums earned				
Personal insurance .....	\$ 796.4	\$ 751.8	\$ 2,390.6	\$2,229.0
Commercial insurance .....	1,202.4	1,211.9	3,727.0	3,534.9
Specialty insurance .....	757.2	698.4	2,206.1	2,050.9
	-----	-----	-----	-----
Total insurance .....	2,756.0	2,662.1	8,323.7	7,814.8
Reinsurance assumed .....	286.8	292.9	772.7	795.8
	-----	-----	-----	-----
	3,042.8	2,955.0	9,096.4	8,610.6
Investment income .....	339.6	304.2	992.5	885.0



Edgar Filing: CHUBB CORP - Form 10-Q

Total property and casualty insurance .....	3,382.4	3,259.2	10,088.9	9,495.6
Chubb Financial Solutions non-insurance business .....	(5.2)	2.0	(2.0)	(1.2)
Corporate and other .....	3.2	35.3	96.2	88.7
Realized investment gains .....	99.0	48.9	196.4	146.5
Total revenues .....	<u>\$3,479.4</u>	<u>\$3,345.4</u>	<u>\$10,379.5</u>	<u>\$9,729.6</u>
Income (loss) before income tax				
Property and casualty insurance Underwriting				
Personal insurance .....	\$ 26.7	\$ (22.8)	\$ 293.6	\$ 59.0
Commercial insurance .....	(130.3)	211.9	207.1	653.0
Specialty insurance .....	44.3	(22.1)	22.5	(240.8)
Total insurance .....	(59.3)	167.0	523.2	471.2
Reinsurance assumed .....	(1.0)	10.8	56.2	30.6
	(60.3)	177.8	579.4	501.8
Increase in deferred policy acquisition costs .....	1.3	15.6	10.3	65.0
Underwriting income (loss) ...	(59.0)	193.4	589.7	566.8
Investment income .....	333.4	299.1	971.9	867.8
Other charges .....	(.7)	(1.2)	(2.9)	(3.7)
Total property and casualty insurance .....	273.7	491.3	1,558.7	1,430.9
Chubb Financial Solutions non-insurance business .....	(6.5)	.2	(7.2)	(17.0)
Corporate and other loss .....	(62.0)	(60.3)	(147.9)	(125.0)
Realized investment gains .....	99.0	48.9	196.4	146.5
Total income before income tax .....	<u>\$ 304.2</u>	<u>\$ 480.1</u>	<u>\$ 1,600.0</u>	<u>\$1,435.4</u>

Page 8

6) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

Periods Ended September 30			
Third Quarter		Nine Months	
2005	2004	2005	2004

(in millions,  
except per share amounts)

Basic earnings per share:

Edgar Filing: CHUBB CORP - Form 10-Q

Net income .....	\$246.4	\$364.0	\$1,211.5	\$1,080.8
	=====	=====	=====	=====
Weighted average number of common shares outstanding .....	198.7	190.5	196.1	189.3
	=====	=====	=====	=====
Basic earnings per share .....	\$ 1.24	\$ 1.91	\$ 6.18	\$ 5.71
	=====	=====	=====	=====
Diluted earnings per share:				
Net income .....	\$246.4	\$364.0	\$1,211.5	\$1,080.8
	=====	=====	=====	=====
Weighted average number of common shares outstanding .....	198.7	190.5	196.1	189.3
Additional shares from assumed exercise of stock-based compensation awards .....	3.6	2.8	3.7	3.2
Additional shares from assumed issuance of common stock upon settlement of purchase contracts and mandatorily exercisable warrants .....	3.0	--	2.2	--
	-----	-----	-----	-----
Weighted average number of common shares and potential common shares assumed outstanding for computing diluted earnings per share .....	205.3	193.3	202.0	192.5
	=====	=====	=====	=====
Diluted earnings per share .....	\$ 1.20	\$ 1.88	\$ 6.00	\$ 5.61
	=====	=====	=====	=====

7) Subsequent Event

On October 25, 2005, the Corporation announced that it has entered into an agreement regarding the formation of a new reinsurance company, Harbor Point Limited, to be based in Bermuda. It is expected that Harbor Point will write a diverse portfolio of both property and casualty reinsurance products.

As part of the transaction, the Corporation will transfer its continuing reinsurance business and certain related assets, including renewal rights effective January 1, 2006, to Harbor Point. In exchange, the Corporation will receive from Harbor Point a \$200 million five year 6% convertible note and warrants, representing in the aggregate on a fully converted and fully diluted basis approximately 16% of the new company.

Page 9

Harbor Point will not assume the reinsurance liabilities relating to reinsurance contracts incepting prior to December 31, 2005. Those liabilities and the related assets will be retained by the Corporation's property and casualty insurance subsidiaries (the P&C Group).

Other than pursuant to certain arrangements to be entered into with Harbor Point, the P&C Group will no longer engage directly in the assumed reinsurance business. Harbor Point will have the right for a transition period to underwrite specific reinsurance business on the P&C Group's behalf in cases where Harbor Point is unable to underwrite that business because of the absence of necessary ratings, regulatory licenses or approvals. Any reinsurance policies issued by the P&C Group under this arrangement during the transition period will be ceded to Harbor Point under quota share reinsurance agreements to be entered into by

## Edgar Filing: CHUBB CORP - Form 10-Q

the parties. A limited portion of this business will be retained by the P&C Group.

The closing of the transaction is subject to certain financing and other customary closing conditions. It is expected that the closing will occur by the end of November and that Harbor Point will then commence underwriting upon receipt of necessary regulatory approvals. The transaction is expected to result in a pre-tax gain.

Page 10

### Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations for the Nine Months Ended September 30, 2005 and 2004 and for the Quarters Ended September 30, 2005 and 2004

Certain statements in this document are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 (PSLRA). These forward-looking statements are made pursuant to the safe harbor provisions of the PSLRA. These statements include statements regarding: the impact of different estimates and judgments on our reported financial statements; expectations as to the cost and availability of reinsurance as a result of recent catastrophes and other events; the possible reauthorization of the Terrorism Risk Insurance Act of 2002, and our plans to model and manage terrorism related risks and the potential impact of terrorism on the volatility of our operating results; our estimated gross and net losses from Hurricane Katrina and the expected impact of changes thereof on our financial condition or liquidity; the uncertainty in the commercial insurance market caused by recent hurricanes; the possibility that our asbestos and toxic waste related liabilities may be greater than estimated and the potential impact on our financial condition and liquidity; our realistic loss exposure under Chubb Financial Solutions' credit default swaps; the possible recognition of additional impairment losses if real estate is not sold or does not perform as contemplated and the effect thereof on our results of operations; possible actions we could take, and sources we could use, to satisfy future capital needs and liquidity requirements; the possible impact of reductions in ratings; and the Harbor Point transaction, including its expected business, our ceasing to engage directly in the assumed reinsurance business, the expected timing for closing of the transaction and the expectation as to a pre-tax gain. Forward-looking statements are made based upon management's current expectations and beliefs concerning trends and future developments and their potential effects on us. These statements are not guarantees of future performance. Actual results may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties, which include, among others, those discussed or identified from time to time in our public filings with the Securities and Exchange Commission and those associated with:

- the availability of primary and reinsurance coverage, including the implications relating to terrorism legislation and regulation;
- global political conditions and the occurrence of any terrorist attacks, including any nuclear, biological, chemical or radiological events;
- the effects of outbreak or escalation of war or hostilities;
- premium pricing and profitability or growth estimates overall or by lines of business or geographic area, and related expectations with respect to the timing and terms of any required regulatory approvals;
- adverse changes in loss cost trends;

## Edgar Filing: CHUBB CORP - Form 10-Q

- our ability to retain existing business;
- our expectations with respect to cash flow projections and investment income and with respect to other income;

Page 11

- the adequacy of loss reserves including:
  - our expectations relating to reinsurance recoverables;
  - the effects of proposed asbestos liability legislation, including the impact of claims patterns arising from the possibility of legislation and those that may arise if legislation is not passed;
  - our estimates relating to ultimate asbestos liabilities;
  - the impact from the bankruptcy protection sought by various asbestos producers and other related businesses;
  - the willingness of parties, including us, to settle disputes;
  - developments in judicial decisions or regulatory or legislative actions relating to coverage and liability for asbestos, toxic waste and mold claims;
  - development of new theories of liability;
- the impact of economic factors on companies on whose behalf we have issued surety bonds, and, in particular, on those companies that have filed for bankruptcy or otherwise experienced deterioration in creditworthiness;
- the effects of disclosures by, and investigations of, public companies relating to possible accounting irregularities, practices in the financial services industry and other corporate governance issues, including:
  - the effects on the capital markets and the markets for directors and officers and errors and omissions insurance;
  - Claims and litigation arising out of actual or alleged accounting or other corporate malfeasance by other companies;
  - Claims and litigation arising out of practices in the financial services industry;
  - legislative or regulatory proposals or changes;
- the effects of investigations into market practices in the U.S. property and casualty insurance industry and any legal or regulatory proceedings arising therefrom;
- the occurrence of significant weather-related or other natural or human-made disasters, particularly in locations where we have concentrations of risk;
- any downgrade in our claims-paying, financial strength or other credit ratings;

## Edgar Filing: CHUBB CORP - Form 10-Q

- the ability of our subsidiaries to pay us dividends;
- general economic conditions including:
  - changes in interest rates, market credit spreads and the performance of the financial markets;
  - the effects of inflation;
  - changes in domestic and foreign laws, regulations and taxes;
  - changes in competition and pricing environments;
  - regional or general changes in asset valuations;
  - the inability to reinsure certain risks economically;
  - changes in the litigation environment;
  - general market conditions; and

Page 12

- the ability to satisfy closing conditions and to complete the Harbor Point transaction, the actions of governmental and other regulatory authorities and the effect on the assumed reinsurance business of general economic and market conditions;
- our ability to implement management's strategic plans and initiatives.

The Corporation assumes no obligation to update any forward looking information set forth in this document, which speak as of the date hereof.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The consolidated financial statements include amounts based on informed estimates and judgments of management for those transactions that are not yet complete. Such estimates and judgments affect the reported amounts in the financial statements. Those estimates and judgments that were most critical to the preparation of the financial statements involved the adequacy of loss reserves and the recoverability of related reinsurance recoverables, the fair value of future obligations under financial products contracts and the recoverability of the carrying value of real estate properties. These estimates and judgments require the use of assumptions about matters that are highly uncertain and therefore are subject to change as facts and circumstances develop. If different estimates and judgments had been applied, materially different amounts might have been reported in the financial statements. For a discussion of each of these estimates and judgments, see the Corporation's 2004 Annual Report on Form 10-K.

### OVERVIEW

The following highlights do not address all of the matters covered in the other sections of Management's Discussion and Analysis of Financial Condition and Results of Operations or contain all of the information that may be important to the Corporation's shareholders or the investing public. This overview should be read in conjunction with the other sections of Management's Discussion and Analysis of Financial Condition and Results of Operations.

## Edgar Filing: CHUBB CORP - Form 10-Q

- Net income was \$1,212 million in the first nine months of 2005 and \$247 million in the third quarter compared with \$1,081 million and \$364 million, respectively, in the comparable periods of 2004.
- Results in the first nine months and third quarter of 2005 were adversely impacted by pre-tax costs of \$511 million related to Hurricane Katrina, including estimated net losses of \$415 million, net reinsurance reinstatement premium costs of \$51 million and a \$45 million charge, included in our corporate segment, representing Chubb's share of the losses estimated by an insurer in which we have a minority interest.
- Written premiums grew by 2% in the first nine months of 2005 and were flat in the third quarter, reflecting modest growth in our insurance business and a decrease in written premiums in our reinsurance assumed business that was in line with our expectations. We maintained underwriting discipline in a more competitive market environment. Rates were generally stable in most classes of business.
- Underwriting results were highly profitable in the first nine months of 2005 but were unprofitable in the third quarter due to the net losses and reinstatement premium costs related to Hurricane Katrina. The combined loss and expense ratio was 93.3% in the first nine months of 2005 and 102.2% in the third quarter compared with 92.9% and 93.3% in the corresponding periods of 2004.

Page 13

- Property and casualty investment income after taxes increased by 12% in the first nine months of 2005 and 10% in third quarter.
- On October 25, 2005, we announced that we have entered into an agreement, subject to certain financing and other customary closing conditions, to transfer our continuing reinsurance assumed business produced by Chubb Re and certain related assets, including renewal rights effective January 1, 2006, to a new reinsurance company.

A summary of our consolidated net income is as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2005	2004	2005	2004
	----	----	-----	-----
	(in millions)			
Property and Casualty Insurance .....	\$274	\$491	\$1,559	\$1,431
Chubb Financial Solutions Non-Insuranteee Business .....	(6)	--	(7)	(17)
Corporate and Other .....	(62)	(60)	(148)	(125)
Realized Investment Gains .....	99	49	197	146
	----	----	-----	-----
Consolidated Income Before Income Tax ...	305	480	1,601	1,435
Federal and Foreign Income Tax .....	58	116	389	354
	----	----	-----	-----

Edgar Filing: CHUBB CORP - Form 10-Q

Consolidated Net Income .....	\$247	\$364	\$1,212	\$1,081
	=====	=====	=====	=====

Net income included realized investment gains after tax of \$126 million in the first nine months of 2005 and \$63 million in the third quarter compared with \$99 million and \$31 million, respectively, in the comparable periods of 2004. Decisions to sell securities are governed principally by considerations of investment opportunities and tax consequences. As a result, realized gains and losses on the sale of investments may vary significantly from period to period.

Page 14

PROPERTY AND CASUALTY INSURANCE

A summary of the results of operations of our property and casualty insurance business is as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2005	2004	2005	2004
	(in millions)			
Underwriting				
Net Premiums Written .....	\$3,017	\$3,026	\$9,186	\$8,973
Decrease (Increase) in Unearned Premiums ...	26	(71)	(89)	(362)
Premiums Earned .....	3,043	2,955	9,097	8,611
Losses and Loss Expenses .....	2,260	1,881	5,914	5,428
Operating Costs and Expenses .....	836	888	2,584	2,659
Increase in Deferred Policy				
Acquisition Costs .....	(1)	(16)	(10)	(65)
Dividends to Policyholders .....	7	8	19	22
Underwriting Income (Loss) .....	(59)	194	590	567
Investments				
Investment Income Before Expenses .....	340	304	993	885
Investment Expenses .....	6	5	21	17
Investment Income .....	334	299	972	868
Other Charges .....	(1)	(2)	(3)	(4)
Property and Casualty Income Before Tax .....	\$ 274	\$ 491	\$1,559	\$1,431
Property and Casualty Investment Income				
After Tax .....	\$ 267	\$ 242	\$ 780	\$ 696

Income before taxes from our property and casualty business was higher in the first nine months of 2005 compared with the same period of 2004. The

## Edgar Filing: CHUBB CORP - Form 10-Q

increase was caused by significantly higher investment income and, to a lesser extent, modestly higher underwriting income.

Property and casualty income in the third quarter of 2005 was substantially lower than in the corresponding period of 2004. Underwriting results were unprofitable in the third quarter of 2005 compared with profitable results in the same period in 2004. Underwriting results in the third quarter of 2005 were adversely affected by estimated net losses of \$415 million and net reinsurance reinstatement premium costs of \$51 million related to Hurricane Katrina.

The profitability of the property and casualty insurance business depends on the results of both underwriting operations and investments. We view these as two distinct operations. The underwriting functions are managed separately from the investment function. Accordingly, in assessing our performance, management evaluates underwriting results separately from investment results.

Page 15

### UNDERWRITING RESULTS

We evaluate the underwriting results of our property and casualty insurance business in the aggregate and also for each of our business units.

The combined loss and expense ratio, expressed as a percentage, is the key measure of underwriting profitability traditionally used in the property and casualty insurance business. Management evaluates the performance of our underwriting operations and of each of our business units using, among other measures, the combined loss and expense ratio calculated in accordance with statutory accounting principles. It is the sum of the ratio of losses and loss expenses to premiums earned (loss ratio) plus the ratio of underwriting expenses to premiums written (expense ratio) after reducing both premium amounts by dividends to policyholders. When the combined ratio is under 100%, underwriting results are generally considered profitable; when the combined ratio is over 100%, underwriting results are generally considered unprofitable.

Statutory accounting principles applicable to property and casualty insurance companies differ in certain respects from generally accepted accounting principles (GAAP). Under statutory accounting principles, policy acquisition and other underwriting expenses are recognized immediately, not at the time premiums are earned. Management uses underwriting results determined in accordance with GAAP, among other measures, to assess the overall performance of our underwriting operations. To convert underwriting results to a GAAP basis, policy acquisition expenses are deferred and amortized over the period in which the related premiums are earned. Underwriting income determined in accordance with GAAP is defined as premiums earned less losses and loss expenses incurred and GAAP underwriting expenses incurred.

Catastrophe losses are a significant component in understanding and assessing the financial performance of our property and casualty insurance business. However, in periods in which there is a very large catastrophic event, such as Hurricane Katrina, its impact makes it difficult to assess the underlying trends in our property and casualty business. Management believes that a discussion of the impact of catastrophes is meaningful during such periods in order for investors to understand the variability in periodic earnings and to evaluate the underlying performance of our underwriting operations. Accordingly, we have presented in the discussion below premium growth percentages and combined loss and expense ratios, excluding the effects of catastrophes.



## Edgar Filing: CHUBB CORP - Form 10-Q

### Change in Reporting Format

The reporting format for property and casualty underwriting results by business unit was changed in the first quarter of 2005 to more closely reflect the way the business is now managed. Prior year amounts have been reclassified to conform with the new presentation.

The changes to the reporting format are as follows:

#### Personal Insurance

- Valuable articles results, which had been included in other personal, are now included in homeowners.
- Accident results, which had been included in other specialty, are now included in other personal.

Page 16

#### Commercial Insurance

- Commercial insurance results for financial institutions, which had been included in financial institutions results in specialty insurance, are now included in the appropriate commercial insurance lines.

#### Specialty Insurance

- Executive protection results are now combined with the professional liability and financial fidelity results for financial institutions into a new professional liability line. Financial institutions results are no longer reported separately.
- Surety results, which had been included in other specialty, are now reported separately within specialty insurance.

#### Reinsurance Assumed

- Reinsurance assumed results, which had been included in other specialty, are now reported as a separate business unit.

### Net Premiums Written

Property and casualty net premiums written were \$9.2 billion in the first nine months of 2005 and \$3.0 billion in the third quarter. Net premiums written grew by 2% in the first nine months of 2005 and were flat in the third quarter compared with the same periods in 2004. Excluding the \$51 million of net reinsurance reinstatement premium costs related to Hurricane Katrina, net premiums written grew by 3% and 1% in the first nine months and third quarter of 2005, respectively, compared with the same periods in 2004.

Page 17

Net premiums written by business unit were as follows:

Edgar Filing: CHUBB CORP - Form 10-Q

	2005	2004	% Increase (Decrease)
	-----	-----	-----
	(in millions)		
NINE MONTHS ENDED SEPTEMBER 30			
PERSONAL INSURANCE			
Automobile .....	\$ 486	\$ 474	3%
Homeowners .....	1,584	1,455	9
Other .....	417	409	2
	-----	-----	
Total Personal .....	2,487	2,338	6
	-----	-----	
COMMERCIAL INSURANCE			
Multiple Peril .....	935	967	(3)
Casualty .....	1,321	1,264	4
Workers' Compensation .....	726	682	6
Property and Marine .....	778	813	(4)
	-----	-----	
Total Commercial .....	3,760	3,726	1
	-----	-----	
SPECIALTY INSURANCE			
Professional Liability .....	2,035	1,919	6
Surety .....	178	155	15
	-----	-----	
Total Specialty .....	2,213	2,074	7
	-----	-----	
Total Insurance .....	8,460	8,138	4
	-----	-----	
REINSURANCE ASSUMED .....	726	835	(13)
	-----	-----	
TOTAL .....	\$9,186	\$8,973	2
	=====	=====	
QUARTER ENDED SEPTEMBER 30			
PERSONAL INSURANCE			
Automobile .....	\$ 169	\$ 164	3%
Homeowners .....	564	526	7
Other .....	127	123	3
	-----	-----	
Total Personal .....	860	813	6
	-----	-----	
COMMERCIAL INSURANCE			
Multiple Peril .....	294	318	(7)
Casualty .....	411	407	1
Workers' Compensation .....	230	213	8
Property and Marine .....	192	256	(25)
	-----	-----	
Total Commercial .....	1,127	1,194	(6)
	-----	-----	
SPECIALTY INSURANCE			
Professional Liability .....	698	659	6
Surety .....	73	60	21

Edgar Filing: CHUBB CORP - Form 10-Q

Total Specialty .....	771	719	7
Total Insurance .....	2,758	2,726	1
REINSURANCE ASSUMED .....	259	300	(14)
TOTAL .....	\$3,017	\$3,026	--

Page 18

Premiums from our insurance business grew 4% in the first nine months of 2005 and 1% in the third quarter compared with the same periods of 2004. Excluding reinsurance reinstatement premium costs of \$102 million related to Hurricane Katrina, such growth was 5% for both periods. Over 75% of our insurance premiums are written in the United States. Insurance premiums in the U.S. grew by 3% in the first nine months and were flat in the third quarter. Excluding the reinsurance reinstatement premium costs, premium growth in the U.S. was 4% in the first nine months and 5% in the third quarter. Insurance premiums outside the U.S. grew 8% in the first nine months and 5% in the third quarter. In local currencies, such growth was 4% and 1%, respectively.

We experienced modest premium growth in the first nine months of 2005 in our insurance business, while maintaining underwriting discipline in a more competitive market environment. Rates were generally stable, but were under pressure in some classes of business. We continued to retain a high percentage of our existing customers and to renew these accounts at adequate prices. In addition, while we continue to be selective, we are finding opportunities to write new business at acceptable rates.

Reinsurance assumed premiums generated by Chubb Re decreased by 13% in the first nine months of 2005 and 14% in the third quarter compared with the same periods of 2004. Excluding net reinstatement premium revenue of \$51 million related to Hurricane Katrina, reinsurance assumed premiums decreased by 19% and 31%, respectively, in the first nine months and third quarter of 2005. The premium decline was in line with our expectations.

#### Reinsurance Ceded

Our premiums written are net of amounts ceded to reinsurers who assume a portion of the risk under the insurance policies that are subject to the reinsurance. As a result of the substantial losses incurred by reinsurers from the recent catastrophes, we expect the cost of reinsurance in the marketplace to increase significantly, particularly for property coverages. In addition, the availability of reinsurance for certain coverages, such as terrorism, will continue to be limited and expensive.

Our overall reinsurance costs in the first nine months of 2005 have been lower than those in the comparable period of 2004. In January 2005, we discontinued a professional liability per risk treaty. Underwriting actions we have taken in recent years have resulted in lower average limits on those large risks we write, which we believe made this treaty no longer economical. On our casualty clash treaty, which operates like a catastrophe treaty, we increased our retention from \$50 million to \$75 million. This treaty now provides \$125 million of coverage in excess of \$75 million per insured event. We did not renew a high excess surety per risk treaty as we believed the cost was not justified.

Edgar Filing: CHUBB CORP - Form 10-Q

Our property reinsurance program was renewed in April 2005. On the commercial property per risk treaty, our retention remained at \$15 million. This treaty provides \$435 million of coverage per risk in excess of our retention. Our property catastrophe treaty for events in the United States was modified to increase the coverage in the northeastern part of the country by \$100 million. The program now provides coverage of approximately 85% of losses between \$250 million and \$1.25 billion, with additional coverage of 80% of losses between \$1.25 billion and \$1.6 billion in the northeastern part of the country. Our property catastrophe treaty for events outside the United States was modified to increase our retention from \$25 million to \$50 million.

Page 19

Our property reinsurance treaties generally contain terrorism exclusions. Since September 2001, we have changed our underwriting protocols to address terrorism and the limited availability of terrorism reinsurance.

It is unclear at this time whether Congress will reauthorize the Terrorism Risk Insurance Act of 2002 (TRIA) for periods subsequent to December 31, 2005. Regardless of whether or not TRIA is extended, we will continue to model terrorism loss scenarios and manage this type of catastrophic risk by monitoring terrorism risk aggregations. Nevertheless, given the unpredictable nature of terrorism, its targets, frequency and severity as well as the limited terrorism coverage in our reinsurance program, our future operating results could be more volatile.

Profitability

Underwriting results were similarly profitable in the first nine months of 2005 and 2004. Underwriting results in the third quarter of 2005 were modestly unprofitable compared with profitable results in the same period of 2004. Underwriting results in the first nine months of 2005 and 2004 were adversely affected by catastrophes, particularly in the third quarter of each year -- from Hurricane Katrina in 2005 and the hurricanes that hit Florida and several other states in 2004. The combined loss and expense ratio for our overall property and casualty business was as follows:

	2005			2004		
	Total	Impact of Catastrophes	Excluding Impact of Catastrophes	Total	Impact of Catastrophes	Excluding Impact of Catastrophes
NINE MONTHS ENDED SEPTEMBER 30						
Loss ratio .....	65.1%	5.9%	59.2%	63.2%	3.0%	60.2%
Expense ratio ...	28.2	.2	28.0	29.7	--	29.7
Combined ratio ..	93.3%	6.1%	87.2%	92.9%	3.0%	89.9%
	=====	=====	=====	=====	=====	=====
QUARTER ENDED SEPTEMBER 30						
Loss ratio .....	74.4%	16.5%	57.9%	63.9%	6.7%	57.2%

## Edgar Filing: CHUBB CORP - Form 10-Q

Expense ratio ...	27.8	.5	27.3	29.4	--	29.4
	-----	-----	-----	-----	-----	-----
Combined ratio ..	102.2%	17.0%	85.2%	93.3%	6.7%	86.6%
	=====	=====	=====	=====	=====	=====

Our estimated net losses from Hurricane Katrina were \$415 million and we incurred \$51 million of net reinsurance reinstatement premium costs related to the hurricane. In our insurance business, we incurred net losses of \$335 million as well as reinstatement premium costs of \$102 million, for an aggregate cost of \$437 million. In our reinsurance assumed business, we incurred net losses of \$80 million and recognized net reinstatement premium revenue of \$51 million, for a net cost of \$29 million.

We estimate that our gross losses from Hurricane Katrina were about \$1.2 billion. Almost all of the losses were from property exposure and business interruption claims. Our net losses of \$415 million were significantly lower than the gross amount due to a property per risk treaty that limited our net loss per risk and our property catastrophe treaty. We still have about \$400 million of reinsurance available for this event under our catastrophe treaty if our gross losses were higher than our current estimate. Therefore, while it is possible that our estimate of ultimate losses related to Hurricane Katrina may change in the future, we do not expect that any such change would have a material effect on the Corporation's consolidated financial condition or liquidity.

Page 20

Other catastrophe losses in the third quarter of 2005 amounted to \$57 million, bringing our total net catastrophe losses for the quarter to \$472 million. Catastrophe losses in the third quarter of 2004 were \$196 million.

Catastrophe losses in the first nine months of 2005 amounted to \$513 million and related net reinsurance reinstatement premium costs were \$51 million compared with catastrophe losses of \$259 million in the comparable period of 2004. The 2004 catastrophe loss amount reflects an \$80 million reduction in loss reserves in the second quarter related to the September 11, 2001 attack.

The loss ratio, excluding the effects of catastrophes, was similar in the first nine months of 2005 and 2004 and in the third quarter of both years, reflecting the favorable experience resulting from our disciplined underwriting standards in recent years.

The decrease in the expense ratio in the first nine months and third quarter of 2005 was due to lower accrued contingent commissions and, to a lesser extent, flat overhead expenses compared with the prior year as we continued to make progress in reducing our cost structure, and the discontinuation of a professional liability per risk reinsurance treaty, which resulted in an increase in net premiums written without a commensurate increase in expenses.

We expect that total producer compensation in 2005 will be lower than in 2004. The lower contingent commissions in the first nine months of 2005 compared with the same period in 2004 was due in part to this expectation and in part to the fact that we accrued contingent commissions in the first nine months of 2004 at a higher rate in anticipation of higher premium growth during 2004 than we ultimately realized.

### REVIEW OF UNDERWRITING RESULTS BY BUSINESS UNIT

#### Personal Insurance

Edgar Filing: CHUBB CORP - Form 10-Q

Premiums from personal insurance coverages, which represented 27% of net premiums written in the first nine months of 2005, increased by 6% in both the first nine months and third quarter of 2005 compared with the same periods in 2004. Excluding reinsurance reinstatement premium costs of \$18 million in the homeowners class related to Hurricane Katrina, personal insurance premiums grew 7% and 8%, respectively. Premium growth was driven by our homeowners business due to increased insurance-to-value, modestly higher rates and an increase in the number of policies in-force. The low growth in personal automobile premiums was due to our maintaining underwriting discipline in a more competitive marketplace. The minimal growth in other personal premiums was attributable to lower premiums in our U.S. accident business, due primarily to increased competition and the culling of health care business.

Page 21

Our personal insurance business produced highly profitable underwriting results in the first nine months of 2005 compared with profitable results in 2004. Results in the third quarter of 2005 were profitable compared with near breakeven results in the same period of 2004. Results in our personal insurance business were adversely affected by catastrophes in the first nine months of 2005 and 2004, particularly in the third quarter of both years. The combined loss and expense ratios for the classes of business within personal insurance were as follows:

	2005			2004		
	Total	Impact of Catastrophes	Excluding Impact of Catastrophes	Total	Impact of Catastrophes	Excluding Impact of Catastrophes
NINE MONTHS ENDED						
SEPTEMBER 30						
Automobile .....	97.7%	1.1%	96.6%	94.2%	.6%	93.6%
Homeowners .....	81.5	9.4	72.1	97.1	17.1	80.0
Other .....	91.9	(.4)	92.3	93.2	.5	92.7
	-----	-----	-----	-----	-----	-----
Total personal ...	86.5%	6.1%	80.4%	95.8%	10.8%	85.0%
	=====	=====	=====	=====	=====	=====
QUARTER ENDED						
SEPTEMBER 30						
Automobile .....	102.4%	3.0%	99.4%	92.5%	1.2%	91.3%
Homeowners .....	90.6	22.8	67.8	102.0	26.8	75.2
Other .....	97.9	.5	97.4	104.7	1.5	103.2
	-----	-----	-----	-----	-----	-----
Total personal ...	94.3%	15.4%	78.9%	100.6%	17.1%	83.5%
	=====	=====	=====	=====	=====	=====

Homeowners results were highly profitable in the first nine months and third quarter of 2005. Results were modestly profitable in the first nine months of 2004 and modestly unprofitable in the third quarter of 2004. Results in both years were adversely affected by significant catastrophe losses, but more so in 2004. The improvement in 2005 was due to the lesser impact of catastrophes and to better pricing and contract wording changes related to mold damage that we

Edgar Filing: CHUBB CORP - Form 10-Q

have implemented over the past few years.

Our personal automobile business produced profitable results in the first nine months of 2005 and 2004, but more so in 2004. Results in the third quarter of 2005 were adversely affected by reserve strengthening in the liability component related to prior accident years. This business continues to experience stable underlying claim frequency and severity. Other personal coverages, which include excess liability, yacht and accident insurance, produced highly profitable results in the first nine months of 2005 and 2004 due to favorable loss experience. Results in the third quarter of 2004 were adversely affected by several large yacht losses.

Page 22

Commercial Insurance

Premiums from commercial insurance, which represented 41% of our net premiums written in the first nine months of 2005, increased by 1% in the first nine months of 2005 and decreased by 6% in the third quarter compared with the similar periods a year ago. Premium growth was adversely affected by reinsurance reinstatement premium costs of \$84 million -- \$14 million in multiple peril and \$70 million in property and marine -- related to Hurricane Katrina. Excluding the reinsurance reinstatement premiums, commercial insurance premiums grew 3% in the first nine months and 1% in the third quarter. Rates in the U.S. decreased slightly in the first nine months of 2005 compared with the same period in 2004 as we continued to experience more competition in the marketplace. Retention levels in the U.S. remained strong in the first nine months of 2005 and were similar to those in the comparable period of 2004. New business volume was down from 2004 levels as competitors have worked to retain their better accounts. We have maintained our discipline in the competitive market, continuing to get acceptable rates and appropriate terms and conditions on business written. It is uncertain how the recent hurricanes will affect the commercial insurance marketplace. However, we have already seen some firming of property rates in certain areas.

Our commercial insurance business produced profitable results in the first nine months of 2005 and unprofitable results in the third quarter compared with highly profitable results in the comparable periods of 2004. Our commercial insurance results were adversely affected by catastrophes in the third quarter of 2005, particularly Hurricane Katrina. The combined loss and expense ratios for the classes of business within commercial insurance were as follows:

	2005			2004		
	Total	Impact of Catastrophes	Excluding Impact of Catastrophes	Total	Impact of Catastrophes	Excluding Impact of Catastrophes
NINE MONTHS ENDED						
SEPTEMBER 30						
Multiple peril .....	89.4%	9.0%	80.4%	74.5%	.7%	73.8%
Casualty .....	97.1	.2	96.9	85.3	(2.5)	87.8
Workers'						
compensation ....	84.6	(.1)	84.7	89.4	(.2)	89.6
Property and						

Edgar Filing: CHUBB CORP - Form 10-Q

marine .....	104.2	35.2	69.0	71.3	2.1	69.2
	-----	-----	-----	-----	-----	-----
Total						
commercial ...	94.2%	10.0%	84.2%	79.8%	(.2)%	80.0%
	=====	=====	=====	=====	=====	=====
QUARTER ENDED						
SEPTEMBER 30						
Multiple peril .....	103.3%	27.9%	75.4%	79.0%	7.2%	71.8%
Casualty .....	96.7	.5	96.2	88.5	--	88.5
Workers'						
compensation ....	84.1	(.2)	84.3	87.7	--	87.7
Property and						
marine .....	192.0	120.9	71.1	75.1	7.4	67.7
	-----	-----	-----	-----	-----	-----
Total						
commercial ...	112.8%	29.7%	83.1%	82.9%	3.5%	79.4%
	=====	=====	=====	=====	=====	=====

Our commercial insurance underwriting results in 2005 and 2004, excluding the effects of catastrophes, reflect the cumulative effect of price increases, better terms and conditions and more stringent risk selection in recent years. Results in both years benefited from low non-catastrophe property losses.

Multiple peril results were adversely affected by catastrophes in the third quarter of 2005. The property component of this business benefited from unusually low non-catastrophe losses in the first nine months of 2005 and 2004.

Page 23

Our casualty business produced less profitable results in the first nine months of 2005 compared with the same period in 2004. The automobile component of this business was highly profitable in both years, but more so in 2004. The primary liability component was also less profitable in 2005 than in 2004. The excess liability component produced unprofitable results in 2005 compared with profitable results in 2004. Results in 2005 were adversely affected by unfavorable loss development related to older accident years. The 2004 results for this component benefited from a \$30 million reduction in net loss reserves in the second quarter related to the September 11, 2001 attack.

Workers' compensation results were highly profitable in the first nine months of 2005 and 2004. Results in both years benefited from our disciplined risk selection during the past several years.

Property and marine results were adversely affected by catastrophes in the third quarter of 2005. Results in the first nine months of 2005 and 2004 benefited from few severe non-catastrophe losses.

#### Specialty Insurance

Premiums from specialty insurance, which represented 24% of our net premiums written in the first nine months of 2005, increased by 7% in both the first nine months and third quarter of 2005 compared with the similar periods a year ago. The growth in net premiums written in the professional liability classes of business was due to the non-renewal of a per risk reinsurance treaty. Growth in these classes was constrained by the competitive pressure on rates and our commitment to maintain underwriting discipline. Also, effective July 1,



Edgar Filing: CHUBB CORP - Form 10-Q

2005, we sold the renewal rights on our hospital professional liability and managed care errors and omissions business. Overall, rates in the U.S. for the professional liability classes were down slightly in the first nine months of 2005. The most significant rate declines occurred in the for-profit directors and officers liability component, particularly for large public companies. Retention levels in the U.S. in the first nine months of 2005 were comparable to the 2004 levels, while new business volume was modestly lower. In line with our strategy in recent years, we continued to focus on small and middle market publicly traded and privately held companies. We continued to get adequate rates and favorable terms and conditions on both new business and renewals. The significant growth in net premiums written for our surety business was due largely to the non-renewal of a high excess reinsurance treaty.

Our specialty insurance business produced modestly profitable underwriting results in the first nine months of 2005 and highly profitable results in the third quarter. Results in both respective periods of 2004 were unprofitable. The combined loss and expense ratios for the classes of business within specialty insurance were as follows:

	Nine Months Ended		Quarter Ended	
	September 30		September 30	
	2005	2004	2005	2004
Professional liability...	100.7%	114.6%	99.1%	102.7%
Surety.....	73.0	69.5	30.1	100.3
Total specialty.....	98.9%	111.5%	93.8%	102.4%

Results for our professional liability business improved substantially in the first nine months of 2005, producing near breakeven results compared with unprofitable results in the same period of 2004. Results have begun to benefit from the cumulative effect of price increases, lower policy limits and better terms and conditions in recent years. However, results in both years, but particularly in 2004, were adversely affected by unfavorable development on loss reserves related to accident years 2002 and prior. The adverse development was predominantly from claims that have arisen due to corporate failures and allegations of management misconduct and accounting irregularities. In the second quarter of 2004, we increased net loss reserves by about \$160 million for errors and omissions losses related to investment banks. The fidelity component of our professional liability business was highly profitable in both years.

Surety results were highly profitable in the first nine months of 2005 and 2004. Such results were exceptionally profitable in the third quarter of 2005 compared with near breakeven results in the same period of 2004. Our surety business tends to be characterized by infrequent but potentially high severity losses. Results in the third quarter of 2004 were adversely affected by two large losses.

Reinsurance Assumed

Premiums from our reinsurance assumed business generated by Chubb Re, which

## Edgar Filing: CHUBB CORP - Form 10-Q

represented 8% of net premiums written in the first nine months of 2005, decreased by 13% in the first nine months of 2005 and 14% in the third quarter compared with the similar periods in 2004. Excluding the net reinsurance restatement premium revenue of \$51 million related to Hurricane Katrina, such premiums declined 19% and 31%, respectively. A significant decrease in premiums was expected as there were fewer attractive opportunities in the reinsurance market.

Our reinsurance assumed business was similarly profitable in the first nine months of 2005 and 2004. Results in the third quarter of 2005 were unprofitable compared with profitable results in the same period of 2004. Results for our reinsurance assumed business were adversely affected by catastrophes in the third quarter of 2005 and 2004.

The combined loss and expense ratios for the reinsurance assumed business were as follows:

	Nine Months Ended		Quarter Ended	
	September 30		September 30	
	2005	2004	2005	2004
	----	----	----	----
Total .....	94.8%	94.6%	103.3%	95.6%
Impact of catastrophes ..	4.4	3.1	10.7	8.4
	----	----	----	----
Excluding impact of catastrophes .....	90.4%	91.5%	92.6%	87.2%
	====	====	====	====

As discussed on page 33 of this report, on October 25, 2005, we announced that we have entered into an agreement to transfer our ongoing reinsurance business to Harbor Point Limited, a new reinsurance company.

### LOSS RESERVES

Unpaid losses and loss expenses, also referred to as loss reserves, are the largest liability of our property and casualty business.

Page 25

Our loss reserves include the accumulation of individual case estimates for claims that have been reported and estimates of losses that have been incurred but not reported as well as estimates of the expenses associated with settling all reported and unreported claims. Estimates are based upon past loss experience modified for current trends as well as prevailing economic, legal and social conditions. Our loss reserves are not discounted to present value.

We continually review our loss reserves using a variety of statistical and actuarial techniques. We update the reserves as loss experience develops, additional claims are reported and new information becomes available. Any changes in estimates are reflected in operating results in the period in which the estimates are changed.

Our loss reserves include significant amounts related to asbestos and toxic waste claims, Hurricane Katrina and the September 11, 2001 attack. The

## Edgar Filing: CHUBB CORP - Form 10-Q

components of our loss reserves were as follows:

	September 30, 2005	December 31, 2004
	-----	-----
	(in millions)	
Gross loss reserves		
Related to asbestos and toxic waste claims .....	\$ 1,128	\$ 1,169
Related to Hurricane Katrina .....	1,187	--
Related to September 11 attack .....	434	700
All other loss reserves .....	19,899	18,423
	-----	-----
	22,648	20,292
	-----	-----
Reinsurance recoverable		
Related to asbestos and toxic waste claims .....	51	55
Related to Hurricane Katrina .....	775	--
Related to September 11 attack .....	350	582
All other reinsurance recoverable ...	2,903	2,846
	-----	-----
	4,079	3,483
	-----	-----
Net loss reserves .....	\$18,569	\$16,809
	=====	=====

The components of our net loss reserves were as follows:

	September 30, 2005	December 31, 2004
	-----	-----
	(in millions)	
Reserves related to asbestos and toxic waste claims .....		
	\$ 1,077	\$ 1,114
Reserves related Hurricane Katrina .....	412	--
Reserves related to September 11 attack ..	84	118
All other loss reserves		
Personal insurance .....	1,662	1,579
Commercial insurance .....	7,248	6,594
Specialty insurance .....	6,779	6,282
Reinsurance assumed .....	1,307	1,122
	-----	-----
Net loss reserves .....	\$18,569	\$16,809
	=====	=====

Loss reserves for each of our business units increased in the first nine months of 2005, with the most significant increases occurring in the long tail liability classes of business within commercial and specialty insurance and

## Edgar Filing: CHUBB CORP - Form 10-Q

reinsurance assumed.

Each quarter, we monitor developments and analyze trends related to our asbestos exposures. Based on our review during the second quarter of 2005, we increased our net asbestos loss reserves by \$20 million, primarily due to an increase in our estimate of the ultimate liabilities for one of our traditional asbestos defendants.

Based on all information currently available, we believe that the aggregate loss reserves of our property and casualty subsidiaries at September 30, 2005 were adequate to cover claims for losses that had occurred, including both those known to us and those yet to be reported. In establishing such reserves, we consider facts currently known and the present state of the law and coverage litigation. However, given the judicial decisions and legislative actions that have broadened the scope of coverage and expanded theories of liability in the past and the possibilities of similar interpretations in the future, particularly as they relate to asbestos claims and, to a lesser extent, toxic waste claims, it is possible that management's estimate of the ultimate liability for losses that had occurred as of September 30, 2005 may increase in future periods. Such increases in estimates could have a material adverse effect on the Corporation's future operating results. However, management does not expect that any such increases would have a material effect on the Corporation's consolidated financial condition or liquidity.

### INVESTMENT RESULTS

Property and casualty investment income before taxes increased by 12% in the first nine months of 2005 and 11% in the third quarter compared with the same periods in 2004. Growth was due to an increase in invested assets since the third quarter of 2004. The increase in invested assets was due to substantial cash flow from operations over the period. Growth in investment income in 2005 was dampened, however, by lower available reinvestment rates on fixed maturities that matured over the past year.

The effective tax rate on investment income was 19.7% in the first nine months of 2005 compared with 19.8% in the same period in 2004. The effective tax rate fluctuates as a result of our holding a different proportion of our investment portfolio in tax-exempt securities during each period.

On an after-tax basis, property and casualty investment income increased by 12% in the first nine months of 2005 and 10% in the third quarter. Management uses property and casualty investment income after-tax, a non-GAAP financial measure, to evaluate its investment performance because it reflects the impact of any change in the proportion of the investment portfolio invested in tax-exempt securities and is therefore more meaningful for analysis purposes than investment income before income tax.

### CHUBB FINANCIAL SOLUTIONS

Chubb Financial Solutions (CFS) was organized in 2000 to develop and provide customized products to address specific financial needs of corporate clients. CFS operated through both the capital and insurance markets.

Page 27

In April 2003, the Corporation announced its intention to exit CFS's non-insurance business and to run-off the existing financial products portfolio.

CFS's non-insurance business was primarily structured credit derivatives,

## Edgar Filing: CHUBB CORP - Form 10-Q

principally as a counterparty in portfolio credit default swap contracts. The Corporation guaranteed all of these obligations.

Portfolio credit default swaps are derivatives and are carried in the financial statements at estimated fair value, which represents management's best estimate of the cost to exit our positions. Most of these credit default swaps tend to be unique transactions and there is no market for trading such exposures. To estimate the fair value of the obligation in each credit default swap, we use internal valuation models that are similar to external valuation models.

The fair value of our credit default swaps is subject to fluctuations arising from, among other factors, changes in credit spreads, the financial ratings of referenced asset-backed securities, actual credit events reducing subordination, credit correlation within a portfolio, anticipated recovery rates related to potential defaults and changes in interest rates. Changes in fair value are included in income in the period of the change.

The non-insurance business of CFS produced a loss before taxes of \$7 million in the first nine months of 2005 compared with a loss of \$17 million in the first nine months of 2004. The loss in the first nine months of 2005 was due to a loss on the termination of a principal and interest guarantee contract, which is discussed below, partially offset by gains on the termination during the period of CFS's obligations under certain portfolio credit default swaps. The loss in the first nine months of 2004 was primarily related to losses on the termination of CFS's obligations under several portfolio credit default swaps.

In the fourth quarter of 2003, CFS terminated two asset-backed portfolio credit default swaps that had experienced deterioration in credit quality and simultaneously entered into a new contract under which CFS guaranteed principal and interest obligations. CFS established a liability of \$186 million related to the principal and interest contract, which represented the estimated fair value of the guarantee at its inception. In September 2005, CFS agreed with the counterparty to terminate the guarantee. CFS paid the counterparty \$198 million under the terms of the agreement, at which time the \$186 million liability was eliminated.

CFS's aggregate exposure, or retained risk, from each of its in-force portfolio credit default swaps is referred to as notional amount. Notional amounts are used to express the extent of involvement in swap transactions. These amounts are used to calculate the exchange of contractual cash flows and are not necessarily representative of the potential for gain or loss. The notional amounts are not recorded on the balance sheet.

The notional amount of CFS's credit default swaps was \$1.8 billion at September 30, 2005. Our realistic loss exposure is a very small portion of the \$1.8 billion notional amount as our position is senior to subordinated interests of \$0.7 billion in the aggregate. In addition, using our internal ratings models, we estimate that the credit ratings of the individual portfolio credit default swaps at September 30, 2005 were AAA.

Page 28

In addition to portfolio credit default swaps, CFS entered into a derivative contract linked to an equity market index and a few other insignificant non-insurance transactions.

The notional amount and fair value of our future obligations under derivative contracts by type of risk were as follows:

Edgar Filing: CHUBB CORP - Form 10-Q

	Notional Amount		Fair Value	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
	(in billions)		(in millions)	
Credit default swaps				
Corporate securities ...	\$1.0	\$1.3	\$ 4	\$ 5
Asset-backed securities ...	.8	7.4	1	9
	----	----	----	----
	1.8	8.7	5	14
Other .....	.3	.3	8	8
	----	----	----	----
	\$2.1	\$9.0	\$13	\$22
	====	====	====	====

CORPORATE AND OTHER

Corporate and other includes investment income earned on corporate invested assets, interest expense and other expenses not allocated to our operating subsidiaries and the results of our real estate and other non-insurance subsidiaries. It also includes income from our investment in Allied World Assurance Company, Ltd.

Corporate and other produced a loss before taxes of \$148 million in the first nine months of 2005 compared with a loss of \$125 million in the first nine months of 2004. The higher loss in 2005 was due to the recognition of a real estate impairment loss, which is discussed below, and lower income in 2005 than in 2004 from our investment in Allied World. The third quarter results of Allied World included losses from Hurricane Katrina in 2005 and storm losses in 2004, our share of which was approximately \$45 million and \$30 million, respectively. Results in the first nine months of 2004 included a loss at The Chubb Institute, Inc., our post-secondary educational subsidiary, which we sold in the third quarter of 2004.

REAL ESTATE

Real estate operations resulted in a loss before taxes of \$45 million in the first nine months of 2005 compared with a loss of \$12 million in the first nine months of 2004, which amounts are included in the corporate and other results.

During the first quarter of 2005, we committed to a plan to sell a parcel of land in New Jersey that we had previously intended to hold and develop. The decision to sell the property was based on our assessment of the current real estate market and our concern about zoning issues. As a result of our decision to sell this property in the near term, we reassessed the recoverability of its carrying value. Based on our reassessment, we recognized an impairment loss of \$43 million to reduce the carrying value of the property to its estimated fair value.

In addition to the aforementioned parcel of land that we plan to dispose of

## Edgar Filing: CHUBB CORP - Form 10-Q

in the near term, we own approximately \$185 million of land that we expect will be developed in the future. Our real estate assets also include approximately \$153 million of commercial properties and land parcels under lease, of which \$21 million relates to a variable interest entity in which we are the primary beneficiary.

The recoverability of the carrying value of our real estate assets, other than the parcel of land that we plan to dispose of in the near term, is assessed based on our ability to fully recover costs through a future revenue stream. The assumptions used reflect future improvement in demand for office space, an increase in rental rates and the ability and intent to obtain financing in order to hold and develop such remaining properties and protect our interests over the long term. Management believes that it has made adequate provisions for impairment of real estate assets. However, if the assets are not sold or developed or if leased properties do not perform as presently contemplated, it is possible that additional impairment losses may be recognized that would have a material adverse effect on the Corporation's results of operations.

### REALIZED INVESTMENT GAINS AND LOSSES

Net investment gains realized were as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2005	2004	2005	2004
	----	----	----	----
	(in millions)			
Net realized gains (losses)				
Equity securities .....	\$ 77	\$36	\$181	\$165
Fixed maturities .....	9	17	5	12
Personal Lines Insurance				
Brokerage .....	16	--	16	--
Chubb Institute .....	--	(4)	--	(31)
	----	---	----	----
	102	49	202	146
	----	---	----	----
Other than temporary impairment				
Equity securities .....	1	--	1	--
Fixed maturities .....	2	--	4	--
	----	---	----	----
	3	--	5	--
	----	---	----	----
Realized investment gains before tax .....	\$ 99	\$49	\$197	\$146
	====	===	====	====
Realized investment gains after tax .....	\$ 63	\$31	\$126	\$ 99
	====	===	====	====

Of the net realized gains on sales of equity securities, \$118 million and \$129 million in the first nine months of 2005 and 2004, respectively, related to our share of gains recognized by investment partnerships in which we have an interest.

In September 2005, we completed the sale of Personal Lines Insurance

## Edgar Filing: CHUBB CORP - Form 10-Q

Brokerage, Inc. Based on the terms of the sale, we recognized a gain of \$16 million.

Page 30

In May 2004, we entered into an agreement to sell Chubb Institute. Based on the terms of the agreement, we recognized a loss of \$27 million in the second quarter. The sale closed in September 2004. Under the final terms of the sale, we recognized an additional loss of \$4 million in the third quarter.

We regularly review those invested assets whose fair value is less than cost to determine if an other than temporary decline in value has occurred. In evaluating whether a decline in value of any investment is other than temporary, we consider various quantitative and qualitative factors including the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, and our intent and ability to hold the investment for a period of time sufficient to allow us to recover our cost. If a decline in the fair value of an individual security is deemed to be other than temporary, the difference between cost and estimated fair value is charged to income as a realized investment loss. The fair value of the investment becomes its new cost basis.

### INCOME TAXES

In connection with the sale of a subsidiary a number of years ago, we agreed to indemnify the buyer for certain pre-closing tax liabilities. During the first quarter of 2005, we settled this obligation with the purchaser. As a result, we reduced our income tax liability, which resulted in the recognition of a benefit of \$22 million.

### CAPITAL RESOURCES AND LIQUIDITY

Capital resources and liquidity represent the overall financial strength of the Corporation and its ability to generate cash flows from its operating subsidiaries, borrow funds at competitive rates and raise new capital to meet operating and growth needs.

### CAPITAL RESOURCES

Capital resources provide protection for policyholders, furnish the financial strength to support the business of underwriting insurance risks and facilitate continued business growth. At September 30, 2005, the Corporation had shareholders' equity of \$11.3 billion and total debt of \$2.5 billion. In August 2005, \$300 million of 6.15% notes were paid when due.

In November 2002, Chubb issued \$600 million of unsecured 4% senior notes due November 16, 2007 and 24 million mandatorily exercisable warrants to purchase the Corporation's common stock on or before November 16, 2005. The notes and warrants were issued together in the form of 7% equity units. Each equity unit initially represented one warrant and \$25 principal amount of senior notes. In August 2005, the notes were successfully remarketed as required by their terms. The interest rate on the notes was reset to 4.934% from 4%, effective August 16, 2005. The remarketed notes are due November 16, 2007. We did not receive any proceeds from the remarketing of the notes. Instead, the proceeds from the remarketing will be used to satisfy the holders' obligation under the warrants to purchase the Corporation's common stock on November 16, 2005.



Management continually monitors the amount of capital resources that the Corporation maintains both for itself and its operating subsidiaries. In connection with our long-term capital strategy, the Corporation from time to time contributes capital to its property and casualty subsidiaries. In addition, in order to satisfy its capital needs as a result of any rating agency capital adequacy or other future rating issues, or in the event the Corporation were to need additional capital to make strategic investments in light of market opportunities, the Corporation may take a variety of actions, which could include the issuance of additional debt and/or equity securities.

In June 2003, a shelf registration statement that the Corporation filed in March 2003 was declared effective by the Securities and Exchange Commission. Under the registration statement, up to \$2.5 billion of various types of securities may be issued. At September 30, 2005, the Corporation had approximately \$650 million remaining under the shelf registration statement.

In July 1998, the Board of Directors authorized the repurchase of up to 12,500,000 shares of the Corporation's common stock. The authorization has no expiration. The Corporation made no share repurchases during the first nine months of 2005. As of September 30, 2005, 3,287,100 shares remained under the share repurchase authorization.

#### RATINGS

The Corporation and its insurance subsidiaries are rated by major rating agencies. These ratings reflect the rating agency's opinion of our financial strength, operating performance, strategic position and ability to meet our obligations to policyholders.

Ratings are an important factor in establishing our competitive position in the insurance markets. There can be no assurance that our ratings will continue for any given period of time or that they will not be changed.

It is possible that positive or negative ratings actions by one or more of the rating agencies may occur in the future. If our ratings were downgraded, the Corporation may incur higher borrowing costs and may have more limited means to access capital. In addition, reductions in our ratings could adversely affect the competitive position of our insurance operations, including a possible reduction in demand for our products in certain markets.

#### LIQUIDITY

Liquidity is a measure of our ability to generate sufficient cash flows to meet the short and long term cash requirements of our business operations.

Our property and casualty operations provide liquidity in that premiums are generally received months or even years before losses are paid under the policies purchased by such premiums. Historically, cash receipts from operations, consisting of insurance premiums and investment income, have provided more than sufficient funds to pay losses, operating expenses and dividends to the Corporation. After satisfying our cash requirements, excess cash flows are used to build the investment portfolio and thereby increase future investment income.

## Edgar Filing: CHUBB CORP - Form 10-Q

Our strong underwriting results continued to generate substantial new cash. New cash from operations available for investment by our property and casualty subsidiaries was approximately \$2.8 billion in the first nine months of 2005 compared with \$3.0 billion in the same period in 2004.

Our property and casualty subsidiaries maintain investments in highly liquid, short-term and other marketable securities to provide for immediate cash needs.

The Corporation's liquidity requirements in the past have been met by dividends from its property and casualty subsidiaries and the issuance of commercial paper and debt and equity securities. It is expected that our liquidity requirements in the future will be met by these sources of funds or, if necessary, borrowings from our credit facilities.

In June 2005, the Corporation entered into a revolving credit agreement with a group of banks that provides for unsecured borrowings of up to \$500 million. The revolving credit facility terminates on June 22, 2010. On the termination date of the agreement, any loans then outstanding become payable. There have been no borrowings under this agreement. Various interest rate options are available to the Corporation, all of which are based on market interest rates. The agreement contains customary restrictive covenants including a covenant to maintain a minimum consolidated shareholders' equity, as adjusted. The facility is available for general corporate purposes and to support our commercial paper borrowing arrangement. This facility replaced a \$250 million short term revolving credit facility that expired and a \$250 million medium term revolving credit facility that was terminated.

### INVESTED ASSETS

The main objectives in managing our investment portfolios are to maximize after-tax investment income and total investment returns while minimizing credit risks in order to provide maximum support to the insurance underwriting operations. Investment strategies are developed based on many factors including underwriting results and our resulting tax position, regulatory requirements, fluctuations in interest rates and consideration of other market risks. Investment decisions are centrally managed by investment professionals based on guidelines established by management and approved by the boards of directors.

Our investment portfolios are primarily comprised of high quality bonds, principally tax-exempt, U.S. Treasury and government agency, mortgage-backed securities and corporate issues as well as foreign bonds that support our international operations. In addition, the portfolios include equity securities held primarily with the objective of capital appreciation.

In the first nine months of 2005, we invested new cash in tax-exempt bonds and taxable bonds. The taxable bonds we invested in were primarily mortgage-backed securities and corporate bonds. Our objective is to achieve the appropriate mix of taxable and tax-exempt securities in our portfolio to balance both investment and tax strategies.

The unrealized appreciation before tax of investments carried at market value, which includes fixed maturities classified as available-for-sale and equity securities, was \$613 million and \$961 million at September 30, 2005 and December 31, 2004, respectively. Such unrealized appreciation is reflected in a separate component of other comprehensive income, net of applicable deferred income tax.

The unrealized market appreciation before tax of those fixed maturities carried at amortized cost was \$13 million at September 30, 2005 and \$21 million at December 31, 2004. Such unrealized appreciation was not reflected in the consolidated financial statements.

Changes in unrealized market appreciation or depreciation of fixed maturities were due primarily to fluctuations in interest rates.

#### SUBSEQUENT EVENT

On October 25, 2005, we announced that we have entered into an agreement regarding the formation of a new reinsurance company, Harbor Point Limited, to be based in Bermuda. It is expected that Harbor Point will write a diverse portfolio of both property and casualty reinsurance products.

As part of the transaction, we will transfer our continuing reinsurance business and certain related assets, including renewal rights effective January 1, 2006, to Harbor Point. In exchange, we will receive from Harbor Point a \$200 million five year 6% convertible note and warrants, representing in the aggregate on a fully converted and fully diluted basis approximately 16% of the new company.

Harbor Point will not assume the reinsurance liabilities relating to reinsurance contracts incepting prior to December 31, 2005. We will retain those liabilities and the related assets.

Other than pursuant to certain arrangements to be entered into with Harbor Point, we will no longer engage directly in the assumed reinsurance business. Harbor Point will have the right for a transition period to underwrite specific reinsurance business on our behalf in cases where Harbor Point is unable to underwrite that business because of the absence of necessary ratings, regulatory licenses or approvals. Any reinsurance policies issued by us under this arrangement during the transition period will be ceded to Harbor Point under quota share reinsurance agreements to be entered into by the parties. We will retain a limited portion of this business.

The closing of the transaction is subject to certain financing and other customary closing conditions. It is expected that the closing will occur by the end of November and that Harbor Point will then commence underwriting upon receipt of necessary regulatory approvals. We expect that the transaction will result in a pre-tax gain.

#### Item 4 - Controls and Procedures

As of September 30, 2005, an evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures was performed under the supervision and with the participation of the Corporation's management, including the chief executive officer and chief financial officer. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Corporation's disclosure controls and procedures were effective as of the evaluation date.

During the quarter ended September 30, 2005, there were no changes in internal control over financial reporting that have materially affected, or are

## Edgar Filing: CHUBB CORP - Form 10-Q

reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Page 35

### PART II. OTHER INFORMATION

#### Item 1 - Legal Proceedings

On August 1, 2005, the Corporation, together with several of its subsidiaries, was named in a putative class action brought against several brokers and insurers by alleged policyholders in the United States District Court for the District of New Jersey. This action asserts, on behalf of a class of persons who purchased insurance through the broker defendants, claims under the Sherman Act and state law and the Racketeer Influenced and Corrupt Organizations Act ("RICO"), arising from the unlawful use of contingent commission agreements. The complaint seeks treble damages, injunctive and declaratory relief, and attorneys' fees. The Corporation also has been named in two purported class actions in state court relating to allegations of unlawful use of contingent commission arrangements. The first, previously disclosed in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004, was filed in Seminole County, Florida. The second, filed on May 17, 2005, was filed in Essex County, Massachusetts. In both actions, the plaintiffs generally allege that the Corporation and the other non-affiliated defendants unlawfully used contingent commission agreements. The actions seek unspecified damages and attorneys' fees. It is reasonable to expect that, in the ordinary course of business, the Corporation may be involved in additional state litigation of this sort. The Corporation believes it has substantial defenses to all of the aforementioned lawsuits and intends to defend the actions vigorously.

Page 36

#### Item 6 - Exhibits

##### A. Exhibits

###### Exhibit (10) - Material Contracts

- (1) Amendment to the registrant's Key Employee Deferred Compensation Plan (2005). Incorporated by reference to Exhibit 10.1 of the registrant's Report to the Securities and Exchange Commission on Form 8-K filed on September 12, 2005.
- (2) Amendment to the form of restricted stock unit award agreement for all eligible participants in The Chubb Corporation Long-Term Stock Incentive Plan (2004). Incorporated by reference to Exhibit 10.2 of the registrant's Report to the Securities and Exchange Commission on Form 8-K filed on September 12, 2005.

###### Exhibit (31) Rule 13a-14(a)/15d-14(a) Certifications

- (1) Certification by John D. Finnegan
- (2) Certification by Michael O'Reilly

###### Exhibit (32) Section 1350 Certifications

Edgar Filing: CHUBB CORP - Form 10-Q

- (1) Certification by John D. Finnegan
- (2) Certification by Michael O'Reilly

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Chubb Corporation has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CHUBB CORPORATION  
(Registrant)

By: /s/ Henry B. Schram

-----  
Henry B. Schram  
Senior Vice-President and  
Chief Accounting Officer

Date: November 9, 2005