

CHUBB CORP  
Form DEF 14A  
March 15, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**The Chubb Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME	Tuesday, April 24, 2012 at 8:00 a.m., local time
PLACE	The Chubb Corporation  Amphitheater  15 Mountain View Road  Warren, New Jersey 07059
ITEMS OF BUSINESS	(1) To elect 11 directors to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified.  (2) To ratify the appointment of Ernst & Young LLP as independent auditor.  (3) To hold an advisory vote on the compensation paid to our named executive officers.  (4) To vote on a shareholder proposal regarding political contributions and related expenditures.
RECORD DATE	You are entitled to vote at the annual meeting and at any adjournment or postponement thereof if you were a shareholder of record at the close of business on March 2, 2012.
ADJOURNMENTS AND POSTPONEMENTS	Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.
VOTING BY PROXY	The notice you received providing instructions on accessing our annual meeting materials through the internet includes instructions for voting online or by telephone. Also, in the event that you affirmatively request paper copies of our annual meeting materials, you may complete, sign, date and return the accompanying proxy card in the enclosed addressed envelope. The giving of a proxy will not affect your right to revoke the proxy by appropriate written notice or to vote in person should you later decide to attend the annual meeting.
ADMISSION TO THE MEETING	You are entitled to attend the annual meeting if you were a shareholder as of the close of business on March 2, 2012. For admittance to the meeting, please be prepared to present a valid, government-issued photo identification (federal, state or local), such as a driver's license or passport, and proof of beneficial ownership if you hold your shares through a broker, bank or other nominee. The annual meeting will begin promptly at 8:00 a.m., local time. Please allow yourself ample time for the check-in procedures. Video and audio recording devices and other electronic devices will not be permitted at the meeting, and attendees may be subject to security inspections.

By order of the Board of Directors,

W. Andrew Macan

*Vice President and Secretary*

March 15, 2012

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**2012 ANNUAL MEETING OF SHAREHOLDERS**

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**PROXY STATEMENT**

**PROXY AND VOTING INFORMATION**

Our Board of Directors (our Board) has provided you with these proxy materials in connection with its solicitation of proxies to be voted at the 2012 Annual Meeting of Shareholders of The Chubb Corporation (the 2012 Annual Meeting). We will hold the 2012 Annual Meeting on Tuesday, April 24, 2012, in the Amphitheater at The Chubb Corporation, 15 Mountain View Road, Warren, New Jersey 07059, beginning at 8:00 a.m., local time. Please note that throughout these proxy materials we may refer to The Chubb Corporation as Chubb, we, us or our. We mailed the instructions for accessing our annual meeting materials, which include this proxy statement, the proxy card, voting instructions and our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 10-K), on or before March 15, 2012.

**Information about the Delivery of our Annual Meeting Materials**

As permitted by rules adopted by the Securities and Exchange Commission (the SEC), we have made our annual meeting materials available to our shareholders electronically via the internet. On or before March 15, 2012, we mailed to our shareholders a notice containing instructions on how to access our annual meeting materials, how to request paper copies of these materials and how to vote online or by telephone. Unless you affirmatively request a paper copy of our annual meeting materials by following the instructions set forth in this notice, you will not receive a paper copy of our annual meeting materials in the mail. Due to an ambiguity in the regulations promulgated under the Employee Retirement Income Security Act of 1974, as amended (ERISA), unless we have previously received a written consent to deliver materials electronically, we have assumed that participants in the Capital Accumulation Plan of The Chubb Corporation (the CCAP) have affirmatively requested paper copies of our annual meeting materials and, therefore, have mailed or will mail copies of the annual meeting materials to each participant in the CCAP whose account holds shares of our stock.

The SEC's rules also permit us to deliver a single notice or set of annual meeting materials to one address shared by two or more of our shareholders. This delivery method is referred to as householding and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one notice or set of annual meeting materials to multiple shareholders who share an address, unless we received contrary instructions from such impacted shareholders prior to our mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the notice or set of annual meeting materials, as requested, to any shareholder at the shared address to which a single copy of those documents was delivered. For future meetings, if you prefer to receive separate copies of our annual meeting materials, please contact Broadridge Financial Solutions, Inc. (Broadridge) at 800-542-1061 or in writing at Broadridge, Household Department, 51 Mercedes Way, Edgewood, New York 11717. If you are currently a shareholder sharing an address with another shareholder and wish to receive only one copy of our future annual meeting materials for your household, please contact Broadridge at the above phone number or address.

**Who Can Vote**

Our Board has set March 2, 2012 as the record date for the 2012 Annual Meeting. Shareholders of record of our common stock at the close of business on March 2, 2012 may vote at the 2012 Annual Meeting.

**How Many Shares Can Be Voted**

Each shareholder has one vote for each share of our common stock owned at the close of business on the record date. On the record date, 270,412,227 shares of our common stock were outstanding.



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### **How You Can Vote**

#### ***Record Holders***

If your shares are registered in your name with Computershare Shareholder Services LLC, our dividend agent, transfer agent and registrar, you are considered a shareholder of record, and the notice containing instructions on accessing our annual meeting materials online or requesting a paper copy thereof is being sent directly to you by us. Shareholders of record can vote in person at the 2012 Annual Meeting or give their proxy to be voted at the 2012 Annual Meeting in any one of the following ways:

over the internet;

by telephone; or

for shareholders requesting a paper copy of our annual meeting materials, by completing, signing, dating and returning the proxy card accompanying the paper copy.

#### ***CCAP Participants***

If you are a participant in the CCAP, your proxy will include all shares allocated to you in the CCAP (Plan Shares), which you may vote in person at the 2012 Annual Meeting or over the internet, by telephone or, provided that you have not delivered a written consent to receive our materials electronically, by completing and mailing the proxy card accompanying your paper copy of the annual meeting materials. Your proxy will serve as a voting instruction for the trustee of the CCAP. If your voting instructions are not received by April 19, 2012, any Plan Shares you hold will not be voted by the trustee.

#### ***Brokerage and Other Account Holders***

You are considered to be the beneficial owner of shares you hold in an account maintained by a broker, bank or other nominee, which may be referred to as shares held in street name. For shares held in street name, your broker, bank or nominee, who is the shareholder of record, has forwarded to you the instructions for accessing, or requesting paper copies of, our annual meeting materials. You have the right to direct your broker, bank or nominee on how to vote these shares, and you may also attend the 2012 Annual Meeting. Your broker, bank or nominee has provided you with a voting instruction card. Beneficial owners of shares who wish to vote in person at the 2012 Annual Meeting must obtain a legal proxy from their broker, bank or nominee and present it at the 2012 Annual Meeting. The availability of telephone and internet voting for beneficial owners will depend on the voting processes of their broker, bank or nominee. Please refer to the voting instructions of your broker, bank or nominee for directions as to how to vote shares that you beneficially own.

#### ***Voting***

Whether you vote over the internet, by telephone or by mail, you can specify whether you vote your shares for or against each of the nominees for election as a director (Proposal 1 on the proxy card). You can specify whether you vote for or against or abstain from the ratification of Ernst & Young LLP as independent auditor (Proposal 2 on the proxy card), the compensation of our named executive officers (Proposal 3 on the proxy card) and the shareholder proposal regarding political contributions and related expenditures (Proposal 4 on the proxy card).

In the absence of instructions to the contrary, shares represented by validly executed proxies will be voted in accordance with our Board's recommendations, which is FOR Proposals 1, 2 and 3 and AGAINST Proposal 4. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

**Brokers are not permitted to vote your shares in the absence of your voting instructions with respect to the election of nominees for director, executive compensation matters or any other matter that is not considered a routine matter by the New York Stock Exchange (NYSE). Accordingly, if you do not return your voting instruction card, your shares will not be voted for Proposals 1, 3 or 4. If you are a beneficial**



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owner of shares held in street name and return signed and dated voting instructions without marking any voting selections for the election of director nominees, your shares will be considered as present and voted in accordance with the recommendations of our Board as explained in this proxy statement.

### **Revocation of Proxies**

If you are a shareholder of record or a holder of Plan Shares, you may revoke your proxy at any time before it is exercised in any of four ways:

by notifying our Corporate Secretary of the revocation in writing;

by delivering a duly executed proxy card bearing a later date;

by properly submitting a new, timely and valid proxy via the internet or by telephone after the date of the proxy you wish to revoke; or

by voting in person at the 2012 Annual Meeting.

You will not revoke a proxy merely by attending the 2012 Annual Meeting. To revoke a proxy, you must take one of the actions described above.

If you hold your shares in a brokerage or other account, you may submit new voting instructions by contacting your broker, bank or nominee.

### **Required Votes**

The presence, in person or by proxy, of the holders of a majority of all outstanding shares of our common stock entitled to vote at the 2012 Annual Meeting is necessary to constitute a quorum. Each of the proposals to be voted upon at the 2012 Annual Meeting requires the affirmative vote of a majority of the votes cast on the proposal. Abstentions are counted as shares present at the 2012 Annual Meeting for purposes of determining a quorum. Similarly, because brokers, banks and other nominees are authorized to vote uninstructed shares on Proposal 2, such shares will be counted as shares present at the 2012 Annual Meeting for purposes of determining a quorum; however, brokers, banks and other nominees will not vote such shares on Proposals 1, 3 or 4 in the absence of timely instructions from beneficial owners (broker non-votes). Abstentions and broker non-votes are not considered votes cast and will not be counted either for or against these proposals and, accordingly, will have no effect on the voting results.

### **Adjournments and Postponements**

Any action on the items of business described above may be considered at the 2012 Annual Meeting at the time and on the date specified above or at any time and date to which the 2012 Annual Meeting may be properly adjourned or postponed.

### **2011 10-K**

The instructions for accessing the 2011 10-K online and for requesting a paper copy are included in the notice you received regarding our annual meeting materials. **The 2011 10-K is available on our website at [www.chubb.com/investors](http://www.chubb.com/investors), as well as on a website maintained by Broadridge at [www.proxyvote.com](http://www.proxyvote.com). It also is available without charge by sending a written request to our Corporate Secretary at 15 Mountain View Road, Warren, New Jersey 07059.**

### **Important Notice about Security**

All 2012 Annual Meeting attendees may be asked to present a valid, government-issued photo identification (federal, state or local), such as a driver's license or passport, and proof of beneficial ownership if you hold your shares through a broker, bank or other nominee before entering the 2012 Annual Meeting. Attendees may be subject to security inspections. Video and audio recording devices and other electronic devices will not be permitted at the 2012 Annual Meeting.



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**CORPORATE GOVERNANCE**

**Commitment to Corporate Governance**

Our Board and management have a strong commitment to effective corporate governance. We have in place a comprehensive corporate governance framework for our operations. The key components of this framework are set forth in the following documents:

our Restated Certificate of Incorporation;

our By-Laws;

our Audit Committee Charter;

our Corporate Governance & Nominating Committee Charter;

our Organization & Compensation Committee Charter;

our Corporate Governance Guidelines;

our Code of Business Conduct; and

our Code of Ethics for CEO and Senior Financial Officers.

Copies of these documents are available on our website at [www.chubb.com/investors](http://www.chubb.com/investors). Copies also are available without charge by sending a written request to our Corporate Secretary.

**Corporate Governance Guidelines**

Our Corporate Governance Guidelines address a number of policies and principles employed in the operation of our Board and our business generally, including our policies with respect to:

the size of our Board;

director independence and minimum qualifications;

factors to be considered in selecting candidates to serve on our Board;

director nominating procedures, including the procedures by which shareholders may propose director candidates;

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incumbent directors who do not receive a majority of the votes cast in uncontested elections;

term limits, director retirement, director resignations upon job change and Board vacancies;

directors' outside directorships and outside audit committee service;

the role and responsibilities of the independent Lead Director;

director responsibilities;

director attendance at Board meetings, committee meetings and the annual meeting of shareholders;

executive sessions of our independent directors;

director access to management and our Board's ability to retain outside consultants;

director compensation;

stock ownership guidelines for directors and certain employees;

administration of our legal compliance and ethics program;

director orientation and continuing education;

management succession and evaluation of our Chief Executive Officer;

annual self-assessments of our Board and each of our Audit Committee, Corporate Governance & Nominating Committee (our Governance Committee) and Organization & Compensation Committee (our Compensation Committee); and

shareholder access to our Board and Audit Committee.

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### **Director Qualifications and Director Nominee Considerations**

Our Board has established our Governance Committee which is comprised solely of directors satisfying the independence requirements of the NYSE. A copy of the charter of our Governance Committee is available on our website at [www.chubb.com/investors](http://www.chubb.com/investors). Copies also are available by sending a written request to our Corporate Secretary. Our Board has delegated to our Governance Committee responsibility for, among other things:

recruiting qualified, non-employee directors, consisting of persons with diverse backgrounds and skills who have the time and ability to exercise independent judgment and perform our Board's function effectively and who meet the needs of our Board; and

identifying the respective qualifications needed for directors serving on our Board committees and serving as chairmen of such committees, recommending to our Board the nomination of persons meeting such respective qualifications to the appropriate committees of our Board and as chairmen of such committees and taking a leadership role in shaping our corporate governance policies.

We require that a majority of the directors on our Board meet the criteria for independence under applicable law and the requirements of the NYSE. We believe that variety in the lengths of service among the directors benefits us and our shareholders. Accordingly, we do not have term limits for service on our Board. As an alternative to term limits, all director nominations are considered annually by our Governance Committee. Individuals who would be age 72 or older at the time of election are ineligible for nomination to serve on our Board. While our Board does not require that in every instance directors who retire or change from the position they held when they were elected to our Board resign, it does require that our Governance Committee consider the appropriateness of continued Board membership under the circumstances.

Our Governance Committee takes a holistic approach in identifying and considering director nominees. The Governance Committee primarily focuses on the composition and competencies of our Board as a whole and how the traits possessed by individual director nominees will complement one another. While evaluating individual director nominees within this framework, the factors that our Governance Committee considers include:

the personal and professional ethics, integrity and values of the candidate;

the independence of the candidate under legal, regulatory and other applicable standards, including the ability of the candidate to represent all of our shareholders without any conflicting relationship with any particular constituency;

the diversity of the existing Board, so that we maintain a diverse body of directors, with diversity reflecting gender, ethnic background and geographic and professional experience;

the professional experience and industry expertise of the candidate and whether it will add to or complement that of the existing Board;

the compatibility of the candidate with the existing Board;

the length of tenure of the members of the existing Board;

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the number of other public company boards of directors on which the candidate serves or intends to serve, with the general expectation that the candidate would not serve on the boards of directors of more than four other public companies;

the number of public company audit committees on which the candidate serves or intends to serve, with the general expectation that, if the candidate is to be considered for service on our Audit Committee, the candidate would not serve on the audit committees of more than two other public companies;



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the candidate's service on the boards of directors of other for-profit companies, not-for-profit organizations, trade associations or industry associations;

the ability and willingness of the candidate to devote sufficient time to carrying out his or her Board duties and responsibilities effectively;

the commitment of the candidate to serve on our Board for an extended period of time; and

such other attributes of the candidate and external factors as our Governance Committee deems appropriate.

Our Governance Committee has the discretion to weight these factors as it deems appropriate. The importance of these factors may vary from candidate to candidate.

## **Nominating Procedures**

The primary purpose of our nominating procedures is to identify and recruit outstanding individuals to serve on our Board. Our Governance Committee meets periodically to consider the slate of nominees for election at our next annual meeting of shareholders. If appropriate, our Governance Committee schedules follow-up meetings and interviews with potential candidates. Our Governance Committee submits its recommended nominee slate to our Board for approval.

Our Governance Committee will consider candidates recommended by directors, members of management and our shareholders. In addition, our Governance Committee is authorized to engage one or more search firms to assist in the recruitment of director candidates.

The procedures for shareholders to propose director candidates are set forth in Article I, Section 10 of our By-Laws. Our Governance Committee may make such additional inquiries of the candidate or the proposing shareholder as our Governance Committee deems appropriate. This information is necessary to allow our Governance Committee to evaluate the shareholder's proposed candidate on the same basis as those candidates referred through directors, members of management or by consultants retained by our Governance Committee.

Shareholders wishing to propose a candidate for consideration should refer to Article I, Section 10 of our By-Laws, the information set forth under the heading "2013 Shareholder Proposals and Nominations" and the SEC rules applicable to shareholder proposal submission procedures.

## **Director Election Procedures**

In uncontested elections, our directors are elected by the affirmative vote of a majority of the votes cast. In the event that an incumbent director receives less than the affirmative vote of a majority of the votes cast and the director would otherwise remain in office by operation of New Jersey law, the affected director is required to tender his or her resignation. Our Governance Committee is required to promptly consider the resignation and make a recommendation to our Board as to whether or not to accept such resignation. Our Board is required to take action with respect to our Governance Committee's recommendation within 90 days after the date of the election. These procedures are described in full in our Corporate Governance Guidelines.

## **Director Independence**

Our Governance Committee regularly reviews each director's independence in accordance with the standards set forth in our Corporate Governance Guidelines and the requirements of the NYSE. No member of our Board will be considered independent unless our Governance Committee determines that the director has no material relationship with us that would affect the director's independence and that the director satisfies the independence requirements of all applicable laws, rules and regulations. To facilitate the analysis of whether a director has a relationship with us that could affect his or her independence, our Board has identified in our Corporate Governance Guidelines the following categories of relationships which should not affect a director's

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independence or are deemed immaterial and, therefore, are not considered by our Governance Committee in determining director independence:

charitable contributions made by us to any organization:

- \* pursuant to our Matching Gifts Program on terms of general applicability to employees and directors;
- \* in amounts that do not exceed \$25,000 per year; or
- \* that have been approved by our Governance Committee;

commercial relationships with any entity or organization where the annual sales to, or purchases from, us are less than two percent of our annual revenue and less than two percent of the annual revenue of the other entity or organization; and

insurance, reinsurance and other risk transfer arrangements entered into on an arm's length basis in the ordinary course of business. Our Board reviewed director independence in 2011 based on the assessment of our Governance Committee. As a result of this review, our Board determined that each of our directors, other than John D. Finnegan, who is our Chairman, President and Chief Executive Officer, was independent as defined in the listing standards of the NYSE and, in the case of the members of our Audit Committee, Section 10A(m)(3) of the Securities Exchange Act of 1934 (Exchange Act).

**Stock Ownership Guidelines for Non-Employee Directors**

Our Board has adopted a stock ownership guideline pursuant to which each of our non-employee directors is expected to maintain an ownership level in the Corporation's common stock or common stock equivalents which has a value equal to seven times the annual stipend paid to non-employee directors for service on our Board. A non-employee director has five years from the date of his or her first election to achieve the ownership threshold. In the event of a change in the stock ownership guideline, non-employee directors have five years to achieve the incremental change in ownership. A non-employee director will be deemed to satisfy the ownership guideline, regardless of the actual value of his or her position in the Corporation's common stock and common stock equivalents, if, for each of the last five years, the director has elected to defer receipt of all director stipends, committee stipends, meeting fees and equity compensation awards. All of our non-employee directors are currently in compliance with this stock ownership guideline.

**Related Person Transactions**

Our Governance Committee has adopted a written policy governing the review and approval of transactions in which we are a participant and in which any of our officers, our directors, holders of five percent or more of our common stock or any of their respective immediate family members (as defined by the SEC) has a material direct or indirect interest. These individuals collectively are referred to as related persons. This policy prohibits us from participating in any transaction in which a related person has a direct or indirect material interest unless:

the transaction is a permitted transaction (as defined below);

in the case of our executive officers and holders of five percent or more of our common stock, the transaction is reported to and approved by our Board, our Governance Committee or another Board committee comprised of disinterested directors; or

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in the case of our directors and nominees for director, the transaction is reported to and approved by a majority of the disinterested members of our Governance Committee or, if less than a majority of our Governance Committee is disinterested, a majority of the disinterested members of our Board.

In the event that a related person inadvertently fails to obtain the appropriate approvals prior to engaging in a transaction in which the related person has a material direct or indirect interest and in which we are a participant, the related person is required to seek ratification of the transaction by the appropriate decision maker referenced above as soon as reasonably practicable after discovery of such failure.

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Our Governance Committee has identified categories of transactions that are appropriate and generally do not give rise to conflicts of interest or the appearance of impropriety, which, accordingly, do not require approval or ratification. These categories of transactions, referred to as permitted transactions under the policy, are:

the purchase of insurance products or services from us on an arm's length basis in the ordinary course of business and on terms and conditions generally available to other insureds;

claims activity relating to insurance policies administered on an arm's length basis in the ordinary course of business and consistent with the administration of the claims of other insureds;

any transaction or series of transactions with an aggregate dollar amount involved of \$100,000 or less;

transactions within the scope of a related person's ordinary business duties to us, where the benefits inuring to the related person relate solely to our performance review process (and resulting compensation and advancement decisions);

our payment or reimbursement of a related person's expenses incurred in performing his or her Chubb-related responsibilities;

the receipt of compensation and benefits from us, provided that such arrangements are approved in accordance with the policies and procedures established by our Board or a committee thereof;

the purchase or sale of our securities in the open market or pursuant to any equity compensation plan approved by our Board and our shareholders;

any transaction with an entity or organization with whom the related person is serving or affiliated solely at our request;

any transaction in which the related person's interest arises only: (i) from the related person's position as a director of another corporation or organization that is a party to the transaction; (ii) from the direct or indirect ownership by the related person and all other related persons, in the aggregate, of less than a ten percent equity interest in another person (other than a partnership) which is a party to the transaction; or (iii) from both such position and ownership; and

any transaction in which the related person's interest arises only from the related person's position as a limited partner in a partnership in which the related person and all other related persons have an interest of less than ten percent and the person is not a general partner of and does not have another position in the partnership.

Related person transactions since January 1, 2011 are discussed under the heading "Certain Transactions and Other Matters."

## **Board Leadership Structure and Risk Oversight**

### ***Board Structure***

As noted in our Corporate Governance Guidelines, the determination of our Board's leadership structure is an integral part of our succession planning process. Based on our Board's current composition as well as Mr. Finnegan's business experience and day-to-day involvement in our operations, our Board has determined that the most effective leadership structure for our Board is for the roles of Chief Executive Officer and

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Chairman of the Board to be combined. To ensure our Board's independence and proper functioning, our Board has also elected a Lead Director with substantial authority over our Board's operations. Our Board has determined that this structure currently is beneficial because it fosters the development and implementation of business strategies, while also providing the balance of an empowered independent Board.

The Lead Director has the following authority:

to act as a liaison between the Chairman and the independent directors;

to call special meetings of our Board;

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to call special meetings of any committee of our Board;

with the consent of a majority of the members of our Executive Committee, to call special meetings of our shareholders;

in the absence of the Chairman of the Board, to preside at meetings of our Board;

to preside at all executive sessions of the non-employee directors and the independent directors;

in the absence of the Chairman of the Board, to preside at meetings of our shareholders;

to provide direction regarding the meeting schedule, information to be sent to our Board and the agenda for our Board meetings to assure that there is sufficient time for discussion of all agenda items;

at the Lead Director's discretion, to attend meetings of any committee on which he or she is not otherwise a member;

to hire independent legal, financial or other advisors as he or she deems desirable or appropriate, without consulting or obtaining the approval of any member of management in advance; and

to exercise such additional powers as may be conferred upon the office of Lead Director by resolution of our Board or our Governance Committee from time to time.

The Lead Director serves on our Executive Committee and is eligible to serve on any or all other committees of our Board. The Lead Director is elected annually and is not subject to term limits. James M. Zimmerman currently serves as our Lead Director.

***Risk Oversight***

Our Board recognizes that one of its key responsibilities is to understand and evaluate how the material risks to which we are subject interrelate, how they affect our business and how management addresses those risks. Annually, our Board and management review and discuss the risks that have been identified as providing the greatest exposure to our business. Our Board allocates oversight responsibility for these risk areas among itself and its committees. Our Chief Risk Officer and/or other members of senior management regularly report to our Board or the designated Board committee on these subjects. For many risk areas, reports are provided quarterly and, for others, reports are provided annually or more frequently if warranted. Where a Board committee has primary oversight responsibility for one or more risk areas, the chairman of that committee regularly reports on these matters to our Board.

**Contacting our Board**

Parties interested in contacting our Board, any committee of the Board, the Chairman of the Board, the Lead Director, the non-employee directors as a group or any individual director are invited to do so by writing to them in care of our Corporate Secretary at:

Corporate Secretary

The Chubb Corporation

15 Mountain View Road

Warren, New Jersey 07059

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Complaints and concerns relating to our accounting, internal controls over financial reporting or auditing matters should be communicated to our Audit Committee using the special procedures described below. Communications addressed to a particular director will be referred to that director. All other communications addressed to our Board will be referred to our Lead Director and tracked by our Corporate Secretary.

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### **Special Procedures for Contacting our Audit Committee**

Complaints and concerns relating to our accounting, internal controls over financial reporting or auditing matters should be communicated to our Audit Committee, which consists solely of independent directors. Any such communication may be anonymous and may be reported to our Audit Committee through our General Counsel by writing to:

Executive Vice President and General Counsel

The Chubb Corporation

15 Mountain View Road

Warren, New Jersey 07059

GeneralCounsel@chubb.com

All such concerns will be reviewed under our Audit Committee's direction and oversight by the General Counsel, our Internal Audit Department or such other persons as our Audit Committee determines to be appropriate. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of our Audit Committee. The General Counsel will prepare a periodic summary report of all such communications for our Audit Committee.

Our Code of Business Conduct provides that we will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of complaints regarding accounting matters or otherwise as specified in Section 806 of the Sarbanes-Oxley Act of 2002.

### **Meeting Attendance and Related Matters**

Our directors are expected to attend all Board meetings, meetings of committees on which they serve and the annual meeting of shareholders. Eight of our directors attended the 2011 Annual Meeting of Shareholders. Directors also are expected to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. In 2011, our Board met eight times. All of our incumbent directors attended at least 75% of the meetings of our Board and the committees on which they serve.

### **Audit Committee**

Our Audit Committee is directly responsible for the appointment, compensation and retention (or termination) of our independent auditor. Our Audit Committee also is responsible for the oversight of the integrity of our financial statements, risk management, compliance with legal and regulatory requirements, the independence and qualifications of our independent auditor, the performance of our internal audit function and independent auditor and other significant financial matters. For 2011, our Board designated Martin G. McGuinn, Jess S oderberg and Daniel E. Somers as our audit committee financial experts (as defined by SEC rules). In 2011, our Audit Committee met eight times. The Audit Committee Report for 2011 is set forth under the heading Audit Committee Report.

### **Compensation Committee**

#### ***Composition; Scope of Authority***

Each member of our Compensation Committee satisfies the independence requirements of the NYSE and the independence standards set forth in our Corporate Governance Guidelines. Our Compensation Committee's primary responsibilities include establishing our general compensation philosophy and overseeing the development, implementation and administration of our compensation, benefit and perquisite programs. It also evaluates the performance and sets all aspects of the compensation paid to our Chief Executive Officer and reviews and approves the compensation paid to our other executive officers. In addition, our Compensation Committee is responsible for recommending the form and amount of compensation for our non-employee directors to our Governance Committee. The principal duties and responsibilities of our Compensation Committee are set forth in its charter, which is available on our website at [www.chubb.com/investors](http://www.chubb.com/investors).





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### ***Processes and Procedures***

In 2011, our Compensation Committee met five times.

During the first quarter of each year, our Compensation Committee evaluates our performance relative to the pre-established goals under The Chubb Corporation Annual Incentive Compensation Plan (2011) (the 2011 Annual Incentive Plan), in the case of annual non-equity incentive compensation, The Chubb Corporation Long-Term Incentive Plan (2009) (the 2009 LTIP), in the case of long-term incentive awards, and for certain other plans in which our named executive officers identified under the heading Executive Compensation Summary Compensation Table (our NEOs) do not participate. In addition, our Compensation Committee evaluates our Chief Executive Officer's overall individual performance and contributions over the prior year. Our Chief Executive Officer presents our Compensation Committee with his evaluation of each of the other NEOs, which includes a review of contributions and performance during the prior year, strengths, weaknesses, development plans, succession potential and compensation recommendations. Our Compensation Committee then makes a final determination of compensation amounts for each NEO with respect to each of the elements of the executive compensation program for both compensation based on prior year performance and target compensation for the current year.

Mid-year, typically in June, our Compensation Committee considers each NEO's total compensation as compared with that of the named executive officers of a peer group of companies. Information regarding this peer group analysis is set forth under the heading Compensation Discussion and Analysis Setting of Executive Compensation. This peer group review provides our Compensation Committee with an external basis to evaluate our overall compensation program, including an assessment of its pay to performance relationship. Following this presentation of competitive market data, our Compensation Committee makes decisions, in consultation with our Chief Executive Officer, regarding the other NEOs, assessing the need for any modifications to executive compensation opportunities and overall program design for implementation in the following year. Final approval of any program or individual changes typically occurs in the first quarter of the following year, at or around the same time that our Compensation Committee is evaluating overall performance for the just-completed year to determine actual award amounts payable under our incentive-based plans.

### ***Role of Executive Officers***

Our Compensation Committee, and through it our Board, retains final authority with respect to our compensation, benefit and perquisite programs and all actions taken thereunder. However, as noted above, our Chief Executive Officer recommends to our Compensation Committee compensation actions for each of the other NEOs. Our other NEOs evaluate the performance of and recommend compensation actions for other members of our senior management team to our Chief Executive Officer. Our Chief Executive Officer, after making any adjustments he deems appropriate, presents these recommendations to our Compensation Committee for consideration and compensation action. Compensation actions for the rest of our employees are determined by management, with our Compensation Committee receiving and approving aggregated information (e.g., aggregate incentive compensation and equity awards) by employee level with respect to such actions. None of our employees has a role in determining or recommending the amount or form of non-employee director compensation.

### ***Delegation of Authority***

Subject to an aggregate limit of 800,000 shares of our common stock, our Compensation Committee has delegated authority to our Chief Executive Officer to make equity grants to employees at or below the level of Senior Vice President. In accordance with the terms of this delegation of authority, our Compensation Committee periodically reviews all such awards. If our Compensation Committee ratifies the awards, the number of shares so ratified is restored to our Chief Executive Officer's pool of awardable shares. Our Chief Executive Officer uses this authority to grant performance, promotion, retention and new hire awards. Our Compensation Committee has retained exclusive authority for granting equity awards to employees above the level of Senior Vice President, as well as for certain of our Senior Vice Presidents, including those subject to the reporting requirements of Section 16 of the Exchange Act.

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### ***Role of Executive Compensation Consultant***

Pursuant to its charter, our Compensation Committee has the sole authority to retain any compensation consultant to be used to assist in the evaluation of executive compensation and to approve the fees and terms of such retention. In accordance with this authority, our Compensation Committee directly engaged a compensation consulting firm, Compensation Advisory Partners LLC (CAP or the Compensation Consultant). CAP was engaged by our Compensation Committee to assist in reviewing our overall compensation strategy and total compensation package and to provide input on the competitive market for executive talent, evolving executive compensation market practices, program design and regulatory compliance. CAP does not provide any other services to us.

### **Executive Committee**

Our Executive Committee, which consists of the Chairman of the Board, our Lead Director and the Chairmen of our Audit, Compensation and Governance Committees, is responsible for overseeing our business, property and affairs during the intervals between the meetings of our Board, if necessary. Our Executive Committee did not meet during 2011.

### **Finance Committee**

Our Finance Committee oversees and regularly reviews the purchase and sale of securities in our investment portfolio. In 2011, our Finance Committee met four times.

### **Governance Committee**

As noted above, our Governance Committee assists our Board in identifying individuals qualified to become members of our Board and oversees the annual evaluation of our Board and each committee. As provided in its charter, our Governance Committee also makes recommendations to our Board on a variety of corporate governance and nominating matters, including recommending standards of independence, director nominees, appointments to committees of our Board, designees for chairmen of each of our Board committees, non-employee director compensation and corporate governance guidelines. In 2011, our Governance Committee met five times.

### **Compensation Committee Interlocks and Insider Participation**

During our 2011 fiscal year, each of Sheila P. Burke, James I. Cash, Jr., Martin G. McGuinn, Daniel E. Somers, James M. Zimmerman and Alfred W. Zollar served on our Compensation Committee. None of these individuals has at any time been an officer or employee of Chubb. During our 2011 fiscal year, none of our executive officers served as a member of the board of directors or compensation committee of any entity for which a member of our Board or Compensation Committee served as an executive officer.

### **Director s Compensation**

Our Governance Committee, with the assistance of our Compensation Committee, is responsible for establishing and overseeing non-employee director compensation. Our Compensation and Governance Committees consult periodically with the Compensation Consultant to evaluate and, if appropriate, adjust non-employee director compensation. To benchmark the competitiveness of our non-employee director compensation, the Compensation and Governance Committees utilize the same peer group of companies described below under the heading Compensation Discussion and Analysis Setting of Executive Compensation. Consistent with our compensation philosophy for our NEOs, our non-employee director compensation program is designed to target total non-employee director compensation in the second quartile of the compensation paid to non-employee directors in this peer group.

**Table of Contents****Director Compensation Table**

The following table sets forth the compensation we paid to our non-employee directors in 2011:

Name <sup>(1)</sup>	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Zoë Baird Budinger	\$ 115,000	\$ 99,955				\$ 122	\$ 215,077
Sheila P. Burke	107,000	99,955					206,955
James I. Cash, Jr.	115,750	99,955					215,705
Lawrence W. Kellner <sup>(5)</sup>	78,000	99,955					177,955
Martin G. McGuinn	132,000	99,955				26,234	258,189
Lawrence M. Small	93,500	99,955				1,900	195,355
Jess Söderberg	115,000	99,955				28,219	243,174
Daniel E. Somers	137,000	99,955				26,399	263,354
James M. Zimmerman	151,000	99,955					250,955
Alfred W. Zollar	115,000	99,955				122	215,077

(1) Compensation for Mr. Finnegan is not included in this table because he does not receive compensation for services that he renders as a member of our Board. Information regarding Mr. Finnegan's compensation is set forth under the headings Compensation Discussion and Analysis and Executive Compensation.

(2) Pursuant to the 2009 LTIP, on April 26, 2011, each non-employee director received deferred stock units representing the right to receive 1,590 shares of our common stock valued at \$62.865 per share. The aggregate grant date fair value of each of these awards, calculated in accordance with FASB ASC Topic 718, was \$99,955 per non-employee director. These awards vested immediately upon grant, but the issuance of the shares underlying such awards was mandatorily deferred until the recipient's separation from service on our Board.

As of December 31, 2011, each of our non-employee directors other than Mr. Kellner had the following outstanding equity awards:

Grant Date	Type of Award	Number of Units <sup>(a)(b)</sup>
April 28, 2009	Deferred Stock Unit	2,481
April 27, 2010	Deferred Stock Unit	1,916
April 26, 2011	Deferred Stock Unit	1,590
<b>Total</b>		<b>5,987</b>

(a) Each deferred stock unit has the equivalent value of one share of our common stock. The grant date fair value of each of these awards is estimated based on the fair market value of our common stock on the date of grant.

(b) Settles following separation from service from our Board.



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- (3) Since the adoption of The Chubb Corporation Long-Term Stock Incentive Plan for Non-Employee Directors (2004) (2004 Director Plan) in April 2004, our Board's practice has been to refrain from granting stock options to non-employee directors. The following table sets forth the outstanding options held by each of our non-employee directors at December 31, 2011, all of which are fully vested:

Name	Aggregate Number of Shares Subject to Option Awards
Zoë Baird Budinger	20,000
Sheila P. Burke	16,000
James I. Cash, Jr.	
Lawrence W. Kellner	
Martin G. McGuinn	
Lawrence M. Small	37,925
Jess Söderberg	
Daniel E. Somers	2,000
James M. Zimmerman	
Alfred W. Zollar	

- (4) Represents: (i) imputed income for premiums paid to purchase life insurance by the applicable non-employee director under the Directors Group Term Life Insurance Program; (ii) premiums paid by us for life insurance policies through which we will fund our non-employee directors' charitable contributions under the Directors' Charitable Award Program; and/or (iii) imputed income for premiums paid by the applicable non-employee director to purchase life insurance under The Chubb Corporation Estate Enhancement Program for Non-Employee Directors.
- (5) Mr. Kellner was elected to our Board on April 26, 2011. Like our other non-employee directors, Mr. Kellner received on that date deferred stock units representing the right to receive 1,590 shares of our common stock valued at \$62.865 per share having the same terms as those described in footnote (2) above. The aggregate grant date fair value of this award, calculated in accordance with FASB ASC Topic 718, was \$99,955. As of December 31, 2011, this was Mr. Kellner's only outstanding equity award.

***Fees Earned or Paid in Cash***

The following table summarizes the cash components of our 2011 non-employee director compensation program:

Item	Amount
Annual Director Retainer	\$ 60,000
Lead Director Annual Supplemental Retainer	50,000
Audit Committee Chairman Retainer	20,000
Audit Committee Member Retainer	7,500
Compensation Committee Chairman Retainer	15,000
Compensation Committee Member Retainer	7,500
Executive Committee Retainer	7,500
Finance Committee Member Retainer	7,500
Governance Committee Chairman Retainer	12,500
Governance Committee Member Retainer	7,500
Board Meeting Fee	2,000
Committee Meeting Fee	2,000

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***Stock Awards***

With respect to non-employee directors, the 2009 LTIP is administered by our Governance Committee with the assistance of our Compensation Committee. Subject to adjustment upon the occurrence of certain events described below, as of March 2, 2012, a maximum of 451,908 shares of our common stock were issuable to non-employee directors under the 2009 LTIP.

Based upon its market analysis, a peer group comparison and the recommendation of the Compensation Consultant and Compensation Committee, our Governance Committee approved deferred stock unit awards to each of our non-employee directors in the amount of approximately \$100,000 on April 26, 2011.

***Option Awards***

Since the adoption of the 2004 Director Plan in April 2004, our Board's practice has been to refrain from granting stock options to non-employee directors.

***Change in Pension Value and Nonqualified Deferred Compensation Earnings***

***Cash Compensation.*** Under the Deferred Compensation Plan for Directors, non-employee directors may defer receipt of all or a portion of their cash compensation. Amounts of deferred compensation are payable at the option of the non-employee director either upon the non-employee director's separation from service on our Board or at a specified date chosen by the non-employee director at the time the deferral election is made. The Deferred Compensation Plan for Directors provides that amounts deferred may be invested in:

an interest bearing account;

a market value account; or

a shareholders' equity account.

A non-employee director participating in the Deferred Compensation Plan for Directors may elect to receive the compensation deferred in either a lump sum or in annual installments. All amounts are paid in cash, except for the market value accounts which we pay in shares of our common stock. Deferred compensation represents an unsecured obligation payable out of our general corporate assets.

***Cash Accounts.*** Interest bearing accounts (cash accounts) bear interest at the lesser of 120% of the applicable long-term federal interest rate and Citibank, N.A.'s prime rate in effect on the first day of each January, April, July and October during the deferral period. At December 31, 2011, we did not maintain cash accounts for any of our non-employee directors.

***Market Value Accounts.*** Market value accounts, which are denominated in units with one unit having the equivalent value of one share of our common stock, track the value of shares of our common stock. On each date compensation otherwise would have been paid in accordance with our normal practice (the credit date), non-employee directors deferring cash compensation into market value accounts are credited with the number of market value units equal to the quotient of:

the amount of compensation deferred by the non-employee director, divided by

the closing share price of our common stock on the NYSE on the credit date or on the trading day preceding the credit date if the credit date is not a trading day.

When we pay cash dividends on our common stock, the market value account of each participating non-employee director is credited with the number of market value units equal to:

the product of (i) the amount of the dividend per share, multiplied by (ii) the number of units in the non-employee director's market value account on the dividend payment date, divided by

the closing share price of our common stock on the NYSE on the dividend payment date or on the trading day preceding the dividend payment date if the dividend payment date is not a trading day.



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At December 31, 2011, we maintained market value accounts for three non-employee directors.

*Shareholders' Equity Accounts.* Shareholders' equity accounts, which are denominated in units, track the book value per share of our common stock. On each date compensation otherwise would have been paid in accordance with our normal practice, non-employee directors deferring cash compensation into shareholders' equity accounts are credited with the number of shareholders' equity units equal to the quotient of:

the amount of compensation deferred by the non-employee director, divided by

the shareholders' equity per share as reported in our annual report to shareholders for the immediately preceding year.

When we pay cash dividends on our common stock, the shareholders' equity account of each participating non-employee director is credited with the number of shareholders' equity units equal to:

the product of (i) the amount of the dividend per share, multiplied by (ii) the number of units in the non-employee director's shareholders' equity account on the dividend payment date, divided by

the closing share price of our common stock on the NYSE on the dividend payment date or on the trading day preceding the dividend payment date if the dividend payment date is not a trading day.

At December 31, 2011, we did not maintain shareholders' equity accounts for any of our non-employee directors.

*Equity Compensation.* Prior to 2009, we offered non-employee directors the option of deferring receipt of all or a portion of their equity compensation. At December 31, 2011, we maintained deferred equity accounts for five non-employee directors who had elected to defer receipt of all or a portion of the shares they would have been entitled to receive upon settlement of pre-2009 equity grants. Amounts of voluntarily deferred equity are payable at the option of the non-employee director either upon the non-employee director's separation from service on our Board or at a specified date chosen by the non-employee director at the time the deferral election is made. Non-employee directors receive current payment of dividend equivalents on their deferred equity, whether such deferral is voluntary or mandatory. We declare and pay dividend equivalents on equity held in director deferral accounts at the same rate and at the same time as we declare and pay dividends on our common stock generally.

In 2009, our Governance Committee determined that deferred stock units would be the primary equity award structure under the 2009 LTIP for our non-employee directors. Accordingly, in April 2011, our non-employee directors were awarded deferred stock units which vested immediately upon grant, but the issuance of the shares underlying such awards was mandatorily deferred until following each recipient's separation from service on our Board.

### ***All Other Compensation***

*Directors' Group Term Life Insurance Program.* Our non-employee directors have the option of purchasing \$50,000 in group term life insurance coverage for themselves. Directors pay the full cost of the coverage, which is based on coverage rates for our active employees. Ms. Baird Budinger and Messrs. Small, Somers and Zollar have elected to purchase life insurance coverage under this program. In connection with the premiums they paid to purchase life insurance policies under the Directors' Group Term Life Insurance Program, income was imputed in 2011 to Ms. Baird Budinger in the amount of \$122 and to Messrs. Small, Somers and Zollar in the respective amounts of \$836, \$165 and \$122. The imputed income represented the difference between the group rates on these policies and the IRS prescribed coverage values.

*Director's Charitable Award Program.* Effective January 1, 1992, we established the Director's Charitable Award Program. Under this program, each non-employee director, following his or her first election to our Board by our shareholders, was entitled to request that we direct one or more charitable contributions totaling up to \$500,000 to eligible tax exempt organizations. We have elected to fund the Director's Charitable Award Program through the proceeds of second-to-die life insurance policies that we have purchased on the lives of the participating non-employee directors. We are the owner and beneficiary of these policies. Non-employee directors have no rights in these policies or the benefits thereunder.



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Under the terms of these policies, participating non-employee directors are paired and, upon the death of the second paired non-employee director, we use the proceeds of these policies to fund the contributions to the organizations selected by the non-employee directors. At December 31, 2011, eight non-employee directors were participating in the program. For five of these non-employee directors, we paid the full premium on the life insurance policies through which we fund the program prior to 2011. For Messrs. McGuinn, Soderberg and Somers, the premiums paid in 2011 in connection with their participation in this program, which also are reflected in the All Other Compensation column of the Director Compensation Table set forth under the heading Corporate Governance Directors Compensation, were \$26,234, \$28,219 and \$26,234, respectively.

In March 2008, our Board voted to close the Director's Charitable Award Program to future participants (with currently eligible participants under the Director's Charitable Award Program being grandfathered). In addition, we may further amend or terminate the Director's Charitable Award Program at our election at any time. Participating non-employee directors are entitled to change their designated charities at any time.

*Estate Enhancement Program.* Prior to 2002, we maintained The Chubb Corporation Estate Enhancement Program for Non-Employee Directors. This program was offered to non-employee directors as an estate enhancement benefit pursuant to which a participant could exchange deferred compensation for a split-dollar whole-life insurance benefit. The program was designed so that it would be cost neutral to us, with the after-tax cost of the program (including amounts we will receive upon payout of the life insurance benefit) to us being intended to approximate the participant's foregone deferred compensation. During 2011, Mr. Small recognized imputed income of \$1,064 in connection with the premiums paid by him on the insurance policies purchased in connection with his participation in the program.

### **Changes in Director Compensation Policies for 2012**

In the fourth quarter of 2011, the Compensation Consultant undertook a comprehensive review of our non-employee director compensation program to determine whether the level of compensation we pay to our non-employee directors was appropriately positioned compared to the compensation paid to non-employee directors of the peer group of companies described below under the heading Compensation Discussion and Analysis Setting of Executive Compensation. The Compensation Consultant's analysis determined that our overall non-employee director compensation level was well below the median compensation paid to non-employee directors of the companies included within our peer group. The Compensation Consultant, therefore, recommended that our overall non-employee director compensation program be increased by \$30,000, thereby raising it to the median compensation reported in 2011 by the companies in our peer group. The Compensation Consultant also observed that, although above the peer group median, the annual Lead Director stipend was within competitive norms. Therefore, it did not recommend any change to the Lead Director stipend.

Upon the recommendation of our Compensation and Governance Committees, our Board approved increasing the non-employee director annual equity award from \$100,000 to \$130,000 effective January 1, 2012. At the request of Mr. Zimmerman, our Lead Director, and with the concurrence of the Compensation and Governance Committees, our Board reduced the Lead Director stipend from \$50,000 to \$30,000 effective as of January 1, 2012, placing it at the median of the companies in our peer group that provide a lead director stipend.

**Table of Contents****OUR BOARD OF DIRECTORS**

Our Board oversees our business operations, assets, affairs and performance. In accordance with our long-standing practice, each of the director nominees other than our Chief Executive Officer is independent. Set forth below are the name, age, length of service on our Board and principal occupation of each director nominee, together with certain other biographical information and factors considered by our Governance Committee and the Board in nominating each director nominee for election to our Board. Unless otherwise indicated, each nominee has served for at least ten years in the business position currently or most recently held. The age of each director is as of April 24, 2012, the date of the 2012 Annual Meeting.

**ZOË BAIRD BUDINGER** (Age 59)

*Director since 1998*

Zoë Baird Budinger is President of the Markle Foundation, a private philanthropy that focuses on using information and communications technologies to address critical public needs, particularly in the areas of health care and national security. Ms. Baird Budinger's career spans business, government and academia. She has been Senior Vice President and General Counsel of Aetna, Inc., a senior visiting scholar at Yale Law School, counselor and staff executive at General Electric Co., and a partner in the law firm of O'Melveny and Myers. She was Associate General Counsel to President Jimmy Carter and an attorney in the Office of Legal Counsel of the Department of Justice. She served on President Clinton's Foreign Intelligence Advisory Board from 1993 - 2001 and on the International Competition Policy Advisory Committee to the Attorney General. Ms. Baird Budinger served on the Technology & Privacy Advisory Committee to the Secretary of Defense in 2003 - 2004, which advised on the use of technology to counter terrorism. She is on a number of non-profit and corporate boards, including Boston Properties, and Brookings Institution, among others.

In selecting Ms. Baird Budinger as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Ms. Baird Budinger's outside board service and business activities, including her knowledge of the insurance industry, legal matters, public policy matters, governmental affairs and information technology.

**SHEILA P. BURKE** (Age 61)

*Director since 1997*

Faculty Research Fellow, Malcolm Wiener Center for Social Policy, Member of Faculty, J.F. Kennedy School of Government, Harvard University since 2007. Senior Public Policy Advisor, Baker, Donelson, Bearman, Caldwell & Berkowitz from 2009 to present. From 2004 - 2007 Deputy Secretary and Chief Operating Officer, Smithsonian Institution. Ms. Burke previously was Under Secretary for American Museums and National Programs, Smithsonian Institution, from June 2000 to December 2003 and Executive Dean and Lecturer in Public Policy of the John F. Kennedy School of Government, Harvard University, from November 1996 until June 2000. Ms. Burke served as Chief of Staff to the Majority Leader of the U.S. Senate from 1985 - 1996. Ms. Burke also serves on a number of non-profit and corporate boards including Wellpoint Inc., the Kaiser Commission on the Future of Medicaid and Uninsured, the Georgetown University School of Nursing and Health Sciences, and the Association of American Medical Colleges. Ms. Burke is also a member of the Council of the Institute of Medicine, National Academy of Sciences.

In selecting Ms. Burke as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Ms. Burke's outside board service and business activities, including her knowledge of public policy matters and governmental affairs.

**Table of Contents****JAMES I. CASH, JR.** (Age 64)*Director since 1996*

The James E. Robison Emeritus Professor of Business Administration, Harvard University. Dr. Cash was a member of the Harvard Business School faculty from July 1976 to October 2003. He also serves on the boards of General Electric Company and Wal-Mart. He owns a private company - The Cash Catalyst, LLC - and serves as a Special Advisor or Director of several private companies including Highland Capital Partners, Verne Global, Deutsche Bank of the Americas, The Green Exchange, Grain Communications and Veracode. Dr. Cash also serves on the non-profit boards of the National Association of Basketball Coaches Foundation, The Smithsonian Museum of African-American History and Culture and the Bert King Foundation.

In selecting Dr. Cash as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Dr. Cash's outside board service and business experience, including his knowledge of information technology, strategic planning and international business operations.

**JOHN D. FINNEGAN** (Age 63)*Director since 2002*

President and Chief Executive Officer of The Chubb Corporation since December 2002 and Chairman since December 2003. Mr. Finnegan previously had been Executive Vice President of General Motors Corporation, which is primarily engaged in the development, manufacture and sale of automotive vehicles, and Chairman and President of General Motors Acceptance Corporation, a finance company and subsidiary of General Motors Corporation, from May 1999 to December 2002. He was Vice President and Group Executive of General Motors and also President of General Motors Acceptance Corporation from November 1997 to April 1999. Mr. Finnegan was associated with General Motors Corporation from 1976 to December 2002. Mr. Finnegan also serves on the Board of Directors of the National Association of Basketball Coaches Foundation.

In selecting Mr. Finnegan as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Finnegan's role as our Chief Executive Officer and his extensive experience in the financial services industry as well as the perspective he has gained through his outside board service and business activities.

**LAWRENCE W. KELLNER** (Age 53)*Director since 2011*

Mr. Kellner is President of Emerald Creek Group, LLC, a private equity firm. He served as Chairman and Chief Executive Officer of Continental Airlines, Inc. from December 2004 through December 2009. He served as President and Chief Operating Officer of Continental Airlines from March 2003 to December 2004, as President from May 2001 to March 2003 and was a member of Continental Airlines' board of directors from May 2001 to December 2009. He serves on the board of directors for The Boeing Company and Marriott International, Inc. He is active in numerous community and civic organizations and currently serves on a number of boards including the Greater Houston Partnership and the Rice University Board of Trustees.

In selecting Mr. Kellner as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Kellner's outside board service and business activities, including his roles as Chairman and Chief Executive Officer and Chief Financial Officer of a major public company.

**Table of Contents****MARTIN G. McGUINN** (Age 69)*Director since 2007*

Chairman and Chief Executive Officer of Mellon Financial Corporation from January 1999 until February 2006. Mr. McGuinn held a number of positions during his 25 years at Mellon. Mr. McGuinn was Chairman of the Financial Services Roundtable in 2003. He served as the 2005 President of the Federal Reserve Board's Advisory Council. Mr. McGuinn serves on the Boards of Celanese Corporation and is Chairman of their Audit Committee, iGate Corporation and is Chairman of their Compensation Committee, and is a member of the Advisory Board of CapGen Financial. Mr. McGuinn also serves on several nonprofit boards, including the Carnegie Museums of Pittsburgh and the University of Pittsburgh Medical Center and he is Chairman of the Carnegie Museum of Art. In selecting Mr. McGuinn as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. McGuinn's outside board service and business activities, including his role as Chairman and Chief Executive Officer of a major public financial services company.

**LAWRENCE M. SMALL** (Age 70)*Director since 1989*

Former Secretary of the Smithsonian Institution, the world's largest museum and research complex, a position he held from 2000 to 2007. Mr. Small previously had been President and Chief Operating Officer of Fannie Mae from 1991 to 2000. Before joining Fannie Mae, he served as Vice Chairman and Chairman of the executive committee of the boards of directors of Citicorp and Citibank, where he worked for 27 years. He currently also serves as a director on the boards of Marriott International and New York City's Spanish Repertory Theatre. In selecting Mr. Small as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Small's outside board service and business activities, including his senior leadership roles at major public financial services companies and a government institution.

**JESS SØDERBERG** (Age 67)*Director since 2007*

Retired from A.P. Moller-Maersk in November 2007. Mr. Søderberg was Partner and Group CEO of A.P. Moller-Maersk since 1994. He joined the company after graduating with an MBA from the Copenhagen Business School in 1969, and has since held a number of senior financial positions in both the USA and Denmark. Mr. Søderberg was a member of JP Morgan Chase's International Council until 2007, is a member of Danske Bank's Advisory Board, is the Vice Chairman of the board of Carlsberg A/S, is Chairman of Carlsberg A/S's audit committee, and an adviser to Permira (a major international equity fund). Mr. Søderberg is honored as a Knight 1st Degree of the Order of Dannebrog and the Chilean Order of Bernardo O'Higgins. In selecting Mr. Søderberg as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Søderberg's outside board service and business activities, including his role as Chief Executive Officer of a major public company and his expertise in international business operations.

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***DANIEL E. SOMERS*** (Age 64)

*Director since 2003*

Vice Chairman of Blaylock and Partners LP, an investment banking firm, from January 2002 until September 2007. Mr. Somers previously had been President and Chief Executive Officer of AT&T Broadband, a provider of cable and broadband services, from December 1999 to October 2001, and Senior Executive Vice President and Chief Financial Officer at AT&T Corp., a telecommunications company, from May 1997 to December 1999. Mr. Somers served on the board of The Lubrizol Corporation until February 2007.

In selecting Mr. Somers as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Somers' outside board service and business activities, including his role as Chief Financial Officer of a major public company.

***JAMES M. ZIMMERMAN*** (Age 68)

*Director since 2008*

Retired Chairman and Chief Executive Officer of Federated Department Stores, Inc. (Macy's). Mr. Zimmerman was Chairman of the Board from February 2003 until January 2004, Chairman and Chief Executive Officer from May 1997 to February 2003, and President and Chief Operating Officer from March 1988 to May 1997. He began his career with Federated in 1965 after graduating from Rice University in Houston, Texas. Mr. Zimmerman is also a director of Fossil, Inc., Furniture Brands International Inc. and serves on the boards of several private for profit companies and not for profit community organizations.

In selecting Mr. Zimmerman as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Zimmerman's outside board service and business activities, including his role as Chairman and Chief Executive Officer of a major public company.

***ALFRED W. ZOLLAR*** (Age 57)

*Director since 2001*

Founder and Managing Partner, AWZ Tech, LLC since January 2011. Former General Manager, Tivoli Software, IBM Corporation, which manufactures and sells computer services, hardware and software, from July 2004 until retirement in January 2011. Mr. Zollar previously had been General Manager, eServer iSeries, IBM Corporation, from January 2003 to July 2004; General Manager, Lotus Software, which designs and develops business software and was a subsidiary of IBM Corporation, from January 2000 to January 2003; General Manager, Network Computing Software Division, IBM Corporation from 1998 to 2000 and General Manager, Network Software, IBM Corporation, from 1996 to 1998.

In selecting Mr. Zollar as a director nominee, our Nominating Committee and Board considered the factors set forth under the heading Corporate Governance - Director Qualifications and Candidate Considerations. In addition, the Nominating Committee and the Board considered Mr. Zollar's outside board service and business activities, including his experience with product management and information technology matters.

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**COMMITTEE ASSIGNMENTS**

Our Board has established the five committees described above under the headings Corporate Governance Audit Committee, Compensation Committee, Executive Committee, Finance Committee, and Governance Committee to assist our Board in fulfilling its responsibilities. The charter for each of our Audit, Compensation and Governance Committees, which are available on our website at [www.chubb.com/investors](http://www.chubb.com/investors), requires that all members satisfy the independence requirements of the NYSE. Our Governance Committee annually considers committee assignments, with appointments being effective as of the date of the annual meeting of shareholders. Current members of our committees are identified below:

**Audit Committee**

Daniel E. Somers (Chair)

Zoë Baird Budinger

Lawrence W. Kellner

Martin G. McGuinn

Jess Söderberg

Alfred W. Zollar

**Compensation Committee**

Martin G. McGuinn (Chair)

James I. Cash, Jr.

James M. Zimmerman

Alfred W. Zollar

**Executive Committee**

John D. Finnegan (Chair)

James I. Cash, Jr.

Martin G. McGuinn

Daniel E. Somers

James M. Zimmerman

**Finance Committee**

John D. Finnegan (Chair)

Sheila P. Burke

Lawrence W. Kellner



Jess Söderberg

**Governance Committee**

James I. Cash, Jr. (Chair)

Sheila P. Burke

Zoë Baird Budinger

Lawrence M. Small

Daniel E. Somers

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**AUDIT COMMITTEE REPORT**

**Purpose**

Our Audit Committee was formed by our Board to assist it in overseeing:

the integrity of our financial statements;

our compliance with legal and regulatory requirements;

the independence and qualifications of our independent auditor;

the performance of our internal auditors and independent auditor; and

other significant financial matters.

**Composition and Meetings**

At December 31, 2011, our Audit Committee was comprised of six directors, each of whom our Board determined to be independent and each of whom satisfied the applicable legal and regulatory independence requirements. Mr. Somers served as the Chairman of our Audit Committee during 2011 and our Board designated him, together with Messrs. McGuinn and Soderberg, as our audit committee financial experts. Information regarding the respective experience of Messrs. McGuinn, Soderberg and Somers is set forth under the heading "Our Board of Directors."

Our Governance Committee and the full Board consider Audit Committee membership annually. Committee appointments are effective as of the date of the annual meeting of shareholders. In addition to Messrs. McGuinn, Soderberg and Somers, Ms. Baird Budinger and Messrs. Kellner and Zollar currently serve on our Audit Committee. Our Audit Committee met eight times during 2011.

**Charter and Self-Assessment**

Our Audit Committee operates pursuant to its written charter, which is available on our website at [www.chubb.com/investors](http://www.chubb.com/investors). The Audit Committee Charter has been approved by our Audit Committee and our Board and it is subject to review at least annually. It was last revised in February 2011.

Pursuant to its charter, our Audit Committee performs an annual self-assessment. For 2011, our Audit Committee concluded that, in all material respects, it had fulfilled its responsibilities and satisfied the requirements of its charter and applicable laws and regulations.

**Appointment of Independent Auditor**

Under its charter, our Audit Committee, among other things, is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for us. Our Audit Committee has appointed Ernst & Young LLP to serve as independent auditor. Our Audit Committee has recommended to our Board that Ernst & Young's appointment as independent auditor be submitted for ratification by our shareholders. This matter is described under the heading "Proposal 2 Ratification of Appointment of Independent Auditor."

**Review of Financial Information**

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Management is responsible for our internal controls over the financial reporting process and the independent auditor is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report on its audit. Our Audit Committee is charged with overseeing and monitoring these activities on behalf of our Board. During 2011 and the first quarter of 2012, our Audit Committee reviewed and discussed with management and the independent auditor our quarterly financial statements and our audited consolidated financial statements for the year ended December 31, 2011.

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Our Audit Committee discussed with the independent auditor the matters required to be discussed by the statement on Auditing Standards No. 114, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

### **Auditor Independence**

Our Audit Committee has received the written disclosures and the letter from the independent accountant required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

### **Inclusion of Consolidated Financial Statements in the 2011 10-K**

Based on the foregoing, our Audit Committee recommended to our Board that the audited consolidated financial statements be included in the 2011 10-K filed with the SEC.

The foregoing report has been furnished by the following members of our Board who comprise our Audit Committee:

Daniel E. Somers (Chair)  
Zoë Baird Budinger  
Lawrence W. Kellner

Martin G. McGuinn  
Jess Sjøderberg  
Alfred W. Zollar

**This Audit Committee Report shall not be deemed to be soliciting material, to be filed with the SEC, subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material, nor shall it be incorporated by reference into any document filed under the Securities Act of 1933, as amended (Securities Act), or the Exchange Act unless we specifically incorporate it by reference.**

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**COMPENSATION COMMITTEE REPORT**

Our Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included under the heading Compensation Discussion and Analysis pursuant to Item 402(b) of SEC Regulation S-K.

Based upon the review and discussion described in the preceding paragraph, our Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in our proxy statement on Schedule 14A prepared in connection with the 2012 Annual Meeting and that the Compensation Discussion and Analysis be incorporated by reference into the 2011 10-K for the year ended December 31, 2011.

The foregoing report has been furnished by the following members of our Board who comprise our Compensation Committee:

Martin G. McGuinn (Chair)  
James I. Cash, Jr.

James M. Zimmerman  
Alfred W. Zollar

**This Compensation Committee Report shall not be deemed to be soliciting material, to be filed with the SEC, subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that the information be treated as soliciting material, nor shall it be incorporated by reference into any document filed under the Securities Act or the Exchange Act unless we specifically incorporate it by reference.**

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**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis describes the 2011 compensation program for our NEOs. During 2011, our executive management team consisted of the following NEOs:

John D. Finnegan, Chief Executive Officer;

Richard G. Spiro, Chief Financial Officer;

Paul J. Krump, President of Commercial and Specialty Lines;

Dino E. Robusto, President of Personal Lines and Claims; and

Harold L. Morrison, Jr., Chief Global Field Officer and Chief Administrative Officer.

**2011 Executive Summary**

We had strong operating results in 2011. Despite suffering a record level of natural catastrophe losses of more than \$1 billion, we produced \$1.7 billion in net income and generated strong underwriting profits. Our combined loss and expense ratio (combined ratio), the key measure of underwriting profitability in the property and casualty insurance industry, was 95.3%. In 2011, we also produced an attractive return on equity, increased our book value per share by approximately 9% and returned over \$2.2 billion of capital to shareholders through our share repurchase program and regular dividends.

Our relative performance compared to other U.S. property and casualty insurers was also strong. For example, based upon a February 2012 estimate published by a worldwide insurance-rating and information agency, our 2011 combined ratio was more than 1,200 basis points (i.e., 12 percentage points) better than the industry average in the U.S. We achieved this result through disciplined underwriting and a focus on bottom line profitability while maintaining our commitment to superior customer service as demonstrated by the continued high marks we received in industry claims handling surveys. With respect to stock performance, our 2011 total shareholder return, or TSR (stock price appreciation plus dividends), was 17.8% compared to the TSR of -0.7% based on the 15 day average of the Standard & Poor 500 Index (S&P 500).

The key components of our executive compensation program have remained substantially the same for several years. We believe that the structure and mix of this program, as summarized in the following table, have been instrumental to our ability to attract and retain key talent while also ensuring that our executive pay is directly correlated to our performance.

- (1) Annual cash incentive compensation awards under the 2011 Annual Incentive Plan (i) are tied to the achievement of business and individual performance goals; and (ii) can be reduced to zero.

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- (2) Performance unit awards (i) are tied to the relative performance of our stock versus the S&P 500 (price change and dividends); and (ii) closely align the interests of senior management and our other long-term shareholders. The value of RSU awards is tied to the absolute change in our stock price and the three-year cliff vesting structure of these awards closely aligns the interests of management and our other long-term shareholders.

Notable compensation actions in 2011 were:

*Salary Adjustments.* In recognition of his strong performance during 2010, our Compensation Committee increased Mr. Spiro's annual salary by 3% to \$811,125, effective April 1, 2011. In connection with the January 2011 promotions of Messrs. Krump, Robusto and Morrison to the positions of President of Commercial and Specialty Lines, President of Personal Lines and Claims and Chief Administrative Officer, respectively, our Compensation Committee increased annual salaries for Mr. Krump by 21% to \$700,000, for Mr. Robusto by 37% to \$700,000 and for Mr. Morrison by 18% to \$600,000. Our Compensation Committee did not adjust Mr. Finnegan's annual salary during 2011.

*Annual Non-Equity Incentive Compensation.* While we produced strong operating income in 2011 (the basis upon which the 2011 annual non-equity incentive compensation pool was calculated under our 2011 Annual Incentive Plan as described in more detail below), our adjusted operating income was approximately 16.3% lower than in 2010, due largely to the record amount of natural catastrophe losses we suffered in 2011. Consequently, the overall 2011 annual non-equity incentive compensation pool was also 16.3% lower than in 2010.

*Performance Units.* For performance units granted to our NEOs and other senior officers in February 2009, the three-year performance cycle ended December 31, 2011. Our TSR (the performance metric applicable to the 2009 performance unit awards as described in more detail below) was 51.7% during this performance cycle. During this same period, the median TSR for the companies in the S&P 500 against whom our performance was benchmarked was 61.3%. The difference in the relative TSRs is largely attributable to the partial recovery in 2009 of the benchmark companies from the precipitous stock price drops they suffered late in 2008 during the wide-spread financial crisis. In contrast, our stock price remained relatively stable during this period. In 2009, the benchmark companies experienced significant growth in TSR attributable to the above mentioned stock market recovery. Our significant TSR outperformance relative to the benchmark companies in 2010 (25.6% compared to 18.5%) and again in 2011 (17.8% compared to -0.7%) was not sufficient to overcome the partial recovery in 2009 of the benchmark companies from their year-end 2008 depressed levels. Consequently, for the full 2009-2011 performance period, our TSR was lower than the median TSR for the benchmark companies. Our performance ranked in the 43.7 percentile of the companies in the S&P 500 during the performance cycle and resulted in below target payouts for the performance unit awards. Specifically, the 2009 performance unit award payouts were 12.6% below the grant date targets for each recipient of these awards, including each of our NEOs.

**Overall Executive Compensation Philosophy and Objectives**

The property and casualty insurance industry is comprised of hundreds of companies vying for part of the multibillion-dollar market for personal, commercial and specialty lines of insurance coverage. Within this competitive environment, we are considered to be one of the world's preeminent insurers, offering extensive business and personal insurance solutions globally. We distinguish ourselves with an approach that focuses on providing premier customer service, quality underwriting and highly disciplined cost management. It is imperative to our success and long-term viability that our business continues to be managed by highly experienced, focused and capable executives who possess the dedication to oversee our global organization on a day-to-day basis and have the vision to anticipate and respond to market developments. It is also important that we concentrate on retaining and developing the capabilities of our emerging leaders to ensure that we continue to have an appropriate depth of executive talent.

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Our executive compensation program is intended to attract, reward and retain a management team with the individual and collective abilities that fit our profile described above. With this philosophy in mind, our executive compensation program is intended to motivate our employees to achieve the following objectives:

enhance our market reputation as a provider of the highest quality customer service;

attain superior financial performance, in both the short- and long-term;

take accountability for the performance of the business units and functions for which they are responsible; and

make decisions about our business that will maximize long-term shareholder value.

As discussed more fully below, the components of our executive compensation program support and reward achievement of our annual operating plan and long-term business goals. Specifically, compensation decisions for our NEOs are linked to corporate goals based on financial results (merit-based salary increases and annual non-equity incentive compensation awards), absolute stock price appreciation (restricted stock units (RSUs)) and a combination of TSR relative to the companies in the S&P 500 and absolute stock price appreciation (performance unit awards).

**Setting of Executive Compensation**

Our Compensation Committee is responsible for establishing the philosophy and objectives that underlie our executive compensation program and guiding its design and administration. Additional information on the structure, scope of authority and operation of our Compensation Committee, as well as the roles of the Compensation Consultant and management in determining compensation, is set forth under the heading Corporate Governance Compensation Committee.

**Market Data**

Our Compensation Committee, with the assistance of the Compensation Consultant, reviews the compensation of similarly situated officers of a representative peer group of companies on an annual basis to ensure that our executive compensation program is competitive with the companies with which we believe we compete for executive talent. The overall peer group is comprised of companies similar in size and scope to us within the property and casualty and broader insurance industries as well as the financial services industry. In 2011, the 19 companies comprising our peer group were:

ACE Ltd.	CNA Financial Corp.	Prudential Financial, Inc.
Aetna, Inc.	Genworth Financial, Inc.	Principal Financial Group, Inc.
Aflac, Inc.	Hartford Financial Services Group Inc.	State Street Corp.
Allstate Corp.	Lincoln National Corp.	The Travelers Companies, Inc.
Bank of New York Mellon Corp.	MetLife, Inc.	XL Capital Ltd.
BB&T Corp.	PNC Financial Svcs Grp, Inc.	
Cigna Corp.	Progressive Corp.	

Our Compensation Committee has established what it believes to be challenging performance goals both on an absolute basis and relative to our peers, with an emphasis on our property and casualty insurance industry peers. Our emphasis on long-term performance-based compensation supports our need for executives to maintain a longer-term focus on our business, while merit-based salary increases and annual non-equity incentive compensation reward the delivery of strong annual results. Total compensation for our NEOs is targeted between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of our peer group of companies, combined salary and annual non-equity incentive compensation is generally targeted at the median of our peer group of companies and long-term incentive awards are targeted between the 50<sup>th</sup> and 75<sup>th</sup> percentiles.

Total actual compensation is a function of our actual performance measured against the performance goals established by our Compensation Committee. For 2011, Mr. Finnegan's total actual compensation slightly exceeded the 75<sup>th</sup> percentile as a result of his individual performance as



well as our strong absolute and relative

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performance. Mr. Spiro's total actual compensation for 2011 slightly exceeded the 75<sup>th</sup> percentile, reflective of the external market for attracting his superior talent, his excellent performance and our strong financial results. With respect to Messrs. Krump, Robusto and Morrison, their respective total actual compensation packages were close to the 25<sup>th</sup> percentile for the named executive officers of other companies within our peer group.

### ***Individual Performance***

Our executive compensation program provides our Compensation Committee with the flexibility to make annual compensation decisions based on individual performance. Specifically, our program is designed to provide our Compensation Committee with the ability to adjust individual compensation, significantly in some cases, to the extent the executive achieves, or fails to achieve, individual annual performance goals and strengthens his or her competencies, performance and potential over a longer period. Our Compensation Committee believes that this flexibility is imperative to reward and recognize the key skills, talents and contributions to annual performance and overall long-term company success.

Each year, our Compensation Committee evaluates Mr. Finnegan's performance. Mr. Finnegan, in turn, presents our Compensation Committee with his evaluation of each of the other NEOs, which includes a review of contributions and performance over the prior year, strengths, weaknesses, development plans, succession potential and compensation recommendations. Our Compensation Committee then makes a final determination of compensation amounts for each NEO with respect to each of the elements of the executive compensation program for actual compensation relative to the preceding year and target compensation for the current year.

### ***Tally Sheets***

Our Compensation Committee reviews tally sheets prepared by management on an annual basis. The tally sheets set forth all components of our NEOs' compensation, including annual salary, annual non-equity incentive compensation, equity incentive awards, benefits and perquisites, retirement plan accruals and total payments upon various termination scenarios. Our Compensation Committee uses these tally sheets to confirm that it has a full understanding of our NEOs' comprehensive compensation packages.

### ***Assessment of Compensation Programs***

During 2011 and the first quarter of 2012, with the assistance of the Compensation Consultant, our Compensation Committee performed an assessment of the primary components of our executive compensation program—annual salary, annual non-equity incentive compensation and long-term equity incentive awards. Our Compensation Committee reviewed each component from an internal perspective, including the alignment of our overall executive compensation philosophy and objectives to our business strategy, and from an external perspective, which considered our peer group and evolving market trends. While the Compensation Committee, in consultation with the Compensation Consultant, modified the structure of our long-term equity incentive program for future awards to senior management (see the information set forth under the heading "Compensation Discussion and Analysis—Changes in Executive Compensation Program for 2012"), the Compensation Committee concluded that our overall 2011 executive compensation program was aligned with our business strategy of emphasizing operating income and shareholder return and reflected market practices in terms of incentive mix, metrics and equity use. Based on the assessment, our Compensation Committee determined that these components of our executive compensation program did not encourage inappropriate risk-taking by our NEOs.

In reaching this conclusion, our Compensation Committee noted that:

The financial performance objectives of our annual non-equity incentive program are the budgeted objectives that are reviewed and approved by our Compensation Committee.

We generally use the same financial performance measures under our 2011 Annual Incentive Plan for our NEOs that we use for all other plan participants.

Our variable compensation awards (annual non-equity incentives and long-term incentives in the form of performance units and RSUs) are based on formulaic allocations and are granted at the discretion of our Compensation Committee.



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We have a recoupment policy that requires the repayment of any bonus or other incentive-based or equity-based compensation in certain circumstances.

A substantial component of our NEOs' annual compensation is in the form of performance units that are subject to a three-year performance cycle, which mitigates excessive short-term risk taking.

Our NEOs hold a significant amount of their personal wealth in the form of our stock. Accordingly, they would be personally impacted by the potential consequences of inappropriate or unnecessary risk-taking.

We balance short- and long-term decision making with the annual non-equity incentive program and equity awards that vest over three years.

In addition to the risk assessment of the compensation programs in which our NEOs participate, in December 2011, our Compensation Committee undertook a risk analysis of our other compensation programs and determined that these compensation programs do not create any risk that is reasonably likely to have a material adverse effect on us.

### ***Role of Shareholder Say-on-Pay Votes***

We provide our shareholders with the opportunity to cast an annual advisory vote on our executive compensation program for our NEOs (referred to as a "say-on-pay" proposal). At our annual meeting of shareholders held in April 2011, 95% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the compensation paid to our named executive officers. Our Compensation Committee believes that this affirms our shareholders' support for our compensation program for our NEOs. Accordingly, the Compensation Committee did not make any changes to our executive compensation program as a result of the voting outcome of the 2011 say-on-pay proposal. Our Compensation Committee will continue to consider the outcome of our shareholders' votes on say-on-pay proposals when making future decisions on our compensation program for our NEOs.

### **Tax Policies**

Section 162(m) of the Internal Revenue Code limits to \$1 million per year the federal income tax deduction to public corporations for compensation paid for any fiscal year to the Chief Executive Officer and the three most highly compensated executive officers (other than the CFO) as of the end of the fiscal year as determined in accordance with the Exchange Act. This limitation does not apply to qualifying performance-based compensation. Our Compensation Committee has designed our annual non-equity incentive compensation awards and performance unit awards to qualify for the performance-based compensation exception to the \$1 million limit. In establishing targets for meeting the performance-based compensation exception, our Compensation Committee anticipated using negative discretion in calculating final incentive payouts. In addition, our NEOs (other than Mr. Spiro) generally are required to defer compensation that would not otherwise be deductible. Due to guidance issued in 2007 by the Internal Revenue Service (IRS), the compensation of Mr. Spiro, our principal financial officer for 2011, was not subject to the Section 162(m) limitation on deductibility.

Our Compensation Committee believes that our shareholders are best served by not restricting our Compensation Committee's discretion and flexibility in crafting compensation plans and arrangements, such as annual salaries and RSU awards, even though they may result in certain non-deductible compensation expenses. Accordingly, our Compensation Committee may from time to time approve elements of compensation for one or more of our NEOs that are not fully deductible and reserves the right to do so in the future.

### **Components of Executive Compensation**

Our executive compensation program consists of annual and long-term compensation and company-sponsored benefit plans. Each component is designed for a specific purpose and contributes to an overall total compensation package that is competitive, predominantly performance-based and valued by our executives.

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### ***Annual Salary***

Annual salary is designed to provide a fixed level of compensation to our NEOs based on their roles, skills, background and market data, as well as to retain their services. Annual salaries are generally targeted at the median of our peer group because we want to provide attractive and competitive levels of compensation to ensure our ability to attract and retain superior talent. In addition to considering peer group data, individual performance and contributions, our Compensation Committee determines annual salaries based upon the skills, knowledge and competencies of each NEO, as reviewed and recommended annually by Mr. Finnegan (for all NEOs other than himself). Setting of annual salaries is important because each NEO's target annual non-equity incentive compensation is then developed based on annual salary levels.

In February 2011, our Compensation Committee reviewed annual salaries for each of our NEOs based upon the above factors. Our Compensation Committee did not increase Mr. Finnegan's annual salary for 2011. In recognition of his strong performance during 2010, our Compensation Committee approved a 3% increase to Mr. Spiro's annual salary, effective as of April 1, 2011. In addition, effective January 1, 2011, annual salaries for Messrs. Krump, Robusto and Morrison were increased by 21%, 37% and 18%, respectively, in connection with their January 2011 promotions to the positions of President of Commercial and Specialty Lines, President of Personal Lines and Claims and Chief Administrative Officer, respectively. Accordingly, the 2011 annual salaries for Messrs. Finnegan, Spiro, Krump, Robusto and Morrison were set at \$1,325,000, \$811,125, \$700,000, \$700,000 and \$600,000, respectively.

### ***Annual Non-Equity Incentive Compensation***

Our 2011 Annual Incentive Plan is designed to support our compensation strategy by linking a significant portion of total annual cash compensation to the achievement of critical business goals on an annual basis. All of our salaried employees, including our NEOs, are eligible to participate in the 2011 Annual Incentive Plan.

*Incentive Opportunity.* As discussed under the heading Compensation Discussion and Analysis Setting of Executive Compensation, baseline opportunities for annual non-equity incentive compensation awards (combined with annual salary) are generally set at the median for executives with commensurate positions at our peers. Our Compensation Committee establishes the range of potential payments for Mr. Finnegan's annual non-equity incentive compensation based upon its analysis of market data from our peer group of companies, advice from the Compensation Consultant and subject to the minimum annual non-equity incentive compensation award target of approximately \$1.7 million as provided for in his employment agreement. For the other NEOs, our Compensation Committee establishes the annual non-equity incentive compensation payment range after taking into consideration Mr. Finnegan's recommendations, advice from the Compensation Consultant and market data from our peer group of companies. For information regarding the potential ranges of awards under the 2011 Annual Incentive Plan for our NEOs in 2011, see the information set forth under the heading Executive Compensation Grants of Plan-Based Awards. For 2011, the respective target awards for Messrs. Finnegan, Spiro, Krump, Robusto and Morrison were \$2,120,000, \$973,400, \$840,000, \$840,000 and \$600,000.

*Performance Goal.* Since 2007, annual non-equity incentive compensation awards have been earned based on our adjusted operating income. We define adjusted operating income as net income excluding after-tax realized investment gains and losses and adjusted to account for the loss of investment income attributable to our repurchase of shares of our common stock. Our Compensation Committee believes that adjusted operating income provides an effective means of directly linking executive compensation to our shareholders' interests. We adjust for investment income so that the calculation is not distorted by the impact of our continuing efforts to return excess capital to shareholders through our share repurchase program.

*Pool Funding.* Each year we fund an aggregate award pool for all 2011 Annual Incentive Plan participants in an amount equal to 8.8% of adjusted operating income subject to a minimum funding condition that requires us to achieve operating income greater than 50% of the prior year's operating income. This means that each percentage increase or decrease in 2011 adjusted operating income relative to 2010 adjusted operating income resulted in a proportional increase or decrease in the 2011 annual non-equity incentive compensation award pool, thus providing a direct link between incentive payouts and year over year performance.

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*Performance Multiplier.* Actual non-equity incentive compensation awards for our NEOs are calculated by applying a performance multiplier to each NEO's baseline opportunity. The performance multiplier is derived by dividing the total annual non-equity incentive compensation award pool by the total baseline opportunities for all participants covered by the 2011 Annual Incentive Plan.

*Incentive Payouts.* Adjusted operating income in 2011 was \$1.7 billion, which was approximately 16.3% lower than 2010 adjusted operating income of \$2.1 billion. This created a 2011 award pool of approximately \$154 million, 16.3% lower than the 2010 award pool. Consequently, the respective non-equity incentive compensation awards to Messrs. Finnegan and Spiro were lower than the awards they received relative to their 2010 performance. For 2011, Messrs. Finnegan and Spiro were awarded \$3,100,000 and \$1,282,300, respectively. In light of their 2011 promotions and their excellent individual performance, 2011 non-equity incentive compensation awards for Messrs. Krump, Robusto and Morrison were \$1,106,700, \$1,106,700 and \$790,500, respectively.

The incentive payouts for our NEOs who are subject to the \$1 million compensation limit under Section 162(m) of the Internal Revenue Code are below their respective targets established by our Compensation Committee to meet the performance-based compensation exception.

***Long-Term Equity Incentive Awards***

*Equity Incentive Awards.* In April 2009, our shareholders approved the adoption of the 2009 LTIP. Long-term equity incentive awards made pursuant to the 2009 LTIP are designed to support several of our compensation objectives, including:

placing a significant portion of total compensation at risk;

linking long-term performance-based awards with shareholder value; and

retaining our highly-skilled and valued senior management.

All employees at or above the level of Assistant Vice President, including our NEOs, are eligible to participate in our long-term equity incentive award program. Target long-term equity incentive awards are designed to achieve our desired competitive market position of being between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of our peer group of companies and are commensurate with the individual's level within our organization. For 2011, the target long-term equity incentive awards for Messrs. Finnegan, Spiro, Krump, Robusto and Morrison were \$7,600,000, \$2,650,000, \$1,200,000, \$1,200,000 and \$900,000, respectively. These target levels were determined based on analysis of data provided by our Compensation Consultant regarding the compensation levels and related information of our peer group of companies.

Annual equity incentive awards to our NEOs are in the form of performance units and RSUs. Consistent with our emphasis on performance-based compensation, for officers at or above the level of Senior Vice President, including our NEOs, performance units generally constitute 75% of the annual equity award, while RSUs generally constitute the remaining 25%. We believe our emphasis on performance-based long-term equity incentive awards is consistent with the practice of our peer group of companies.

Our Compensation Committee manages the potential dilutive effect of equity incentive awards by monitoring our run rate—the number of shares granted as a percentage of our fully diluted common shares outstanding—relative to our peer group of companies. Our Compensation Committee also evaluates guidelines used by certain institutional advisory services and considers advice from the Compensation Consultant. Our annual run rate was approximately 0.5% in 2011, which we believe is conservative relative to the practices of our peer group of companies. Our conservative run rate is primarily attributable to the fact that fewer full-value shares are needed to provide a target award value in the form of performance units and RSUs than would be required for an award of stock options as well as our limited participation levels.

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**Performance Units.** Performance units are intended to motivate our senior officers to achieve superior TSR versus the companies in the S&P 500 over a three-year performance period. The value of performance units is directly linked to the total return delivered to our shareholders, thus motivating our senior officers to deliver superior returns over an extended performance period. Performance units also support retention because they are subject to forfeiture if the recipient's employment terminates before the shares are settled for any reason other than death, disability, retirement or with the consent of our Compensation Committee.

The number of performance units earned for each three-year performance period can vary from 0% to 200% of the original target award based on our relative TSR versus S&P 500 companies as follows:

TSR Percentile	
Ranking	Percent of Target Shares Earned
85 <sup>th</sup> & higher	200%
50 <sup>th</sup>	100%
25 <sup>th</sup>	50%
Below 25 <sup>th</sup>	0%

For relative performance between the 25th and 85th percentiles, the number of shares earned is determined by multiplying the relative percentile of comparative performance achieved by two. The final dollar value of each recipient's performance unit award is also dependent on the price of our common stock at the award's settlement date, thus providing an additional link to shareholders' interests and providing our senior officers with significant value potential based on our results. We do not accrue or pay dividend equivalents on outstanding performance units during the performance period.

The performance period for the performance units granted in 2009 ended on December 31, 2011. Our TSR over the performance period was 51.7%, which positioned us at the 43.7 percentile of the companies in the S&P 500. Based on the performance scale above, each of our NEOs, like all recipients of 2009 performance units who did not forfeit such awards due to termination of their employment, received in February 2012 the number of shares of common stock equal to 87.4% of the respective target number of performance units granted in 2009. Information regarding the vesting of each NEO's respective 2009 performance unit award is set forth under the heading "Executive Compensation - Option Exercises and Stock Vested."

The number and grant date fair value of performance units granted to our NEOs in 2011 for the performance period running from January 1, 2011 to December 31, 2013 is set forth under the heading "Executive Compensation - Grants of Plan-Based Awards."

In 2012, the Compensation Committee approved modifications of the performance unit award structure for future grants made under the 2009 LTIP. For additional details, see the information under the heading "Compensation Discussion and Analysis - Changes in Executive Compensation Program for 2012."

**RSUs.** RSUs are intended to align management's interests with those of our shareholders and serve as a strong retention tool for key employees. Like performance units, RSUs support retention because they are subject to forfeiture if the recipient's employment terminates before the shares are settled for any reason other than death, disability, retirement or with the consent of our Compensation Committee. RSU award recipients receive dividend equivalents at the same time and in the same amount as dividends are paid on our common stock. The number and grant date value of RSUs granted to NEOs in 2011 is set forth under the heading "Executive Compensation - Grants of Plan-Based Awards."

**Stock Options.** We discontinued the use of stock options as part of our core long-term equity incentive award program in 2004. However, we still utilize stock option grants as a means of providing tax-efficient equity awards to certain internationally-based employees.

**Equity Grant Practices.** Our Compensation Committee approves and grants annual equity awards at a regularly scheduled meeting in the first quarter of each year based on market data from our peer group of companies, advice from the Compensation Consultant and recommendations from Mr. Finnegan for the other

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NEOs. There is no relationship between the timing of equity incentive award grants and our release of material, non-public information. Although our Compensation Committee has the discretion to do so, our Compensation Committee generally does not make interim equity award grants to employees at or above the level of Executive Vice President, including to our NEOs.

As discussed under the heading *Corporate Governance Compensation Committee*, our Compensation Committee has delegated authority to Mr. Finnegan to grant equity awards to employees up to and including the level of Senior Vice President pursuant to guidelines that specify the range of award values an employee could receive based on his or her level within our organization. These guidelines are adjusted on a periodic basis as warranted by competitive market conditions. Grants made by Mr. Finnegan pursuant to this authority are effective on the last business day of the month (or on the date of hire in the case of newly hired employees), with the number of shares awarded determined by dividing the award value by the average of the high and low prices of our common stock on the grant date. These grants are reported to our Compensation Committee at its next regularly scheduled meeting following the date of grant.

### ***Perquisites***

We provide certain executives, including each of our NEOs, with a limited range of perquisites. The incremental cost and valuation of these perquisites for the NEOs is set forth under the heading *Executive Compensation Summary Compensation Table*.

*Corporate Aircraft.* During 2011, we owned one corporate aircraft and leased a second. Senior officers use these aircraft to minimize and more efficiently utilize their travel time, protect the confidentiality of their travel and our business and enhance their personal security. Our Board also permits Mr. Finnegan limited use of the corporate aircraft for personal travel. The annual personal use of the corporate aircraft for Mr. Finnegan is limited to 35 hours.

*Automobile Use/Allowance.* As required pursuant to his employment agreement, we provide Mr. Finnegan with a car and driver for all of his business travel needs to minimize and more efficiently utilize his travel time and enhance his personal security. Mr. Finnegan's personal use of the car and driver is primarily for his commute to and from the office. Mr. Finnegan bears the applicable taxes with respect to his personal usage. We provide all domestic employees at or above the level of Vice President, including our NEOs other than Mr. Finnegan, a monthly automobile allowance of \$500. Recipients of this benefit bear the applicable income taxes.

*Financial Counseling.* We offer all of our domestic employees at or above the level of Senior Vice President, including our NEOs, financial counseling services. These services include income tax preparation, portfolio management and estate planning. Recipients of this benefit bear the applicable income taxes with respect thereto.

### ***Company-Sponsored Benefit Plans***

We maintain company-sponsored retirement and deferred compensation plans for the benefit of all of our salaried employees, including our NEOs. These benefits are designed to assist employees, including our NEOs, in providing for their financial security and personal needs in a manner that recognizes individual goals and preferences.

*Retirement Plans.* We maintain the Pension Plan of The Chubb Corporation (the Pension Plan), which is our tax-qualified defined benefit plan, and the Pension Excess Benefit Plan of The Chubb Corporation (the Pension Excess Benefit Plan), which is our nonqualified excess defined benefit plan, to help us attract and retain our employees. Our NEOs participate in the Pension Plan on the same terms and conditions as other employees. Our NEOs participate in the Pension Excess Benefit Plan on the same terms and conditions as other highly compensated employees, except that Mr. Finnegan is entitled to a supplemental pension benefit under his employment agreement (the Pension SERP). Information about our retirement plans is set forth under the heading *Executive Compensation Pension Benefits*.



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We also maintain the CCAP, which is a qualified 401(k) savings plan, for all eligible employees. The CCAP provides employees with an opportunity to voluntarily defer pre-tax or after-tax dollars into a 401(k) account. Chubb provides matching contributions on an annual basis equal to the lesser of 4% or the actual percentage deferred by the participant.

*Nonqualified Defined Contribution and Deferred Compensation Plans.* We maintain The Chubb Corporation Key Employee Deferred Compensation Plan (2005) (the 2005 Deferred Compensation Plan) and The Chubb Corporation Executive Deferred Compensation Plan (collectively, the Deferred Compensation Plans), which are our nonqualified deferred compensation plans for our employees at or above the level of Vice President, including our NEOs, to provide them with additional tools to enhance their retirement planning and wealth management. These plans allow participants to defer receipt, and thus the income tax liability, of income (annual salary, annual non-equity incentive compensation and equity compensation) to a later date. We also maintain the Defined Contribution Excess Benefit Plan of The Chubb Corporation (the CCAP Excess Benefit Plan), which is our nonqualified excess defined contribution plan, and the CCAP-related supplemental executive retirement plan for Mr. Finnegan pursuant to his employment agreement (the CCAP SERP). None of these plans provide for above-market returns. Information about our nonqualified defined contribution and deferred compensation plans is set forth under the heading Executive Compensation Nonqualified Defined Contribution and Deferred Compensation Plans.

### **Restrictive Covenants and Recoupment Provisions**

To protect our competitive position, since 2005, individual equity award agreements for each of our employees, including our NEOs, have contained non-disclosure, non-solicitation and invention assignment covenants. In addition, the NEO equity award agreements and those of certain other senior officers contain non-competition provisions. Failure to comply with these provisions, among other potential consequences, results in the forfeiture of all unsettled equity awards. Our Compensation Committee also may require repayment of any awards that are settled within one year prior to the breach of the applicable covenant and within one year after termination of employment. Additionally, we may seek an injunction, restraining order or such other equitable relief restraining the officer from committing any violation of the covenants.

In 2009, we adopted a policy on the recoupment of performance-based compensation in restatement situations. The policy provides that if we are required to restate our financial statements due to material noncompliance with any financial reporting requirement under the securities laws, as a result of misconduct of a senior officer, the independent members of the Board, in their sole discretion, have the right to cause such senior officer to reimburse us for (1) any bonus or other incentive-based or equity-based compensation received by that senior officer during the 12-month period following the first public issuance or filing with the SEC (whichever first occurs) of the document containing such financial statements; and (2) any profits realized from the sale of our stock during that 12-month period. A senior officer means any of our officers who are subject to Section 16 of the Exchange Act and any of our other officers who the Board designates.

### **Employment and Severance Agreements**

In general, it is our Board's policy not to enter into employment agreements with, or provide executive severance benefits to, our executive officers beyond those generally available to our salaried employees, other than the change in control agreements discussed below. As a result, our NEOs serve at the will of our Board. The only exception to this policy is the employment agreement with Mr. Finnegan that we entered into when he was hired in 2002. Our Compensation Committee believed, and continues to believe, that this agreement continues to be in our best interest and the best interests of our shareholders. A description of, and the amount of the estimated payments and benefits payable to Mr. Finnegan upon a termination of employment under, his employment agreement is set forth under the heading Executive Compensation Potential Payments upon Termination or a Change in Control.

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### Change in Control Agreements

Our Board has determined that it is in our best interest and the best interests of our shareholders to assure that we will have the continued dedication of Messrs. Finnegan and Spiro in the event of a threat or occurrence of a change in control. Our Board continues to believe that change in control agreements diminish the inevitable distraction of these individuals by virtue of the personal uncertainties and risks created by a pending or threatened change in control and encourage their full attention and dedication to our business in the event of any pending or threatened change in control. As such, we have individual change in control agreements with Messrs. Finnegan and Spiro. Each of these agreements contains a double trigger mechanism, requiring both a change in control as well as a termination event to trigger benefits. A description of, and the amount of the estimated payments and benefits payable upon a change in control under, these agreements is set forth under the heading Executive Compensation Potential Payments upon Termination or a Change in Control. Mr. Finnegan's change in control agreement provides for a gross-up payment in connection with the determination that a payment would be subject to the excise tax under Section 280G of the Internal Revenue Code.

### Share Ownership Guidelines

Our Board, based upon our Compensation Committee's recommendation, adopted executive share ownership guidelines in 2004. Our Compensation Committee believes that these guidelines promote our objective of increasing shareholder value by encouraging senior officers to acquire and maintain a meaningful equity stake in Chubb.

The guidelines were designed to maintain share ownership at levels high enough to assure our shareholders of our senior officers' commitment to value creation, while taking into account each individual officer's need for portfolio diversification. Under these guidelines, senior officers, including each of our NEOs, are expected, over time, to acquire and hold shares of our common stock equal in value to a multiple of their annual salaries. Owned shares, unvested RSUs, shares allocated in our retirement plans and shares deferred until termination of employment count toward satisfying the guidelines. Unexercised stock options and unearned performance units do not count toward satisfaction of the guidelines. There is a five-year phase-in period beginning on the date of becoming an officer subject to the share ownership guidelines. Our current share ownership guidelines are as follows:

Pay Band	Officer Level	Ownership Level
15	Chief Executive Officer	5x Annual Salary
14	Chief Financial Officer/Division Presidents/Chief Administrative Officer	3x Annual Salary
13	Executive Vice President/Senior Vice President	2x Annual Salary
12	Senior Vice President	1x Annual Salary

Our Compensation Committee reviews the guidelines on a periodic basis and monitors the officers' progress toward meeting their target ownership levels. As shown in the table below, each of our NEOs has met his required ownership threshold. The share ownership of our NEOs as of December 31, 2011 was:

Name	Target	Target Number of Shares <sup>(1)</sup>	Number of Common Stock Equivalents Owned <sup>(2)</sup>
	Ownership Level		
John D. Finnegan	5x Annual Salary	95,709	806,894
Richard G. Spiro	3x Annual Salary	35,154	85,578
Paul J. Krump	3x Annual Salary	30,338	82,192
Dino E. Robusto	3x Annual Salary	30,338	42,781
Harold L. Morrison, Jr.	3x Annual Salary	26,004	42,541

(1) Based on a per share price of \$69.22, which was the closing price of our common stock on December 30, 2011 and the respective salaries of our NEOs as of that date.

(2)

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Includes shares of our common stock, RSUs, deferred stock units and common stock held through retirement accounts.  
Excludes unvested performance shares and unexercised options.

**Table of Contents****Anti-Hedging Policy**

Under our insider trading policy, we prohibit all of our directors and employees from engaging in transactions in our securities while in possession of material nonpublic information. We also prohibit speculation in our securities. For example, directors and employees may not engage in short sales in our securities, purchase put or call options on our securities or engage in similar transactions intended to capitalize on short-term movements in the prices of our securities. In addition to the foregoing, we discourage directors and employees from engaging in other transactions intended to allow an investor to continue to own our securities without the full risks and rewards of ownership.

**Changes in Executive Compensation Program for 2012**

In February 2012, our Compensation Committee approved changes to our award structure for senior officers for performance units awarded in 2012. The companies in the S&P 500 will continue to be used to benchmark our TSR for 50% of the number of performance units awarded to each senior officer. Our peer group of companies will be used to benchmark our TSR for the remaining 50% of the performance units awarded to each senior officer. Use of this benchmark is appropriate since it is the benchmark that our Compensation Committee reviews annually to assess performance and pay for our senior officers, and those peer companies are the ones against whom we generally compete for executive talent.

Our Compensation Committee also approved an adjustment to the threshold percentile required to achieve the maximum payout for performance units granted in 2012, such that relative performance at or above the 75th percentile will be required to earn 200% of the original target award. This adjustment provides appropriate symmetry for relative performance in the top quartile and bottom quartile, consistent with market practice. Accordingly, with respect to awards granted in 2012, the number of performance units earned for the three-year performance period will vary from 0% to 200% of the original target award based on our relative TSR versus the companies in the S&P 500 and our peer group of companies, determined on an equally weighted basis, as follows:

<b>TSR Percentile</b>	<b>Percent of Target Shares Earned</b>
<b>Ranking</b>	
75 <sup>th</sup> & higher	200%
50 <sup>th</sup>	100%
25 <sup>th</sup>	50%
Below 25 <sup>th</sup>	0%

For relative performance between the 25th and 75th percentiles, the number of shares earned will continue to be determined by multiplying the relative percentile of comparative performance achieved by two. The structure and other material terms of performance units granted in 2012 remain similar to those applicable for performance units granted in 2011.

**Table of Contents****EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth information regarding NEO compensation during 2011, 2010 and 2009:

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
							Earnings (\$) <sup>(4)</sup>		
John D. Finnegan Chairman, President and Chief Executive Officer	2011	\$ 1,325,000		\$ 7,954,740		\$ 3,100,000	\$ 3,002,519	\$ 338,317	\$ 15,720,576
	2010	1,312,500		8,613,856		3,600,000	6,428,352	305,053	20,259,761
	2009	1,275,000		8,339,203		3,750,000	5,514,009	283,019	19,161,231
Richard G. Spiro Executive Vice President and Chief Financial Officer	2011	805,219		2,773,707		1,282,300	97,013	112,050	5,070,289
	2010	778,125		3,003,481		1,487,400	95,341	13,150	5,377,497
	2009	750,000		2,907,723		1,563,300		6,000	5,227,023
Paul J. Krump Executive Vice President and President of Commercial and Specialty Lines	2011	700,000		1,255,971		1,106,700	1,202,722	69,773	4,335,166
	2010	580,000		793,376		850,000	722,992	67,615	3,013,983
	2009	560,000		603,469		806,000	519,244	63,191	2,551,904
Dino E. Robusto Executive Vice President and President of Personal Lines and Claims	2011	700,000		1,255,971		1,106,700	1,171,131	63,083	4,296,885
	2010	510,000		793,376		750,000	712,218	60,015	2,825,609
	2009	470,000		603,469		708,700	536,190	53,939	2,372,298
Harold L. Morrison, Jr. Executive Vice President, Chief Global Field Officer and Chief Administrative Officer	2011	600,000		941,962		790,500	1,092,253	63,083	3,487,798
	2010	510,000		793,376		725,000	742,413	61,095	2,831,884
	2009	490,000		603,469		708,700	601,945	55,330	2,459,444

(1) A total of \$325,000 of Mr. Finnegan's salary for 2011, \$312,500 and \$275,000 for 2010 and 2009, respectively, was deferred under the 2005 Deferred Compensation Plan. Additional information regarding the 2005 Deferred Compensation Plan is set forth under the heading Executive Compensation Nonqualified Defined Contribution and Deferred Compensation Plans. For 2011, salaries earned by our NEOs accounted for the following percentages of their total compensation: Mr. Finnegan (8.4%), Mr. Spiro (15.9%), Mr. Krump (16.1%), Mr. Robusto (16.3%) and Mr. Morrison (17.2%).

(2) The grant date fair value for each of the RSU awards represents the average of our highest and lowest stock prices on the date of grant. The grant date fair value for each of the performance unit awards is estimated using a Monte-Carlo simulation model. For our performance unit awards, a range of 0% to 200% of the original award can be achieved under the program. A breakdown of the 2011 stock awards is set forth under the heading Executive Compensation Grants of Plan-Based Awards.

(3) Reflects 2011, 2010 and 2009 incentive compensation paid in March 2012, March 2011 and March 2010, respectively, awarded under the Annual Incentive Plan and predecessor plans. Additional information regarding annual non-equity incentive compensation is set forth under

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the headings Compensation Discussion and Analysis Components of Executive Compensation and Executive Compensation Grants of Plan-Based Awards.

- (4) Reflects solely the aggregate change in pension value for 2011 under our defined benefit plans as follows: Mr. Finnegan's benefits under the Pension Plan, Pension Excess Benefit Plan and Pension SERP, \$16,548, \$308,147 and \$2,677,824, respectively; Mr. Spiro's benefits under the Pension Plan and Pension Excess Benefit Plan, \$10,394 and \$86,619, respectively; Mr. Krump's benefits under the Pension Plan and Pension Excess Benefit Plan, \$180,080 and \$1,022,642, respectively; Mr. Robusto's benefits under the Pension Plan and Pension Excess Benefit Plan, \$164,993 and \$1,006,138, respectively; and Mr. Morrison's benefits under the Pension Plan and Pension Excess Benefit Plan, \$180,673 and \$911,580, respectively. Information regarding our calculations of pension values is set forth in footnote 11 to the financial statements included in the 2011 10-K.

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(5) The following table reflects the components for the All Other Compensation column for 2011:

Name	Personal Use	Financial	Automobile	Registrant	Life Insurance	Total
	of Aircraft	Planning	Expense	Contributions		
	(\$) <sup>(a)</sup>	(\$) <sup>(b)</sup>	(\$) <sup>(c)</sup>	to Defined	(\$) <sup>(e)</sup>	(\$)
				Contribution		
				Plans		
				(\$) <sup>(d)</sup>		
John D. Finnegan <sup>(f)</sup>	\$ 53,341	\$ 13,580	\$ 11,163	\$ 202,500	\$ 57,733	\$ 338,317
Richard G. Spiro		12,393	6,000	93,657		112,050
Paul J. Krump		8,335	6,000	55,438		69,773
Dino E. Robusto		8,335	6,000	48,748		63,083
Harold L. Morrison, Jr.		8,335	6,000	48,748		63,083

- (a) The incremental cost of the personal use of corporate aircraft expense for Mr. Finnegan is calculated by multiplying the direct operating cost per hour by his personal use hours. Direct operating cost of the aircraft is comprised of fuel, landing/parking fees, crew fees and expenses, custom fees, flight services/charts, variable maintenance costs, catering, aircraft supplies and other miscellaneous expenses.
- (b) The incremental cost of financial planning represents the actual cost incurred by us.
- (c) The incremental cost to us relating to automobile expense represents the actual amount of the automobile allowance we provided to our NEOs (other than Mr. Finnegan). The incremental cost of providing Mr. Finnegan with an automobile and driver was calculated by multiplying the variable expenses of owning and operating the car that Mr. Finnegan uses by the quotient of the number of miles the car was driven for Mr. Finnegan's personal use in 2011 by the total number of miles the vehicle was driven in 2011. The variable expenses are comprised of gas, maintenance, driver overtime and miscellaneous driving expenses. Mr. Finnegan's personal use percentage for 2011 was approximately 20.5% of the total vehicle miles.
- (d) Reflects 2011 matching contributions under the CCAP and the CCAP Excess Benefit Plan.
- (e) Represents the actual premiums paid by us to provide life insurance coverage for Mr. Finnegan equal to five times his annual salary (as required under his employment agreement).
- (f) As stipulated in Mr. Finnegan's employment agreement, we pay the club dues and membership fees associated with his country club membership, but we do not recognize any incremental cost due to his personal use because club dues and membership fees are generally fixed. For 2011, the club dues and membership fees were \$11,688. Mr. Finnegan is responsible for paying income tax on his personal use of the country club and any additional costs resulting from such personal use.

**Table of Contents****Grants of Plan-Based Awards**

The following table sets forth information regarding 2011 grants to our NEOs under our 2011 Annual Incentive Plan and 2009 LTIP:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>			All Other Stock Awards: Number of Shares of Stock  or Units (#) <sup>(4)</sup>	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(5)</sup>
		Threshold (\$) <sup>(2)</sup>	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
John D. Finnegan	02/23/2011	\$ 1,405,600	\$ 2,120,000	\$ 5,167,500	47,053	94,106	188,212	31,368			\$ 6,054,780
	02/23/2011										
	02/23/2011										
Richard G. Spiro	02/23/2011	645,400	973,400	2,514,500	16,407	32,814	65,628	10,937			2,111,253
	02/23/2011										
	02/23/2011										
Paul J. Krump	02/23/2011	556,900	840,000	2,170,000	7,430	14,859	29,718	4,952			956,028
	02/23/2011										
	02/23/2011										
Dino E. Robusto	02/23/2011	556,900	840,000	2,170,000	7,430	14,859	29,718	4,952			956,028
	02/23/2011										
	02/23/2011										
Harold L. Morrison, Jr.	02/23/2011	397,800	600,000	1,620,000	5,572	11,144	22,288	3,714			717,005
	02/23/2011										
	02/23/2011										

- (1) Represents the range of potential awards to each NEO under our 2011 Annual Incentive Plan. The plan is designed so that our Compensation Committee can apply negative discretion to annual awards of each NEO. Maximum awards reflect the maximum annual non-equity incentive compensation awards established by our Compensation Committee pursuant to Section 162(m) of the Internal Revenue Code. The target amounts represented above reflect the Section 162(m) target awards after application of negative discretion by our Compensation Committee, but do not reflect the performance multiplier, which is a function of the size of the award pool. Information regarding the actual payouts under the 2011 Annual Incentive Plan is set forth in the Non-Equity Incentive Plan Compensation column of the table included under the heading Executive Compensation Summary Compensation Table. Information regarding the structure of the 2011 Annual Incentive Plan is set forth under the heading Compensation Discussion and Analysis Components of Executive Compensation.
- (2) Represents payouts under the 2011 Annual Incentive Plan assuming that 2011 operating income was 50% of 2010 operating income. No payouts would have been awarded if 2011 operating income had been less than 50% of 2010 operating income.
- (3) Represents grants to each NEO during 2011 of performance units under our 2009 LTIP. Performance units are earned, if at all, based on our TSR over a three-year performance period relative to the TSR over the same period for the companies in the S&P 500. No dividend equivalents are paid on performance unit awards during the performance period. Information regarding performance targets, vesting and additional performance unit award details are set forth under the heading Compensation Discussion and Analysis Components of Executive Compensation.
- (4) Represents RSU grants to each NEO during 2011. The RSUs will vest, subject to continued employment, on the third anniversary of the grant date. RSUs pay dividend equivalents at the same time and in the same amount as dividends are paid on our common stock. Additional



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information regarding RSUs is set forth under the heading Compensation Discussion and Analysis Components of Executive Compensation.

- (5) Represents full grant date fair value of stock awards granted to each NEO in 2011. The grant date fair value for each of the RSU awards represents the average of our highest and lowest stock prices on the date of grant. The grant date fair value for each of the performance unit awards is estimated using a Monte-Carlo simulation model. For our performance unit awards, a range of 0% to 200% of the original award can be achieved under the program.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information regarding our NEOs' equity holdings as of December 31, 2011. The market value of unvested and unearned stock awards is based on the closing price of our common stock on December 30, 2011 of \$69.22 per share:

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock that Have Not Vested (\$)	
John D. Finnegan	129,750			\$ 51.4550	12/02/2012			
	141,826			53.5100	12/02/2012	115,700	\$ 8,008,754	
Richard G. Spiro						40,341	2,792,404	411,784
								143,584
Paul J. Krump						11,790	816,104	50,310
Dino E. Robusto						11,790	816,104	50,310
Harold L. Morrison, Jr.						10,552	730,409	42,880
								2,968,154

(1) Represents RSUs for Mr. Finnegan, of which 47,070 RSUs vested on February 25, 2012, 37,262 RSUs will vest on February 24, 2013 and 31,368 RSUs will vest on February 23, 2014. Represents unvested RSUs for Mr. Spiro, of which 16,412 RSUs vested on February 25, 2012, 12,992 RSUs will vest on February 24, 2013 and 10,937 RSUs will vest on February 23, 2014. Represents unvested RSUs for Messrs. Krump and Robusto, of which 3,406 RSUs vested on February 25, 2012, 3,432 RSUs will vest on February 24, 2013 and 4,952 RSUs will vest on February 23, 2014. Represents unvested RSUs for Mr. Morrison, of which 3,406 RSUs vested on February 25, 2012, 3,432 RSUs will vest on February 24, 2013 and 3,714 RSUs will vest on February 23, 2014. Dividend equivalents are paid on RSUs during the restricted period.

(2) Represents outstanding performance unit awards for the 2011-2013 performance period assuming maximum performance, which would produce a 200% payout (performance was above target as of December 31, 2011) for Messrs. Finnegan, Spiro, Krump, Robusto and Morrison in the amounts of 188,212, 65,628, 29,718, 29,718 and 22,288 shares, respectively. Such awards will vest, if at all, on December 31, 2013. Also represents outstanding performance unit awards for the 2010-2012 performance period assuming maximum performance, which would produce a 200% payout (performance was above target as of December 31, 2011) for Messrs. Finnegan, Spiro, Krump, Robusto and Morrison in the amounts of 223,572, 77,956, 20,592, 20,592 and 20,592 shares, respectively. Such awards will vest, if at all, on December 31, 2012. Performance units awarded in 2009 vested on December 31, 2011. Information regarding the vesting of the NEOs' respective 2009 performance units is set forth under the heading "Executive Compensation - Option Exercises and Stock Vested." The actual value of awards at the end of the applicable performance period may vary from the valuations indicated above. No dividend equivalents are paid on performance unit awards during the applicable performance period.



**Table of Contents****Option Exercises and Stock Vested**

The following table sets forth the value realized by our NEOs with respect to stock option exercises and stock awards that vested in 2011:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) <sup>(1)</sup>	Value Realized on Exercise (\$) <sup>(2)</sup>	Number of Shares Acquired on Vesting (#) <sup>(3)</sup>	Value Realized on Vesting (\$) <sup>(4)</sup>
John D. Finnegan	93,204	\$ 1,443,330	161,108	\$ 10,635,512
Richard G. Spiro			67,178	4,341,422
Paul J. Krump	33,522	855,576	11,286	747,793
Dino E. Robusto	10,396	300,201	11,162	740,523
Harold L. Morrison, Jr.			11,162	740,523

- (1) Represents the exercise of the following stock options by Mr. Finnegan: (a) 40,650 shares at an exercise price of \$58.6730; and (b) 52,554 shares at an exercise price of \$58.6730. Represents the exercise of the following stock options by Mr. Krump: (a) 15,682 shares at an exercise price of \$64.8947; and (b) 17,840 shares at an exercise price of \$64.8947. Represents the exercise of the following stock options by Mr. Robusto: 10,396 shares at an exercise price of \$65.7166.
- (2) For stock options exercised through a cashless-sell-all transaction, value realized is based on the market price at the time of the exercise.
- (3) For Mr. Finnegan, represents the vesting of 37,690 RSUs granted in 2008 and the vesting of 123,418 shares in respect of the performance unit award granted in 2009. For Mr. Spiro, represents the vesting of 24,144 RSUs granted in 2008 and the vesting of 43,034 shares in respect of the performance unit award granted in 2009. For Mr. Krump, represents the vesting of 2,355 RSUs granted in 2008 and 8,931 shares in respect of the performance unit award granted in 2009. For Mr. Robusto, represents the vesting of 2,231 RSUs granted in 2008 and 8,931 shares in respect of the performance unit award granted in 2009. For Mr. Morrison, represents the vesting of 2,231 RSUs granted in 2008 and 8,931 shares in respect of the performance unit award granted in 2009. Receipt of the 37,690 RSUs for Mr. Finnegan granted in 2008 has been deferred until his retirement. Information regarding performance unit awards is set forth under the heading Compensation Discussion and Analysis Components of Executive Compensation.
- (4) For RSU awards, the value realized is based on the average of the high and low prices of our common stock on the applicable settlement date. Performance unit awards are valued at their settlement price of \$68.27 which was the average of the high and low prices of our common stock on the settlement date.

**Pension Benefits****Pension Plan**

Our eligible employees, and certain eligible employees of our subsidiaries, participate in the Pension Plan. Our NEOs participate on the same terms and conditions as other eligible employees, except as noted below. The Pension Plan, as in effect during 2011, provides each eligible employee with annual retirement income beginning at age 65 equal to the product of:

the total number of years of participation in the Pension Plan; and

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1 <sup>3</sup>/<sub>4</sub>% of average compensation for the highest five years in the last ten years of participation prior to retirement during which the employee was most highly paid or, if higher, the last 60 consecutive months (final average earnings).

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Average compensation under the Pension Plan includes salary and annual non-equity incentive compensation. A social security offset is subtracted from this benefit. The social security offset is equal to the product of:

the total number of years of participation in the Pension Plan; and

an amount related to the participant's primary social security benefit.

Benefits can commence as early as age 55. However, if pension benefits commence prior to age 65, they may be actuarially reduced. The reduction in the gross benefit (prior to offset for social security benefits) is based on the participant's age at retirement and years of Pension Plan participation as follows:

If the participant has at least 25 years of Pension Plan participation, benefits are unreduced at age 62. They are reduced 2.5% per year from 62 to 60 (5% reduction at 60) and 5% per year from 60 to 55 (30% reduction at 55).

If the participant has at least 15 but less than 25 years of Pension Plan participation, benefits are unreduced at age 65. They are reduced 2% per year from 65 to 62 (6% reduction at 62) and 4% per year from 62 to 61 (10% reduction at 61) and 5% per year from 61 to 55 (40% reduction at 55).

If the participant has less than 15 years of Pension Plan participation, or if the participant terminates employment with us before age 55, benefits are unreduced at age 65. They are reduced 6.67% per year from 65 to 60 (33.3% reduction at 60) and 3.33% per year from 60 to 55 (50% reduction at 55).

The participant's social security benefit is reduced based on factors relating to the participant's year of birth and age at retirement.

Benefits are generally paid in the form of an annuity. If a participant retires and elects a joint and survivor annuity, the Pension Plan provides a 10% subsidy. The portion of the benefit attributable to the cash balance account, as described in the following paragraph, may be paid in the form of a lump sum upon termination of employment.

Effective January 1, 2001, we amended the Pension Plan to provide a cash balance benefit, in lieu of the benefit described above, to reduce the rate of increase in the Pension Plan costs. This benefit provides for a participant to receive a credit to his or her cash balance account every six months. The amount of the cash balance credit increases as the sum of a participant's age and years of service credit increases from 2.5% to 5% of compensation. The maximum credit of 5% of compensation (subject to the maximum limitation on compensation permitted by the Internal Revenue Code) earned over the preceding six months is made when the sum of a participant's age and years of service credit equals or exceeds 55 (which is the case for Messrs. Finnegan, Krump, Robusto and Morrison). Amounts credited to a participant's cash balance account earn interest at a rate based on the 30-year U.S. treasury bond rate. Participants who were hired by us prior to January 1, 2001 (including Messrs. Krump, Robusto and Morrison) will receive a benefit under the Pension Plan equal to the greater of the pension benefit described in the preceding paragraphs or the amount calculated under the cash balance formula.

ERISA and the Internal Revenue Code impose maximum limitations on the recognized compensation and the amount of a pension which may be paid under a funded defined benefit plan such as the Pension Plan. The Pension Plan complies with these limitations.

***Pension Excess Benefit Plan***

We also maintain the Pension Excess Benefit Plan, which is a supplemental, nonqualified, unfunded plan. The Pension Excess Benefit Plan uses essentially the same benefit formula, early retirement reduction factors and other features as the Pension Plan, except that the Pension Excess Benefit Plan recognizes compensation (salary and annual non-equity incentive plan compensation) above IRS compensation limits. The Pension Excess Benefit Plan also recognizes deferred compensation for purposes of determining applicable retirement benefits. Benefits under both the Pension Plan and the Pension Excess Benefit Plan are provided by us on a noncontributory basis.

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Benefits payable under the Pension Excess Benefit Plan are generally paid in the form of a lump sum, calculated using an interest discount rate of 5%. However, the portion of the benefit that was earned and vested as of December 31, 2004 may be payable in certain other forms, including installment payments and life annuities, if properly elected by the participant and if the participant satisfies the requirements of the Pension Excess Benefit Plan.

**Table of Contents*****Pension SERP Mr. Finnegan***

Under the terms of Mr. Finnegan's employment agreement, he is entitled to a Pension SERP, which provides a nonqualified and unfunded benefit in addition to those provided under the Pension Plan and the Pension Excess Benefit Plan. The benefit will equal 6% of his final average compensation for each full year of service up to a maximum of 60% of final average compensation offset by benefits under the Pension Plan and Pension Excess Benefit Plan, previous employer pension benefits and social security benefits. The Pension Plan provisions described above with respect to the early retirement discount and joint and survivor benefits apply to the Pension SERP. Under the Pension SERP, Mr. Finnegan's compensation means the sum of his annual salary plus annual non-equity incentive compensation earned for the relevant year (whether or not any such compensation is deferred).

***Pension Benefits Table***

The following table sets forth information regarding participation by our NEOs in our pension plans as of December 31, 2011:

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)</b>	<b>Present Value of Accumulated Benefit (\$)<sup>(1)(2)</sup></b>	<b>Payments During Last Fiscal Year (\$)</b>
John D. Finnegan	Pension Plan	8	\$ 108,567	
	Pension Excess Benefit Plan	8	1,902,634	
	Pension SERP	9	29,086,121	
Richard G. Spiro	Pension Plan	2	20,406	
	Pension Excess Benefit Plan	2	171,948	
Paul J. Krump	Pension Plan	29	818,946	
	Pension Excess Benefit Plan	29	4,173,542	
Dino E. Robusto <sup>(3)</sup>	Pension Plan	25	769,466	
	Pension Excess Benefit Plan	25	3,212,995	
Harold L. Morrison, Jr.	Pension Plan	27	869,563	
	Pension Excess Benefit Plan	27	3,591,978	

(1) Represents the present value of the NEO's accumulated pension benefit computed as of the same Pension Plan measurement date we used for 2011 financial statement reporting. The following actuarial assumptions were used:

- (a) Interest discount rate: 5.00%;
- (b) Future interest crediting rate on cash balance accounts: 5.00%;
- (c) Mortality table: RP 2000 projected to 2018 white collar combined mortality table; and
- (d) Payment Form:
  - (i) Pension Plan 50% take cash balance account as a lump sum;



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(ii) Pension Excess Benefit Plan 100% take benefit as a lump sum; and

(iii) Pension SERP lump sum.

(2) The figures shown in the table above assume retirement benefits commence at the earliest unreduced retirement age, reflecting the assumptions described in the preceding footnote. However, if the NEO's employment terminated or he retired on December 31, 2011 (which is the assumption underlying the figures set forth in the Voluntary Resignation/Retirement column in the tables under the heading Executive Compensation Potential Payments upon Termination ), and plan benefits were immediately payable as

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lump sums (calculated using the 5% discount rate specified in the plans), the Pension Excess Benefit Plan and Pension SERP benefits, as applicable, would have been as follows:

<b>Name</b>	<b>Plan Name</b>	<b>Lump Sum Amount (\$)</b>
John D. Finnegan	Pension Excess Benefit Plan	\$ 1,902,634
	Pension SERP	29,333,006
Richard G. Spiro	Pension Excess Benefit Plan	171,948
Paul J. Krump	Pension Excess Benefit Plan	3,348,389
Dino E. Robusto	Pension Excess Benefit Plan	2,588,844
Harold L. Morrison, Jr.	Pension Excess Benefit Plan	2,900,781

- (3) The amount payable from the Pension Plan will be offset by the benefit payable from the Pension Plan for the Employees of Chubb Insurance Company of Canada (Canadian Pension Plan), under which Mr. Robusto is no longer accruing additional service. The amount payable to Mr. Robusto under the Canadian Pension Plan is estimated to be C\$14,407 per year commencing at age 65. In addition to the amounts shown above, Mr. Robusto is also entitled to a benefit from the Supplementary Income Plan for Employees of Chubb Insurance Company of Canada in the amount of C\$1,800 per year commencing at age 65.

**Nonqualified Defined Contribution and Deferred Compensation Plans*****Deferred Compensation Plans***

Pursuant to the Deferred Compensation Plans, we provide certain of our employees, including our NEOs, with the opportunity to electively defer the payment of certain components of compensation (annual salary, annual non-equity incentive compensation, RSUs and performance unit awards) that would otherwise be payable to them. Deferred RSUs and performance unit awards are deemed to be invested in our common stock. Deferred annual salary and annual non-equity incentive compensation are credited with earnings based on the deemed returns that would have been received had such amounts been invested in one of the investment options available under the Deferred Compensation Plans that are generally available for investment in the marketplace and as selected by the participant. Dividends on deferred RSUs and performance unit awards are treated the same as an annual salary or annual non-equity incentive compensation deferral. The investment options available under the Deferred Compensation Plans are the same as those investment alternatives that are available under the CCAP Plan except for the Chubb Stock Fund. Investment elections may be changed by the participant at any time, at his or her discretion.

***CCAP Excess Benefit Plan***

We also maintain the CCAP Excess Benefit Plan which is a supplemental, nonqualified, unfunded excess defined contribution plan. The CCAP Excess Benefit Plan recognizes compensation in excess of IRS limits for the CCAP and provides the participants with the applicable company match on eligible compensation. Matching contributions for each of the NEOs equal 4% of plan compensation. Under the CCAP Excess Benefit Plan, unvested matching contribution amounts are mandatorily deferred until the applicable participant's separation from service. With respect to vested matching contribution amounts attributable to the CCAP Excess Benefit Plan, participants generally may elect to defer payment of such vested amounts until separation from service. Messrs. Finnegan, Spiro, Krump and Morrison have elected to defer receipt of matching contribution amounts attributable to the CCAP Excess Benefit Plan. With respect to Mr. Spiro, matching contribution amounts attributable to the CCAP Excess Benefit Plan were mandatorily deferred for 2011 under the terms of the CCAP Excess Benefit Plan. Deferred balances are notionally invested in the Fidelity Stable Value Fund, which is one of the investment funds available under the CCAP. For 2011, the Fidelity Stable Value Fund had a 2.16% investment return. Mr. Robusto elected to take a cash distribution of his matching contribution amounts attributable to the CCAP Excess Benefit Plan, paid in March 2011.

**Table of Contents****CCAP SERP Mr. Finnegan**

Mr. Finnegan's employment agreement also provides that he is entitled to the CCAP SERP. At the time that Mr. Finnegan commenced employment, the CCAP Excess Benefit Plan, like the CCAP, required a one-year waiting period before a participant became eligible for our company matching contributions and had a six-year graded vesting schedule. Mr. Finnegan's employment agreement, however, provides that he is entitled to the matching contributions for eligible deferrals from his employment date (notwithstanding the one-year service requirement) and provides that the CCAP SERP will pay any otherwise unvested company match dollars forfeited under the CCAP and CCAP Excess Benefit Plan if his employment with us terminates prior to his being 100% vested. Amounts credited to the CCAP SERP account earn 5% interest per annum.

**ESOP Excess Benefit Plan**

In 2004, we merged the Employee Stock Ownership Plan (the ESOP) and the ESOP Excess Benefit Plan into the respective CCAP and CCAP Excess Plans. No new shares or contributions are credited to balances under the ESOP and the ESOP Excess Benefit Plan. Annual earnings for the ESOP Excess Benefit Plan include only the change in account balance attributable to changes in our stock price and any dividends we pay.

**ESOP SERP Mr. Finnegan**

Mr. Finnegan's employment agreement also provides that he is entitled to a supplemental benefit tied to the ESOP and ESOP Excess Benefit Plan (ESOP SERP). The ESOP and ESOP Excess Benefit Plan included a one-year waiting period before a participant became eligible to participate and had a five-year cliff vesting schedule. In accordance with his employment agreement, however, Mr. Finnegan was credited with an amount equal to the value of the shares that he would have received under the ESOP and ESOP Excess Benefit Plan from his date of employment if not for the one-year service requirement. The employment agreement also provides that the ESOP SERP account is immediately vested and the balance credited thereunder earns 5% interest per annum.

**Nonqualified Defined Contribution and Deferred Compensation Table**

The following table sets forth information regarding participation by our NEOs in our nonqualified defined contribution and deferred compensation plans as of December 31, 2011:

Name	Executive Contributions in Last Fiscal Year (\$) <sup>(1)</sup>	Registrant Contributions in Last Fiscal Year (\$) <sup>(2)</sup>	Aggregate Earnings in Last Fiscal Year (\$) <sup>(3)</sup>	Aggregate Withdrawals/ Distributions (\$) <sup>(4)</sup>	Aggregate Balance at Last Fiscal Year-End (\$) <sup>(5)</sup>
John D. Finnegan	\$ 2,534,765	\$ 192,700	\$ 3,270,732	\$ 416,252	\$ 24,396,638
Richard G. Spiro		83,857	1,522		85,379
Paul J. Krump		45,639	106,156		1,375,511
Dino E. Robusto		38,948	21,924		143,254
Harold L. Morrison, Jr.		38,948	15,928		192,915

(1) Represents RSU deferral and deferred annual salary for Mr. Finnegan in the amount of \$2,209,765 and \$325,000, respectively. The deferred salary amount is included in the Salary column of the table set forth under the heading Executive Compensation Summary Compensation Table. All of these deferrals were made under the 2005 Deferred Compensation Plan.

(2) Represents the company match for the CCAP Excess Benefit Plan.

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(3) The following table reflects the components for the Aggregate Earnings in Last Fiscal Year column:

Name	CCAP Excess Benefit Plan and CCAP SERP Earnings			ESOP Excess Benefit Plan and ESOP SERP Earnings		Total (\$)
	(\$) <sup>(a)</sup>	Deferred Compensation Earnings (\$)	Appreciation and Dividends on Deferred RSUs (\$)	(\$) <sup>(b)</sup>		
John D. Finnegan	\$ 29,771	\$ 67,893	\$ 3,130,482	\$ 42,586	\$ 3,270,732	
Richard G. Spiro	1,522				1,522	
Paul J. Krump	7,377	23,383	23,675	51,721	106,156	
Dino E. Robusto	150			21,774	21,924	
Harold L. Morrison, Jr.	2,128			13,800	15,928	

(a) For Mr. Finnegan, represents CCAP Excess earnings of \$25,540 and CCAP SERP earnings of \$4,231. For all other participants, represents CCAP Excess benefit only.

(b) For Mr. Finnegan, represents ESOP Excess earnings of \$38,078 and ESOP SERP earnings of \$4,508. For all other participants, represents ESOP Excess benefits only.

(4) Represents dividends paid on deferred vested RSUs for Mr. Finnegan.

(5) Mr. Robusto made a cash election under the CCAP Excess Benefit Plan in 2011, resulting in a lower account balance.

**Potential Payments upon Termination or a Change in Control****Accrued Compensation and Benefits**

As of December 31, 2011, each of our NEOs other than Mr. Spiro was fully vested in the amounts set forth under the heading Executive Compensation Pension Benefits and the amounts set forth under the heading Executive Compensation Nonqualified Defined Contribution and Deferred Compensation Plans. In addition, at that date, each NEO was entitled to receive all earned but unpaid salary, other vested long-term equity awards (as set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End and the other applicable tables set forth under the heading Executive Compensation ), amounts held in his account under the CCAP and employee welfare plans.

**Termination Events**

**Disability or Death.** With the exception of Mr. Finnegan, a termination of employment due to disability or death does not entitle our NEOs to payments or benefits that are not generally available to our salaried employees.

**Equity Awards.** With respect to equity awards, under the terms of The Chubb Corporation Long-Term Stock Incentive Plan (2004) (2004 LTIP) and the 2009 LTIP, upon the disability or death of a participant, including each of our NEOs, the participant or the participant's estate, as applicable, would receive pro-rata vesting of the unvested portion of outstanding RSUs and continuation of the exercise period within which the participant or the participant's estate may exercise outstanding options through the stated expiration date of such options. With respect to performance unit awards, if a participant's employment terminates due to disability or death on or after the completion of the first calendar year of any performance period, the participant or the participant's estate, as applicable, would receive all of the performance units for the performance period that would have been earned had the participant continued employment for the full period (with payments contingent on our relative TSR over the performance period).

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Mr. Finnegan. In addition to the equity vesting provisions described in the preceding paragraph, Mr. Finnegan's employment agreement calls for us to provide him with a death benefit equal to five times his annual salary as of the time of his death. We provide this benefit on an insured basis. In the event of Mr. Finnegan's disability, his employment agreement provides that he is entitled to receive a disability benefit

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equal to 60% of his annual salary as of the date of disability until he reaches age 65. We provide this coverage in the form of an unsecured, uninsured disability benefit. Mr. Finnegan's employment agreement also provides that he or his estate, as applicable, would be entitled to a pro-rata portion of the annual non-equity incentive compensation award he would have received for the year of his disability or death. For purposes of Mr. Finnegan's employment agreement, disability means Mr. Finnegan's inability to perform his duties on a full-time basis for six consecutive months as a result of incapacity due to mental or physical illness.

*Retirement.* None of our NEOs were retirement-eligible in 2011.

*For Cause Termination.* Under Mr. Finnegan's employment agreement, in the event of his termination for cause, he is entitled to receive retiree health benefits pursuant to our retiree health plans that would be available to an employee with 36 years of service with us. None of our other NEOs are entitled to any additional payments or benefits, and each of our NEOs would forfeit his unvested equity awards, in the event we terminate his employment for cause. Under the 2004 LTIP and 2009 LTIP, cause means:

the willful failure of a participant to perform his or her employment-related duties or gross negligence in the performance of such duties;

a participant's willful or serious misconduct that has caused or could reasonably be expected to result in material injury to our business or reputation;

a participant's indictment for a crime constituting a felony; or

a material breach by a participant of any written covenant or agreement with us or any of our written policies.

The 2004 LTIP and the 2009 LTIP provide that the definition of cause in an employment or severance agreement will govern in lieu of the foregoing definition. Accordingly, the definition of cause in Mr. Finnegan's employment agreement applies to Mr. Finnegan for purposes of the 2004 LTIP and 2009 LTIP. Therefore, in his case, cause means:

Mr. Finnegan's willful and continued failure to perform his duties under the terms of his employment agreement;

Mr. Finnegan's willful engagement in any malfeasance, fraud, dishonesty or gross misconduct in connection with his position as our President and Chief Executive Officer or as a member of our Board that causes us material damage;

Mr. Finnegan's conviction of, or plea of guilty or nolo contendere to, a felony; or

Mr. Finnegan's breach of certain representations, warranties and covenants contained in his employment agreement that materially damage or could reasonably be expected to materially damage us.

*Voluntary Resignation.* Messrs. Spiro, Krump, Robusto and Morrison are not entitled to any payments or benefits that are not generally available to our salaried employees upon voluntary resignation. Under Mr. Finnegan's employment agreement, in the event of his voluntary resignation, he is entitled to receive retiree health benefits pursuant to our retiree health plans that would be available to an employee with 36 years of service with us.

*Involuntary Termination without Cause.* Except for Mr. Finnegan and, as discussed below for Mr. Spiro in connection with a change in control, neither a termination of employment by us without cause nor a demotion or other constructive termination would entitle our NEOs to any payments or benefits that are not generally available to our salaried employees. The severance policy applicable to all of our salaried employees generally provides two weeks of severance pay for each year of service up to a maximum of 52 weeks.

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Mr. Finnegan's employment agreement provides that, upon the termination of his employment without cause, his constructive termination or in the event we elect not to renew his employment agreement in

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accordance with its terms, he would be entitled to receive the following benefits beyond those generally available to our salaried employees:

current annual salary (without proration);

pro-rated annual non-equity incentive compensation for the year of his termination;

a severance payment equal to the sum of up to 2.5 times (with the multiplier no longer being applicable with respect to a non-renewal of his employment agreement as described below) the sum of his then-current annual salary and the average amount of his annual non-equity incentive compensation paid in the preceding three years;

up to 2.5 years of additional age and service credit for purposes of his supplemental retirement benefits (with the multiplier no longer being applicable with respect to a non-renewal of his employment agreement as described below);

up to 2.5 years of continued health and welfare benefits (with the multiplier no longer being applicable with respect to a non-renewal of his employment agreement as described below) under our employee welfare plans and thereafter retiree benefits; and

if any payments or benefits that Mr. Finnegan receives are subject to the excise tax imposed under Section 4999 of the Internal Revenue Code on golden parachute payments, an additional payment to him to restore him to the after-tax position that he would have been in if the excise tax had not been imposed.

In addition, any outstanding equity awards would accelerate and vest in full (subject to the achievement of the performance goals in the case of performance units) and his stock options would continue to be exercisable until the earlier of the fifth anniversary of the date of termination of his employment or the expiration of the option term.

In the event of our non-renewal of his employment agreement, the 2.5 times severance multiplier was subject to a ratable step down which resulted in 0.5 being subtracted from the multiplier upon Mr. Finnegan's attainment of age 58 and each year thereafter until reduced to zero at age 62, Mr. Finnegan attained age 62 in 2011. In addition, our obligation to continue to provide health and welfare benefits would cease if Mr. Finnegan were to receive such benefits from a new employer.

Under Mr. Finnegan's employment agreement, constructive termination means his voluntary termination of employment following:

a reduction in Mr. Finnegan's annual salary or target annual non-equity incentive compensation;

our failure to appoint Mr. Finnegan as our President and Chief Executive Officer and as a member of our Board or his removal from any of these positions;

a material diminution in Mr. Finnegan's duties or responsibilities or the assignment to him of duties or responsibilities materially inconsistent with his position and status as our President and Chief Executive Officer;

a material change in Mr. Finnegan's reporting relationship so that he no longer reports solely to our Board in his positions as President and Chief Executive Officer;



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our breach of any material obligations to Mr. Finnegan under the terms of his employment agreement;

our breach of certain representations, warranties and covenants set forth in Mr. Finnegan's employment agreement; or

our requiring that Mr. Finnegan's principal location of employment to be at any office or location more than 50 miles from our corporate headquarters in Warren, New Jersey.

Mr. Finnegan's employment agreement requires Mr. Finnegan to comply with confidentiality, non-competition and non-solicitation covenants. The non-competition and non-solicitation provisions run during the term of Mr. Finnegan's employment through the second anniversary of the termination thereof.

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### ***Change in Control***

**Equity Awards.** Under the 2004 LTIP and the 2009 LTIP, if outstanding equity awards are assumed by an acquirer in accordance with their respective terms, the awards would remain outstanding and vesting would not accelerate unless the participant's employment was terminated without cause or the participant experienced a constructive termination. In the event of a change in control in which the acquirer did not assume outstanding equity awards in accordance with their respective terms, RSUs would immediately vest in full (but would be paid out in accordance with the terms of the awards) and performance unit awards would become earned and payable at 100% of the applicable target award. These provisions would apply to the outstanding RSUs and performance unit awards held by Messrs. Spiro, Krump, Robusto and Morrison as of December 31, 2011. The impact of a change in control on Mr. Finnegan's equity awards is discussed below. For purposes of both the 2004 LTIP and the 2009 LTIP, change in control is defined as:

the acquisition of 20% or more of our shares by any person;

a change in a majority of the members of our Board due to a proxy contest or tender or exchange offer; or

a merger, reorganization or similar transaction (including a sale of substantially all assets), where our shareholders immediately prior to such transaction do not control more than 50% of the surviving entity immediately after the transaction.

**Mr. Finnegan.** Upon the occurrence of a change in control (as defined below), Mr. Finnegan's employment agreement would be superseded by his change in control employment agreement with us. Mr. Finnegan's change in control employment agreement provides generally that the terms and conditions of his employment (including position, location and benefits) may not be adversely changed during the three-year period after a change in control. The change in control employment agreement contains a double trigger mechanism such that (i) if a change in control occurs, and (ii) if Mr. Finnegan's employment is terminated (other than for cause, death or disability), or constructively terminated, during the three-year period following a change in control, Mr. Finnegan would be entitled to receive:

pro-rated annual non-equity incentive compensation through the date of termination for the year in which the termination of employment occurs;

three times the sum of his then-current annual salary and highest annual non-equity incentive compensation award over the past three years, including any non-equity incentive compensation award payable for the current year;

three years of additional age and service credit for purposes of his supplemental retirement benefits;

three years of continued health and welfare benefits (or, if shorter, until a new employer provides these benefits) under our employee welfare plans and thereafter retiree benefits;

up to \$100,000 of outplacement services; and

if any payments or benefits that Mr. Finnegan receives are subject to the excise tax imposed under Section 4999 of the Internal Revenue Code on golden parachute payments, an additional payment to him to restore him to the after-tax position that he would have been in if the excise tax had not been imposed.

In addition, any outstanding equity awards would vest and his stock options would continue to be exercisable until the earlier of the fifth anniversary of the date of termination of his employment or the expiration of the option term. Mr. Finnegan also is entitled to reimbursement for legal fees he incurs as a result of the termination of his employment.

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For purposes of Mr. Finnegan's change in control employment agreement, change in control means:

the acquisition of 20% or more of our outstanding common stock by any person;

continuing directors (or their approved successors) ceasing to constitute a majority of our Board;

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a merger, reorganization or similar transaction (including a sale of substantially all assets), where our shareholders immediately prior to such transaction do not control more than 50% of the surviving entity immediately after the transaction; or

shareholder approval of any plan or proposal for our liquidation or dissolution.

Mr. Finnegan's change in control employment agreement requires Mr. Finnegan to comply with confidentiality, non-competition and non-solicitation covenants. The non-competition and non-solicitation provisions run during the term of Mr. Finnegan's employment through the second anniversary of the termination thereof.

Mr. Spiro. In addition to the above terms with respect to equity awards, we have entered into a change in control agreement with Mr. Spiro. The agreement with Mr. Spiro comes into effect in the event that his employment is terminated (other than as a result of his death, disability, retirement, voluntary termination or by us for cause) or is constructively terminated within two years after the effective date of the change in control (as defined below). Upon actual or constructive termination following a change in control, Mr. Spiro is entitled to receive a severance payment equal to two times the sum of:

his then-current annual salary; and

the average amount of his annual non-equity incentive compensation for the last three years; provided that the amount of the severance payment cannot exceed the amount that Mr. Spiro would have received had he remained in our employment until his normal retirement age under the Pension Plan. In addition to severance, Mr. Spiro also is entitled to reimbursement for legal fees incurred by him as a result of the termination and continuation of health and other welfare benefits for a period of two years after the date of termination. Mr. Spiro's agreement does not provide for a gross-up of any excise taxes that might be triggered by these payments.

For purposes of Mr. Spiro's agreement, the definition of a change in control is the same definition of a change in control used in the 2004 LTIP and the 2009 LTIP.

For purposes of Mr. Spiro's agreement, cause means:

his willful and continued failure to perform his duties; or

his willful engagement in misconduct which is materially injurious to us.

For purposes of Mr. Spiro's agreement, the definition of a constructive termination means his voluntary termination of employment following the occurrence of certain events, including:

the assignment to Mr. Spiro, without his express written consent, of any duties inconsistent with his positions, duties, responsibilities, authority and status immediately prior to the change in control;

a change in reporting responsibilities, titles or offices as in effect immediately prior to the change in control or any removal of, or any failure to re-elect, Mr. Spiro to any of such positions, except in limited circumstances;

a reduction in Mr. Spiro's annual salary as in effect at the time of the change in control;

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our failure to continue Mr. Spiro's participation in certain compensation plans in effect at the time of the change in control; or

our requiring Mr. Spiro to maintain his principal office or conduct his principal activities anywhere other than our corporate headquarters located within the New York Metropolitan area (including Warren, New Jersey).

Messrs. Krump, Robusto and Morrison. Messrs. Krump, Robusto and Morrison are not entitled to any payments or benefits beyond those generally available to our salaried employees upon a change in control.

**Table of Contents****Estimate of Incremental Potential Payment**

The following tables quantify the additional payments and benefits under the compensation and benefit plans and arrangements to which our NEOs would be entitled upon termination of employment under the termination scenarios described above that are beyond those generally available to our salaried employees. Because the payments to be made to an NEO depend on several factors, the actual amounts to be paid out upon a triggering event can only be determined at the time of the triggering event

Payment Type	John D. Finnegan					
	Death (\$)	Disability (\$)	Voluntary Resignation/ Retirement (\$) <sup>(1)</sup>	Involuntary Termination (\$) <sup>(2)</sup>	Involuntary Termination or Constructive Termination after Change in Control (\$)	Change in Control (\$)
Cash Payment <sup>(3)(4)</sup>	\$ 6,625,000	\$ 1,578,059		\$ 12,235,667	\$ 15,225,000	
RSUs <sup>(5)</sup>	5,256,536	5,256,536		8,008,754	8,008,754	\$ 8,008,754
Performance Units <sup>(6)</sup>	28,503,688	28,503,688		28,503,688	14,251,844	14,251,844
Retirement Benefits <sup>(7)</sup>				3,267,619	4,097,379	
Retiree Medical Benefits <sup>(8)</sup>	144,844	252,539	\$ 246,744	246,744	246,744	
Other Benefits <sup>(9)</sup>	27,160	27,160		182,157	329,453	
Gross-up on Excise Tax <sup>(10)</sup>						
<b>Total</b>	<b>\$ 40,557,228</b>	<b>\$ 35,617,982</b>	<b>\$ 246,744</b>	<b>\$ 52,444,629</b>	<b>\$ 42,159,174</b>	<b>\$ 22,260,598</b>

- (1) Reflective of a decision by Mr. Finnegan to retire (which would be treated as a termination of his employment by him without good reason) and would have the same effect as his decision to voluntarily resign.
- (2) Reflective of a termination of Mr. Finnegan's employment without cause. In the event that our Board elects not to renew Mr. Finnegan's employment agreement (in connection with our mandatory retirement policy or otherwise) and provides the notice of such non-renewal as required under its terms, the amounts noted in the columns above for Cash Payment and Retirement Benefits would be zero; the amount under the Other Benefits column would be reduced to \$157,912; and the remaining amounts would be unchanged, bringing the amount under the Total column in the event of a non-renewal of Mr. Finnegan's employment agreement to \$36,917,098 (see the information set forth under the heading Executive Compensation Potential Payments upon Termination or a Change in Control).
- (3) In the event of death, reflects a death benefit of five times Mr. Finnegan's annual salary as of December 31, 2011 (\$1,325,000). In the event of disability, reflects the present value of payments equal to 60% of Mr. Finnegan's annual salary until age 65. In the event of a termination without cause, reflects a multiple of annual salary as of December 31, 2011 and the average of Mr. Finnegan's last three annual non-equity incentive compensation awards (\$3,569,267). In the event of an Involuntary Termination or Constructive Termination after Change in Control, reflects a multiple of annual salary and the highest of his last three annual or current incentive compensation awards (\$3,750,000).
- (4) Except for the amount listed under the Involuntary Termination or Constructive Termination after Change in Control column, these amounts do not include any amounts attributable to Mr. Finnegan's 2011 annual non-equity incentive compensation award to be paid in March 2012 and disclosed under the heading Executive Compensation Summary Compensation Table.

- (5) Reflects fair market value of accelerated unvested RSUs based on our closing stock price of \$69.22 per share on December 30, 2011. Figure reflected in the Change in Control column assumes that RSUs are not assumed by the acquirer.

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- (6) Reflects fair market value of accelerated unearned performance units based on our closing stock price of \$69.22 per share on December 30, 2011. In the case of a termination of Mr. Finnegan's employment without cause or due to death or disability, the number of performance units that vest would be based on our actual performance at the end of the performance period and, for purposes of this calculation, reflects the same performance assumptions used for Mr. Finnegan's outstanding performance unit awards set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End. In the event of an Involuntary Termination or Constructive Termination after Change in Control or upon a Change in Control, the number of performance units that vest would be based on target performance. Figure reflected in the Change in Control column assumes that performance units are not assumed by the acquirer.
- (7) Reflects the value attributable to additional age and service credit under Mr. Finnegan's Pension SERP.
- (8) Mr. Finnegan's employment agreement provides for retiree medical benefits assuming that Mr. Finnegan had 35 years of service at retirement. None of our other employees hired on or after January 1, 1999 receives company-subsidized retiree medical benefits. The present value of these benefits is calculated based on the assumptions used for financial reporting purposes at year-end 2011, including a discount rate of 5.00%, medical trend rate of 8.4% in 2011 and grading down gradually to a trend rate of 4.5% in 2028 and thereafter.
- (9) For death and disability, represents the value attributable to continuation of two years of executive financial counseling (\$27,160). In the case of a termination in connection with a change in control, represents outplacement benefits (\$100,000), three years of continued life insurance (\$173,199), three years of continued medical and dental benefits (\$29,094) and two years of executive financial counseling (\$27,160). In the event of an involuntary termination without cause, represents 2.5 years of continued medical and dental benefits (\$24,245), 2.5 years of continued life insurance benefits (\$144,332) and one year of executive financial counseling (\$13,580).
- (10) This calculation is an estimate for proxy disclosure purposes only. Payments upon a change in control may differ based on factors such as transaction price, timing of employment termination and payments, changes in compensation and reasonable compensation analyses. For purposes of this calculation, no portion of the performance units that would accelerate upon a change in control has been treated as reasonable compensation for services rendered prior to the change in control and no value has been attributed to non-competition covenants. The increase in Mr. Finnegan's prior taxable wages negates any excise tax liabilities under Section 280G of the Internal Revenue Code.



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<b>Richard G. Spiro</b>						
<b>Payment Type</b>	<b>Death</b>	<b>Disability</b>	<b>Voluntary Resignation/ Retirement</b>	<b>Involuntary Termination</b>	<b>Involuntary Termination or Constructive Termination after Change in Control</b>	<b>Change in Control</b>
	(\$)	(\$)	(\$) <sup>(1)</sup>	(\$)	(\$)	(\$)
Cash Payment <sup>(2)(3)</sup>					\$ 4,602,717	
RSUs <sup>(4)</sup>	\$ 1,832,796	\$ 1,832,796			2,792,404	\$ 2,792,404
Performance Units <sup>(5)</sup>	9,938,884	9,938,884			4,969,442	4,969,442
Other Benefits <sup>(6)</sup>	12,000	12,000		\$ 6,000	31,840	
<b>Total</b>	<b>\$ 11,783,680</b>	<b>\$ 11,783,680</b>		<b>\$ 6,000</b>	<b>\$ 12,396,403</b>	<b>\$ 7,761,846</b>

(1) Mr. Spiro was not eligible for retirement as of December 31, 2011.

(2) The figure reflected in the Involuntary Termination or Constructive Termination after Change in Control column represents two years of compensation based on Mr. Spiro's annual salary as of December 31, 2011 (\$811,125) and the average of his last three annual non-equity incentive compensation awards (\$1,490,233).

(3) Does not include any amounts attributable to Mr. Spiro's 2011 annual non-equity incentive compensation award to be paid in March 2012 and disclosed under the heading Executive Compensation Summary Compensation Table.

(4) Reflects fair market value of accelerated unvested RSUs based on our closing stock price of \$69.22 per share on December 30, 2011. The figure reflected in the Change in Control column assumes that RSUs are not assumed by the acquirer.

(5) Reflects fair market value of accelerated unearned performance units based on our closing stock price of \$69.22 per share on December 30, 2011. In the case of a termination of Mr. Spiro's employment due to death or disability, the number of performance units that vest would be based on our actual performance at the end of the performance period and, for purposes of this calculation, reflects the same performance assumptions used for Mr. Spiro's outstanding performance unit awards set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End. In the event of an Involuntary Termination or Constructive Termination after Change in Control or upon a Change in Control, performance units would become earned and payable at 100% of the applicable target award. Figure reflected in the Change in Control column assumes that performance units are not assumed by the acquirer.

(6) Represents the value attributable to continuation of two years of executive financial counseling (\$12,000) in the case of death and disability or one year in the case of a termination without cause (\$6,000). In the case of a termination in connection with a change in control, represents the value attributable to continuation of two years of (i) life insurance premiums (\$1,476); (ii) executive financial counseling (\$12,000); and (iii) medical and dental coverage (\$18,364).

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<b>Paul J. Krump</b>						
<b>Payment Type</b>	<b>Death</b>	<b>Disability</b>	<b>Voluntary Resignation/ Retirement</b>	<b>Involuntary Termination</b>	<b>Involuntary Termination or Constructive Termination after Change in Control</b>	<b>Change in Control</b>
	(\$)	(\$)	(\$) <sup>(1)</sup>	(\$)	(\$)	(\$)
Cash Payment						
RSUs <sup>(2)</sup>	\$ 463,059	\$ 463,059			\$ 816,104	\$ 816,104
Performance Units <sup>(3)</sup>	3,482,458	3,482,458			1,741,229	1,741,229
Retirement Benefits <sup>(4)</sup>	2,145,161					
Other Benefits <sup>(5)</sup>	16,670	16,670		\$ 8,335	16,670	
<b>Total</b>	<b>\$ 6,107,348</b>	<b>\$ 3,962,187</b>		<b>\$ 8,335</b>	<b>\$ 2,574,003</b>	<b>\$ 2,557,333</b>

(1) Mr. Krump was not eligible for retirement as of December 31, 2011.

(2) Reflects fair market value of accelerated unvested RSUs based on our closing stock price of \$69.22 per share on December 30, 2011. Figure reflected in the Change in Control column assumes that RSUs are not assumed by the acquirer.

(3) Reflects fair market value of accelerated unearned performance units based on our closing stock price of \$69.22 per share on December 30, 2011. In the case of a termination of Mr. Krump's employment due to death or disability, the number of performance units that vest would be based on our actual performance at the end of the performance period and, for purposes of this calculation, reflects the same performance assumptions used for Mr. Krump's outstanding performance unit awards set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End. In the event of an Involuntary Termination or Constructive Termination after Change in Control or upon a Change in Control, performance units would become earned and payable at 100% of the applicable target award. Figure reflected in the Change in Control column assumes that performance units are not assumed by the acquirer.

(4) In the event of death, the Pension Plan and Pension Excess Benefit Plan provide for a pre-retirement survivor's benefit with an incremental value of \$2,145,161. Due to Mr. Krump's commencement of employment prior to January 1, 2001, the pre-retirement survivor's benefit is more valuable than the benefits that he would have received in the event of a voluntary termination.

(5) Represents the value attributable to continuation of two years of executive financial counseling (\$16,670) or one year in the case of an involuntary termination without cause (\$8,335).

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<b>Dino E. Robusto</b>						
<b>Payment Type</b>	<b>Death (\$)</b>	<b>Disability (\$)</b>	<b>Voluntary Resignation/ Retirement (\$)<sup>(1)</sup></b>	<b>Involuntary Termination (\$)</b>	<b>Involuntary Termination or Constructive Termination after Change in Control (\$)</b>	<b>Change in Control (\$)</b>
Cash Payment						
RSUs <sup>(2)</sup>	\$ 463,059	\$ 463,059			\$ 816,104	\$ 816,104
Performance Units <sup>(3)</sup>	3,482,458	3,482,458			1,741,229	1,741,229
Retirement Benefits <sup>(4)</sup>	1,588,435					
Other Benefits <sup>(5)</sup>	16,670	16,670		\$ 8,335	16,670	
<b>Total</b>	<b>\$ 5,550,622</b>	<b>\$ 3,962,187</b>		<b>\$ 8,335</b>	<b>\$ 2,574,003</b>	<b>\$ 2,557,333</b>

(1) Mr. Robusto was not eligible for retirement as of December 31, 2011.

(2) Reflects fair market value of accelerated unvested RSUs based on our closing stock price of \$69.22 per share on December 30, 2011. Figure reflected in the Change in Control column assumes that RSUs are not assumed by the acquirer.

(3) Reflects fair market value of accelerated unearned performance units based on our closing stock price of \$69.22 per share on December 30, 2011. In the case of a termination of Mr. Robusto's employment due to death or disability, the number of performance units that vest would be based on our actual performance at the end of the performance period and, for purposes of this calculation, reflects the same performance assumptions used for Mr. Robusto's outstanding performance unit awards set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End. In the event of an Involuntary Termination or Constructive Termination after Change in Control or upon a Change in Control, performance units would become earned and payable at 100% of the applicable target award. Figure reflected in the Change in Control column assumes that performance units are not assumed by the acquirer.

(4) In the event of death, the Pension Plan and Pension Excess Benefit Plan provide for a pre-retirement survivor's benefit with an incremental value of \$1,588,435. Due to Mr. Robusto's commencement of employment prior to January 1, 2001, the pre-retirement survivor's benefit is more valuable than the benefits that he would have received in the event of a voluntary termination.

(5) Represents the value attributable to continuation of two years of executive financial counseling (\$16,670) or one year in the case of an involuntary termination without cause (\$8,335).

**Table of Contents****Harold L. Morrison, Jr.**

<b>Payment Type</b>	<b>Death (\$)</b>	<b>Disability (\$)</b>	<b>Voluntary Resignation/ Retirement (\$)<sup>(1)</sup></b>	<b>Involuntary Termination (\$)</b>	<b>Involuntary Termination or Constructive Termination after Change in Control (\$)</b>	<b>Change in Control (\$)</b>
Cash Payment						
RSUs <sup>(2)</sup>	\$ 439,255	\$ 439,255			\$ 730,409	\$ 730,409
Performance Units <sup>(3)</sup>	2,968,154	2,968,154			1,484,077	1,484,077
Retirement Benefits <sup>(4)</sup>	956,313					
Other Benefits <sup>(5)</sup>	16,670	16,670		\$ 8,335	16,670	
<b>Total</b>	<b>\$ 4,380,392</b>	<b>\$ 3,424,079</b>		<b>\$ 8,335</b>	<b>\$ 2,231,156</b>	<b>\$ 2,214,486</b>

(1) Mr. Morrison was not eligible for retirement as of December 31, 2011.

(2) Reflects fair market value of accelerated unvested RSUs based on our closing stock price of \$69.22 per share on December 30, 2011. Figure reflected in the Change in Control column assumes that RSUs are not assumed by the acquirer.

(3) Reflects fair market value of accelerated unearned performance units based on our closing stock price of \$69.22 per share on December 30, 2011. In the case of a termination of Mr. Morrison's employment due to death or disability, the number of performance units that vest would be based on our actual performance at the end of the performance period and, for purposes of this calculation, reflects the same performance assumptions used for Mr. Morrison's outstanding performance unit awards set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End. In the event of an Involuntary Termination or Constructive Termination after Change in Control or upon a Change in Control, performance units would become earned and payable at 100% of the applicable target award. Figure reflected in the Change in Control column assumes that performance units are not assumed by the acquirer.

(4) In the event of death, the Pension Plan and Pension Excess Benefit Plan provide for a pre-retirement survivor's benefit with an incremental value of \$956,313. Due to Mr. Morrison's commencement of employment prior to January 1, 2001, the pre-retirement survivor's benefit is more valuable than the benefits that he would have received in the event of a voluntary termination.

(5) Represents the value attributable to continuation of two years of executive financial counseling (\$16,670) or one year in the case of an involuntary termination without cause (\$8,335).

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

The following table shows certain information with respect to our equity compensation plans as of December 31, 2011:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,731,491 <sup>(2)</sup>	\$ 37.67 <sup>(4)</sup>	8,483,652 <sup>(6)</sup>
Equity compensation plans not approved by security holders <sup>(1)</sup>	154,750 <sup>(3)</sup>	\$ 51.95 <sup>(5)</sup>	339,527
<b>Total</b>	<b>7,886,241</b>	<b>\$ 37.77<sup>(4)(5)</sup></b>	<b>8,823,179</b>

- (1) These plans are the CCAP Excess Benefit Plan and the Deferred Compensation Plan for Directors, under which 135,628 shares of common stock and 203,899 shares of common stock, respectively, are available for future issuance.

The CCAP Excess Benefit Plan is a nonqualified, defined contribution plan and covers those participants in the CCAP and the ESOP whose total benefits under those plans are limited by certain provisions of the Internal Revenue Code. A participant in the CCAP Excess Benefit Plan is entitled to a benefit equaling the difference between the participant's benefits under the CCAP and the ESOP, without considering the applicable limitations of the Internal Revenue Code, and the participant's actual benefits under such plans. A participant's excess ESOP benefit is expressed as shares of our common stock. Payments under the CCAP Excess Benefit Plan are generally made: (i) for excess benefits related to the CCAP in cash annually as soon as practical after the amount of excess benefit can be determined; and (ii) for excess benefits related to the ESOP, in common stock as soon as practicable after the earlier of the participant's 65th birthday or termination of employment. Allocations under the ESOP ceased in 2004. Accordingly, other than dividends, no new contributions are made to the ESOP or the CCAP Excess Benefit Plan with respect to excess ESOP benefits. Additional information regarding the CCAP and the CCAP Excess Benefit Plan is set forth under the heading "Compensation Discussion and Analysis - Company-Sponsored Benefit Plans."

The material terms of the Deferred Compensation Plan for Directors are described under the heading "Corporate Governance - Directors Compensation."

- (2) Includes 2,940,794 shares, representing 200% of the aggregate target for the performance unit awards for the three-year performance periods ending December 31, 2012 and December 31, 2013, which is the maximum number of shares issuable under these awards and 672,708 shares for the performance period ended December 31, 2011. The December 31, 2011 performance units are shown at the actual payout percentage of 87.4% of target. Shortly after the end of each performance period, our Compensation Committee will determine the actual number of shares to be received by participants in these plans for the awards that are earned on December 31, 2012 and December 31, 2013.

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- (3) Includes an aggregate of 12,663 shares issuable upon exercise of the special option grant awarded to a retired non-employee director in 2002 as individual compensation for his service on our Chief Executive Officer search committee.
- (4) Weighted average exercise price excludes shares issuable under outstanding performance unit awards, RSU awards and director stock unit awards.
- (5) Weighted average exercise price consists of exercise price of the special option grant described in note (3) above and excludes shares issuable in connection with the CCAP Excess Benefit Plan and the Deferred Compensation Plan for Directors.
- (6) Includes 8,483,652 shares available for issuance under the 2009 LTIP (which includes 866,672 shares previously reserved for issuance in connection with the 2009 performance unit awards). After December 31, 2011, the number of shares available for issuance under the 2009 LTIP was reduced by approximately 1.3 million net shares due to grants made to participants in the 2009 LTIP during the first quarter of 2012 (partially offset by shares returned to the status of available for issuance due to forfeitures and shares cancelled in connection with tax withholdings).

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN****BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information concerning the only persons or entities known to us to be beneficial owners of more than 5% of our outstanding common stock. The information below is as reported by that entity in statements filed with the SEC.

Name and Address	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Class <sup>(2)</sup>
BlackRock, Inc.	17,652,363 <sup>(1)</sup>	6.35%

(1) Reflects ownership as of December 31, 2011 as reported on an amendment to Schedule 13G filed with the SEC by BlackRock, Inc., located at 40 East 52nd Street, New York, NY 10022. BlackRock, Inc. reports sole voting and dispositive power over all of the reported shares. BlackRock, Inc. has certified that these shares of our common stock were acquired in the ordinary course of business and were not acquired for the purpose of, and do not have the effect of, changing or influencing the control of Chubb and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

(2) As reported in the applicable statement filed with the SEC.

The following table sets forth certain information regarding the beneficial ownership of our common stock and common stock-based holdings by each of our directors and nominees for director, by each of our NEOs and by our directors and executive officers as a group as of March 2, 2012.

Name and Address <sup>(1)</sup>	Amount and Nature of Beneficial Ownership of Common Stock <sup>(2)</sup>	Percent of Class <sup>(3)</sup>
Zoë Baird Budinger <sup>(4)(5)</sup>	44,066	*
Sheila P. Burke <sup>(4)(6)</sup>	43,795	*
James I. Cash, Jr. <sup>(4)(7)</sup>	11,926	*
John D. Finnegan <sup>(8)</sup>	834,949	*
Lawrence W. Kellner <sup>(9)</sup>	2,590	*
Martin G. McGuinn <sup>(4)</sup>	20,500	*
Lawrence M. Small <sup>(4)(10)</sup>	74,279	*
Jess Söderberg <sup>(4)</sup>	10,961	*
Daniel E. Somers <sup>(4)(11)</sup>	24,299	*
James M. Zimmerman <sup>(4)(12)</sup>	14,150	*
Alfred W. Zollar <sup>(4)(13)</sup>	18,542	*
Paul J. Krump <sup>(14)</sup>	87,916	*
Harold L. Morrison, Jr. <sup>(15)</sup>	46,373	*
Dino E. Robusto <sup>(16)</sup>	51,174	*
Richard G. Spiro <sup>(17)</sup>	112,244	*
All directors and executive officers as a group <sup>(18)</sup>	1,638,588	*

\* Less than 1%.

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- (1) The business address of each director and executive officer named in this table is The Chubb Corporation, 15 Mountain View Road, Warren, New Jersey 07059.
- (2) Unless otherwise indicated, share amounts are as of March 2, 2012 and each person has sole voting and investment power with respect to the shares listed.



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- (3) Based upon 270,412,227 shares of our common stock outstanding as of March 2, 2012.
- (4) Includes 5,987 fully vested mandatorily deferred stock units that will settle following separation from our service.
- (5) Includes 20,000 shares that Ms. Baird Budinger may purchase within 60 days.
- (6) Includes (i) 16,000 shares that may be purchased within 60 days; (ii) 7,606 market value units; and (iii) 12,454 vested stock units of which Ms. Burke has elected to defer her receipt.
- (7) Includes (i) 2,413 market value units; and (ii) 1,526 vested stock units of which Dr. Cash has elected to defer his receipt.
- (8) Includes (i) 80,000 shares held by a family-owned limited liability company; (ii) 18,910 shares held in a grantor retained annuity trust; (iii) 3,182 shares in a family-owned trust; (iv) 37,262 RSUs that will vest on February 24, 2013; (v) 31,368 RSUs that will vest on February 23, 2014; (vi) 27,706 RSUs that will vest on February 22, 2015; (vii) 1,615 shares that were allocated to Mr. Finnegan pursuant to the ESOP; and (viii) 326,419 deferred stock units that are fully vested and will settle following Mr. Finnegan's separation from our service. This amount does not include (i) 111,786 shares attributable to the performance unit award for the performance period ending December 31, 2012; (ii) 94,106 shares attributable to the performance unit award for the performance period ending December 31, 2013; and (iii) 83,121 shares attributable to the performance unit award for the performance period ending December 31, 2014. Payment of such shares will range from 0% to 200% depending on actual performance measured against the stated performance goals for the applicable performance period.
- (9) Includes 1,590 fully vested mandatorily deferred stock units that will settle following Mr. Kellner's separation from our service.
- (10) Includes 37,925 shares that Mr. Small may purchase within 60 days.
- (11) Includes (i) 2,592 market value units; and (ii) 13,672 vested stock units of which Mr. Somers has elected to defer his receipt.
- (12) Includes 2,403 vested stock units of which Mr. Zimmerman has elected to defer his receipt.
- (13) Includes 322 vested stock units of which Mr. Zollar has elected to defer his receipt.
- (14) Includes (i) 3,432 RSUs that will vest on February 24, 2013; (ii) 4,952 RSUs that will vest on February 23, 2014; (iii) 5,833 RSUs that will vest on February 22, 2015; (iv) 6,785 shares that were allocated to Mr. Krump pursuant to the ESOP; and (v) 2,112 deferred stock units that are fully vested of which will settle following Mr. Krump's separation from our service. This amount does not include (i) 10,296 shares attributable to the performance unit award for the performance period ending December 31, 2012; (ii) 14,859 shares attributable to the performance unit award for the performance period ending December 31, 2013; and (iii) 17,499 shares attributable to the performance unit award for the performance period ending December 31, 2014. Payment of such shares will range from 0% to 200% depending on actual performance measured against the stated performance goals for the applicable performance period.
- (15) Includes (i) 3,432 RSUs that will vest on February 24, 2013; (ii) 3,714 RSUs that will vest on February 23, 2014; (iii) 4,374 RSUs that will vest on February 22, 2015; (iv) 363 shares in the Chubb Stock Fund of the CCAP; and (v) 135 shares that were allocated to

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Mr. Morrison pursuant to the ESOP. This amount does not include (i) 10,296 shares attributable to the performance unit award for the performance period ending December 31, 2012; (ii) 11,144 shares attributable to the performance unit award for the performance period ending December 31, 2013; and (iii) 13,125 shares attributable to the performance unit award for the performance period ending December 31, 2014. Payment of such shares will range from 0% to 200% depending on actual performance measured against the stated performance goals for the applicable performance period.

- (16) Includes (i) 3,432 RSUs that will vest on February 24, 2013; (ii) 4,952 RSUs that will vest on February 23, 2014; and (iii) 5,833 RSUs that will vest on February 22, 2015. This amount does not include (i) 10,296 shares attributable to the performance unit award for the performance period ending

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December 31, 2012; (ii) 14,859 shares attributable to the performance unit award for the performance period ending December 31, 2013; and (iii) 17,499 shares attributable to the performance unit award for the performance period ending December 31, 2014. Payment of such shares will range from 0% to 200% depending on actual performance measured against the stated performance goals for the applicable performance period.

(17) Includes (i) 12,992 RSUs that will vest on February 24, 2013; (ii) 10,937 RSUs that will vest on February 23, 2014; and (iii) 9,660 RSUs that will vest on February 22, 2015. This amount does not include (i) 38,978 shares attributable to the performance unit award for the performance period ending December 31, 2012; (ii) 32,814 shares attributable to the performance unit award for the performance period ending December 31, 2013; and (iii) 28,983 shares attributable to the performance unit award for the performance period ending December 31, 2014. Payment of such shares will range from 0% to 200% depending on actual performance measured against the stated performance goals for the applicable performance period.

(18) Includes (i) 1,162 shares which executive officers other than those listed in the table above disclaim beneficial ownership; (ii) 747 shares which were allocated to executive officers other than those listed in the table above pursuant to the Chubb Stock Fund of the CCAP; (iii) 4,913 shares which were allocated to executive officers other than those listed in the table above pursuant to the ESOP; (iv) 10,678 stock units that are fully vested of which executive officers other than those listed in the table above have elected to defer receipt until separation from our service; (v) 12,820 shares which executive officers other than those listed in the table above have the right to purchase within 60 days; (vi) 13,098 RSUs which were allocated to executive officers other than those listed in the table above that will vest on February 24, 2013; (vii) 3,344 RSUs which were allocated to executive officers other than those listed in the table above that will vest on December 31, 2013; (viii) 12,625 RSUs which were allocated to executive officers other than those listed in the table above that will vest on February 23, 2014; (ix) 11,187 RSUs which were allocated to executive officers other than those listed in the table above that will vest on February 22, 2015; and (x) 3,343 RSUs which were allocated to executive officers other than those listed in the table above that will vest on December 31, 2015. This amount does not include (i) 39,303 shares attributable to the performance unit award for the performance period ending December 31, 2012; (ii) 37,893 shares attributable to the performance unit award for the performance period ending December 31, 2013; and (iii) 33,577 shares attributable to the performance unit award for the performance period ending December 31, 2014. Payment of such shares will range from 0% to 200% depending on actual performance measured against the stated performance goals for the applicable performance period.

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**CERTAIN TRANSACTIONS AND OTHER MATTERS**

At December 31, 2011, BlackRock, Inc. was the beneficial owner of more than 5% of our outstanding common stock. In 2011, BlackRock, Inc. purchased insurance policies from our property and casualty insurance subsidiaries with an aggregate net written premium of approximately \$2.5 million. At December 31, 2011, we owned approximately \$42 million of BlackRock, Inc. fixed income securities.

Effective December 1, 2002, we entered into an employment agreement with Mr. Finnegan. This employment agreement covers Mr. Finnegan's roles and responsibilities, his compensation and benefits and the results of the termination of his employment under various circumstances. The employment agreement contains an automatic renewal clause, providing that the employment agreement will have a perpetual two-year term unless Mr. Finnegan or we deliver a notice of non-renewal. Additional information regarding Mr. Finnegan's employment agreement is set forth under the headings Compensation Discussion and Analysis Employment and Severance Agreements, Compensation Discussion and Analysis Change in Control Agreements and Executive Compensation Potential Payments upon Termination.

We have entered into a change in control agreement with Mr. Spiro. Information regarding this change in control agreement is set forth under the headings Compensation Discussion and Analysis Change in Control Agreements and Executive Compensation Potential Payments upon Termination.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than 10% of our common stock to file reports of securities ownership and changes in such ownership with the SEC. Based solely upon a review of copies of such reports or written representations that all such reports were timely filed, we believe that each of our directors, executive officers and greater than 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them during 2011, except that Robert C. Cox filed a Form 4 due on January 4, 2011 on November 14, 2011 due to inadvertent administrative error.

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**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Upon the recommendation of our Governance Committee, our Board has nominated the following individuals for election to our Board this year:

Zoë Baird Budinger	Lawrence M. Small
Sheila P. Burke	Jess Sjøderberg
James I. Cash, Jr.	Daniel E. Somers
John D. Finnegan	James M. Zimmerman
Lawrence W. Kellner	Alfred W. Zollar
Martin G. McGuinn	

Information regarding the business experience of each nominee and the factors considered by our Governance Committee and the Board in selecting each nominee for election to our Board is provided under the heading **Our Board of Directors**. Each of our directors is elected annually to serve until the next annual meeting of shareholders and until his or her successor is elected and qualified. There are no family relationships among our executive officers and directors. Each director nominee other than Mr. Finnegan satisfies the independence requirements set forth in the NYSE listing standards and, with respect to the nominees expected to serve on our Audit Committee, Section 10A(m)(3) of the Exchange Act.

Our Board expects that each of the nominees named in this proxy statement will be available for election and, if elected, will be willing to serve as a director. If any nominee is not available, then the proxies may vote for a substitute as may be designated by our Board, unless our Board reduces the number of directors. Our Board has, in accordance with our By-Laws, fixed the number of directors to be elected at 11. If elected, each director will serve until the next annual meeting of shareholders and until his or her successor is elected and qualified.

Director nominees will be elected by a majority of the votes cast by our shareholders entitled to vote at the 2012 Annual Meeting. If you wish to give specific instructions with respect to the voting of directors, you may do so by indicating your instructions on your proxy card.

**Our Board recommends that you vote **FOR** each of the foregoing nominees for director. If you are a shareholder of record and return a signed and dated proxy card without marking any voting selections, your shares will be voted **FOR** the election of each of the director nominees. If you are a beneficial owner of shares held in street name and return a signed and dated voting instruction card without marking any voting selections for the election of directors, your shares will be voted **FOR** the election of each of the director nominees. If you do not return your proxy card or your voting instruction card, your shares will not be voted with respect to this proposal.**

**Table of Contents****PROPOSAL 2****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR**

Our Audit Committee, acting pursuant to the authority granted to it in its charter, has retained Ernst & Young LLP (Ernst & Young) as our independent auditor. The appointment of Ernst & Young is being submitted to our shareholders for ratification. Ernst & Young has acted as our independent auditor for many years. The following summarizes the fees billed to us by Ernst & Young for professional services rendered in 2011 and 2010:

<b>Fee Category</b>	<b>2011</b>	<b>2010</b>
Audit Fees <sup>(1)</sup>	\$ 7,622,000	\$ 7,340,000
Audit-Related Fees <sup>(2)</sup>	1,055,000	1,240,000
Tax Fees <sup>(3)</sup>	15,000	
All Other Fees <sup>(4)</sup>	168,000	210,000

- (1) Audit Fees primarily relate to the audit of our annual financial statements, review of our financial statements included in our quarterly reports on Form 10-Q, statutory audits for our insurance subsidiaries and review of SEC registration statements.
- (2) Audit-Related Fees primarily relate to an International Financial Reporting Standards impact assessment, internal control reports, employee benefit plan audits and certain non-insurance related statutory audits.
- (3) Tax Fees primarily relate to tax compliance, tax advice and tax planning.
- (4) All Other Fees relate to other services not described in notes (1), (2) and (3) above, including special actuarial reports filed with regulators, technical training and an online information service.

Our Audit Committee determined that the provision of these services is compatible with maintaining Ernst & Young's independence.

In 2011, our Audit Committee pre-approved all services performed for us by Ernst & Young.

Representatives of Ernst & Young are expected to be present at the 2012 Annual Meeting and to have the opportunity to make a statement should they desire to do so and to be available to respond to appropriate questions.

The affirmative vote of a majority of the votes cast by shareholders entitled to vote at the 2012 Annual Meeting is required to ratify the appointment of Ernst & Young as our independent auditor. If our shareholders do not ratify the appointment of Ernst & Young, our Audit Committee will reconsider the appointment.

**Our Board recommends that you vote FOR ratification of the appointment of Ernst & Young LLP as our independent auditor. Proxies solicited by our Board will be voted FOR this proposal unless a shareholder has indicated otherwise on the proxy card. If you are a shareholder of record and return a signed and dated proxy card without marking any voting selections with respect to ratification of Ernst & Young LLP as independent auditor, or if you are a beneficial owner of shares held in street name and return a signed and dated voting instruction card without marking any voting selection with respect to ratification of Ernst & Young LLP as independent auditor, your shares will be considered as present and entitled to vote with respect to that proposal and your shares will be voted FOR Proposal 2.**

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**PROPOSAL 3**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and rules adopted by the SEC required thereunder, at the 2012 Annual Meeting, we are providing shareholders with an advisory say-on-pay vote.

Accordingly, at the 2012 Annual Meeting, shareholders will have the opportunity to vote on the following resolution:

RESOLVED, that the shareholders of The Chubb Corporation (the Company), in an advisory vote, hereby approve the compensation paid to the Company's named executive officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's 2012 proxy statement under the headings "Compensation Discussion and Analysis" and "Executive Compensation."

This vote is non-binding. Our Compensation Committee, however, expects to take into account the outcome of the vote when considering future executive compensation decisions to the extent its members (with the assistance of the Compensation Consultant) can determine the cause or causes leading to the results of this vote.

As described in detail under "Compensation Discussion and Analysis," our executive compensation program is designed to motivate and retain our NEOs, thereby helping us to maintain our position as one of the world's preeminent insurers. Our Compensation Committee, with the assistance of the Compensation Consultant, engages in rigorous benchmarking and analysis of our NEO target compensation levels to ensure that our executive compensation program is competitive with the companies with which we believe we compete for executive talent. At the same time, our Compensation Committee has designed our executive compensation program to ensure that NEO actual compensation levels are reflective of the results we achieve for our shareholders on both an annual and longer-term basis.

Shareholders are encouraged to carefully read the information set forth under the headings "Compensation Discussion and Analysis" and "Executive Compensation."

**Our Board recommends that you vote FOR the approval, on an advisory basis, of the compensation paid to our NEOs. If you are a shareholder of record and return a signed and dated proxy card without marking any voting selections, your shares will be voted FOR the compensation paid to our NEOs. If you are a beneficial owner of shares held in street name and return a signed and dated voting instruction card without marking any voting selections for this proposal, your shares will be voted FOR the compensation paid to our NEOs. If you do not return your proxy card or your voting instruction card, your shares will not be voted with respect to this proposal.**

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**PROPOSAL 4**

**SHAREHOLDER PROPOSAL**

We received a request from NorthStar Asset Management Inc., PO Box 301840, Boston, MA 02130, the beneficial owner of 263 shares of our common stock, to include the following shareholder proposal in this proxy statement:

**Proposal**

Whereas, the Supreme Court ruling in *Citizens United v. Federal Election Commission* interpreted the First Amendment right of freedom of speech to include certain corporate political expenditures involving electioneering communications, striking down elements of the previously well-established McCain-Feingold law, and resulting in greater public and shareholder concern about corporate political spending;

Whereas, proponents believe The Chubb Corporation (Chubb) should establish policies that minimize risk to the firm's reputation and brand through possible future missteps in corporate political contributions;

Whereas, in July 2010 Target Corporation donated \$150,000 to the political group Minnesota Forward, which was followed by a major national controversy with demonstrations, petitions, threatened boycotts and considerable negative publicity;

Whereas, Chubb's website states that as experts on risk, insurers can play an important role in encouraging policymakers to deal with climate change proactively at the local, state, national and global level.<sup>1</sup> Yet The Chubb PAC Political Action Committee (ChubbPAC) designated nearly a quarter of its contributions to politicians voting against the American Clean Energy and Security Act of 2009 (H.R.2454) and voting to deregulate greenhouse gases (H.R. 910); and

Whereas, Chubb has a strong commitment to providing equal employment opportunity through its Culture of Inclusion policy which states that at Chubb, advancement and rewards depend solely on ability, performance and contribution to our corporate goals without regard to work background, education, age, gender, race, ethnic origins, physical abilities, religious beliefs, sexual orientation, gender identity and other perceived differences.<sup>2</sup> Yet since 2009, ChubbPAC designated more than 30% of its contributions to politicians voting **against** hate crimes legislation, voting against the repeal of Don't Ask Don't Tell, and sponsoring the Federal Marriage Amendment Act, which would eliminate same sex marriage across the nation.

**Resolved:** Shareholders recommend that the Board of Directors adopt a policy under which the proxy statement for each annual meeting will contain a proposal describing:

the Company's and ChubbPAC policies on electioneering and political contributions and communications;

any specific expenditures for these electioneering and political contributions and communications known to be anticipated during the forthcoming fiscal year;

the total amount of anticipated expenditures;

a list of specific electioneering expenditures made in the prior fiscal year;

management's analysis of the congruency with company values and policies of those political and electioneering policies, and of resultant expenditures for the prior year and the forthcoming year; and



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providing an advisory shareholder vote on those policies and future plans.

- 1 <http://www.chubb.com/corporate/chubb12296.html>
- 2 <http://www.chubb.com/diversity/chubb4387.html>

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### **Supporting Statement**

Proponents recommend that the annual proposal contain management's analysis of risks to our company's brand, reputation, or shareholder value.

Expenditures for electioneering communications means spending directly, or through a third party, at any time during the year, on printed, internet or broadcast communications, which are reasonably susceptible to interpretation as in support of or opposition to a specific candidate.

### **Recommendation of our Board to Vote AGAINST this Proposal**

This proposal can be viewed as consisting of two components: (i) a request for disclosure; and (ii) a request for an annual advisory vote on our electioneering, political contributions and related communications policies and future plans regarding related expenditures.

With respect to the inclusion in our proxy statement of disclosure regarding our policies on electioneering and political contributions and communications, a significant amount of the requested information is already publicly available. In particular, we disclose on our website at [www.chubb.com](http://www.chubb.com) our Policy Statement on Political Contributions and Related Activities. Beginning later this year, we also plan to publish on our website an annual report that will detail our electioneering expenditures made in the prior fiscal year. We expect that this report will outline our strategy for identifying candidates and issues to support and the process through which such decisions are managed by us and overseen by our Board. This report, coupled with the existing publicly available information, will largely address this proposal's request pertaining to disclosure. Where it does not, we believe the disclosure called for by this proposal is unnecessary and runs counter to our best interest and the best interests of our shareholders.

With respect to an annual advisory shareholder vote on our electioneering and political contributions and communications policies and related future activities, our Board concluded that adoption of this proposal would not be in our best interest or the best interests of our shareholders.

Given the complex legal and regulatory landscape within which we operate, it is important for Chubb to be an effective participant in the political process. Toward this end, our government relations employees seek to educate and inform public officials about our positions on numerous issues that impact the property and casualty insurance industry, create a positive business climate and protect our interests. As part of this effort, we make relatively small contributions to recipients whose positions foster a positive business climate.

Our employees who manage our governmental affairs are best positioned to understand our business objectives and identify appropriate political contributions and expenditures, and our internal controls in this area, as well as comprehensive federal and state regulations governing political contributions, provide sufficient safeguards to protect our brand, reputation and shareholder value. In contrast, it would be a challenge for one not engaged full time in analyzing the numerous issues important to our business and the changing political landscape to make a meaningful assessment of our political contributions and related activities. To do so, one would not only need to fully understand the host of issues that are of importance to our business, but also the views of every politician both those we support and those we do not with respect to each of those issues. Further complicating such an analysis is the fact that issues and politicians' positions are not static but rather susceptible to change. Therefore, to vote on an informed basis, shareholders would have to engage in extensive analysis on a continual basis. Moreover, the binary nature of the proposed vote (to support or not support our political contributions) would not provide our Board or management with any meaningful guidance as to the rationale underlying the vote.

For the foregoing reasons, our Board believes that our shareholders should reject this proposal. The affirmative vote of a majority of the votes cast by shareholders entitled to vote at the 2012 Annual Meeting is required for approval of this shareholder proposal.

**Our Board unanimously recommends that you vote AGAINST this proposal. If you are a shareholder of record and return a signed and dated proxy card without marking any voting selections, your shares will be voted AGAINST the adoption of this proposal. If you are a beneficial owner of shares held in street name and return a signed and dated voting instruction card without marking any voting selections for this proposal, your shares will be voted AGAINST the adoption of this proposal. If you do not return your proxy card or your voting instruction card, your shares will not be voted with respect to this proposal.**

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**SOLICITATION OF PROXIES**

We will pay the cost of this solicitation of proxies. In addition to the solicitation of proxies by use of the internet and mail, we may use the services of one or more of our directors, officers or other regular employees (who will receive no additional compensation for their services in such solicitation) to solicit proxies personally, by telephone or by other electronic means. In addition, we may enter into an agreement with a professional proxy solicitor, pursuant to which it may assist us in the solicitation of proxies by mail, in person and by telephone for a fee, which we would not expect to exceed \$17,500 plus out-of-pocket expenses. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares held on the record date by such persons and we will reimburse them for reasonable expenses actually incurred by them in so doing.

**2013 SHAREHOLDER PROPOSALS AND NOMINATIONS**

Any proposal that a shareholder intends to be included in our proxy statement and form of proxy card for our 2013 Annual Meeting of Shareholders must be in writing and be received by our Corporate Secretary at The Chubb Corporation, 15 Mountain View Road, Warren, New Jersey 07059 no later than November 16, 2012 and must otherwise comply with the rules promulgated by the SEC in order to be eligible for inclusion in our proxy materials for the 2013 Annual Meeting of Shareholders.

Under our By-Laws, if a shareholder desires to bring a matter before the annual meeting of shareholders or if a shareholder wants to nominate a person for election to our Board, the shareholder must follow the procedures set forth in our By-Laws. A copy of Article I, Section 10, of our By-Laws, which covers those matters, is available without charge upon written request to our Corporate Secretary. Our By-Laws also are available on our website at [www.chubb.com/investors](http://www.chubb.com/investors). Our By-Law procedures are separate from the SEC's requirements that a shareholder must meet in order to have a shareholder proposal included in our proxy statement.

One of the procedural requirements in our By-Laws is timely notice in writing of any business the shareholder proposes to bring before the annual meeting of shareholders and/or the nomination any shareholder proposes to make at the annual meeting of shareholders. Notice of business proposed to be brought before the 2013 Annual Meeting of Shareholders and/or director nominations proposed to be made at the 2013 Annual Meeting of Shareholders must be received by our Corporate Secretary no earlier than December 26, 2012 and no later than January 25, 2013.

The notice for business that a shareholder proposes to bring before the annual meeting of shareholders must be a proper matter for shareholder action and must set forth:

the name and address of such shareholder, as they appear on our books, and the name and address of any certain parties related to the shareholder (each a Shareholder Associated Person);

the class and number of shares of our stock that are, directly or indirectly, owned beneficially and of record by such shareholder or Shareholder Associated Person;

the date such shares of our stock were acquired;

a representation that the shareholder is a record holder of shares of our stock entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to bring or propose such business or make such nomination, as the case may be;

a description of any agreement, understanding or arrangement, direct or indirect, with respect to such business, proposal or nomination between or among such shareholder, any Shareholder Associated Person or any others (including their names) acting in concert with any of the foregoing;

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a description of any agreement, understanding or arrangement (including any derivative or short positions, profit interests, options, hedging transactions and borrowed or loaned shares) that has been entered into, directly or indirectly, as of the date of such shareholder's notice by, or on behalf of, the

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shareholder or any Shareholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of such shareholder or any Shareholder Associated Person with respect to shares of our stock;

if such shareholder's notice relates to the nomination of a person for election to the Board of Directors, (i) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such nominating shareholder, any Shareholder Associated Person or others acting in concert with any of the foregoing, including all information that would be required to be disclosed pursuant to Rule 404 promulgated by the SEC under Regulation S-K, as amended from time to time, if such nominating shareholder, Shareholder Associated Person or any person acting in concert therewith, were the registrant for the purposes of such rule and the person being nominated for election as director were a director or executive of such registrant and (ii) as to each person whom the shareholder proposes to nominate for election as a director, all information relating to such person that would be required to be disclosed in a solicitation of proxies for the election of such person as a director pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if so elected);

a description of any proxy (including revocable proxies), contract, arrangement, understanding or other relationship pursuant to which such shareholder or Shareholder Associated Person has a right to vote any shares of our stock;

with respect to any and all of the agreements, contracts, understandings, arrangements, proxies or other relationships referred to in the foregoing bullets, a representation that such shareholder will notify us in writing of any such agreement, contract, understanding, arrangement, proxy and/or other relationship that are or will be in effect as of the date of the applicable annual meeting of shareholders no later than five business days before the date of such meeting;

all other information that would be required to be filed with the SEC if such shareholder or Shareholder Associated Person were participants in a solicitation subject to Section 14 of the Exchange Act;

as to any business that the shareholder proposes to bring before the meeting, (i) a brief description of such business, (ii) if such business includes a proposal, the text of the proposal (including the text of any resolutions proposed for consideration), (iii) if the proposal includes an amendment to our By-Laws, the language of the proposed amendment, (iv) the reasons for conducting such business at the meeting and (v) any material interest of such shareholder and any Shareholder Associated Person in such business; and

a representation as to whether the shareholder intends (i) to deliver a proxy statement and form of proxy to holders of at least the percentage of our outstanding capital stock required to approve or adopt the proposal or elect the nominee or (ii) otherwise to solicit proxies from shareholders in support of such proposal or nomination. In addition, a shareholder seeking to submit a shareholder proposal or other business or make a director nomination shall promptly provide any other information reasonably requested by us, and any proposed nominee for election to our Board must furnish such other information as we may reasonably require to determine the eligibility of such proposed nominee to serve as a member of our Board.

By Order of the Board of Directors,

W. Andrew Macan

Vice President and Secretary

March 15, 2012



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**ANNEX A**

**THE CHUBB CORPORATION**

**POLICY ON PRE-APPROVAL OF INDEPENDENT AUDITOR SERVICES**

**I. Statement of Principles**

The Audit Committee of the Board of Directors is responsible for the appointment, compensation, retention, and oversight of the work of the independent auditor. The Chubb Corporation and the Audit Committee are committed to ensuring the independence of the auditor, both in appearance and in fact. Accordingly, significant attention is directed toward ensuring that services provided by the auditor are consistent with the SEC's rules on auditor independence.

The Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor or its affiliates on behalf of The Chubb Corporation or any of its subsidiaries (collectively, the Corporation) in order to assure that the provision of such services does not impair the auditor's independence from the Corporation. In the case of audit services, pre-approval by the Audit Committee is required for such services provided to all consolidated subsidiaries of the Corporation, whether provided by the principal independent auditor or other firms.

**II. Delegation**

The Audit Committee has delegated to the Chairman of the Audit Committee authority to pre-approve specific services not to exceed \$25,000 per engagement. Any services pre-approved by the Chairman shall be reported to the Audit Committee at its next scheduled meeting.

The Audit Committee may consult with management but does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

**III. Audit Services**

Audit services include all services to be performed to comply with generally accepted auditing standards and those services that generally only the Corporation's independent auditor can provide, such as comfort letters, statutory audits, attest services, consents and assistance with and review of documents filed with the SEC.

**IV. Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are traditionally performed by the independent auditor. The Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence. Audit-related services include, among other services, audits of employee benefit plans; due diligence related to mergers and acquisitions; internal control reviews; attest services that are not required by statute or regulation; and consultations related to financial accounting or reporting standards.

**V. Tax Services**

The Audit Committee believes that the provision of tax services to the Corporation including tax planning, compliance, and advice does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence. Tax services include tax planning, compliance, and advice; preparation and review of original and amended tax returns; assistance with claims for refund and tax payment-planning services, tax audits and appeals before the IRS and similar state, local and foreign agencies; and advice related to mergers and acquisitions, employee benefit plans and requests for rulings or technical advice for taxing authorities. The Corporation shall not record a transaction or transactions, the primary business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations; the rendering of services to the Corporation, its executive officers and its directors by the independent auditor in connection with the auditor's recommendation of such transaction or transactions is prohibited.

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### **VI. All Other Services**

The Audit Committee believes that certain specific non-audit services do not impair the auditor's independence. Accordingly, the Audit Committee may grant pre-approval to specific, permissible non-audit services classified as "All Other Services" that it believes are routine and recurring services that would not impair the independence of the auditor. "All Other Services" may include preparation of actuarial reports in accordance with regulatory requirements provided that the Audit Committee reasonably concludes that the results of these services will not be subject to audit procedures during an audit of the Corporation's financial statements.

### **VII. Procedures**

Requests for services to be rendered by the independent auditor will be provided annually to the Audit Committee for specific pre-approval. The requests will include a description of the particular services to be rendered and the expected fee range. On a periodic basis at subsequent Audit Committee meetings, an update on independent auditor services and all other audit services will be provided to the Audit Committee and any proposed new services, increases in engagement scope, and increases in engagement fees will be provided for specific pre-approval by the Audit Committee. Requests for pre-approval will be submitted to the Audit Committee by both the independent auditor and management and must include a written statement by the independent auditor as to whether, in its view, the request is consistent with the SEC's rules on auditor independence.

The Audit Committee will consider whether such service requests are consistent with the SEC rules on auditor independence. The Audit Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Corporation's business, people, culture, accounting systems, risk profile and other factors.

The term of any pre-approval is the period beginning on the date of pre-approval and ending on the last day of the first full calendar year after the date of pre-approval, unless the Corporation specifically provides for a different period.

The Audit Committee is also mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Audit Committee may determine the appropriate ratio between the total amount of fees for Audit, Audit-related, Tax, and All Other Services.

### **VIII. Prohibited Non-Audit Services**

Provision of the following non-audit services by the independent auditor is prohibited in accordance with the SEC's rules. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

Bookkeeping or other services related to the accounting records or financial statements of the Corporation;

Financial information systems design and implementation;

Appraisal or valuation services, fairness opinions or contribution-in-kind reports;

Actuarial services;

Internal audit outsourcing services;

Management functions or human resources;



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Broker-dealer, investment adviser, or investment banking services;

Legal services and expert services unrelated to the audit; and

Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

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