



The Chubb Corporation 2004 Update on Asbestos Reserves



Forward Looking Statements

The following materials may contain “forward looking statements” that are subject to certain risks and uncertainties which could cause actual results to differ materially from those expressed or suggested by such statements. Such risks or uncertainties include but are not limited to those which may be noted more fully in the materials themselves, as well as those discussed or identified from time to time in The Chubb Corporation’s public filings with the Securities and Exchange Commission. The Chubb Corporation assumes no obligation to update any forward-looking information set forth in the following materials, which speak as of February, 1, 2005 or as otherwise specified in the materials.



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Purpose of Review

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



Conclusions

- **Our 2004 analysis of asbestos liabilities concluded a need for \$75M of additional net reserves**
- **The carried net reserve of \$906M at 12/31/04 represents the best estimate of Chubb and an independent consulting actuarial firm of our ultimate asbestos liability**
- **This amount contemplates approximately a 5% reinsurance recoverable**
- **Net payments for asbestos liabilities in 2004 were \$181M**
- **Current reserves calculate to a 3 year survival ratio of 9.3**



Evaluation Methodology

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

Traditional defendant policyholders (Tiers 1 & 2)

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

Peripheral defendant policyholders (Tiers 3 & 4)

- **An emerging group of defendants who manufactured, distributed, or installed an asbestos-containing product or who owned or operated a facility where asbestos products were present**



Exposure Analysis

Of these policyholder categories, Chubb did an analysis on:

- **All Tier 1 and 2 accounts individually**
- **Tier 3 and 4 accounts in the aggregate**

Available coverage was reviewed for each defendant policyholder, including terms of coverage, policy limits and aggregate limits, for Tier 1 and 2 accounts



Asbestos Payments & Reserves by Category

(\$ in millions)

	No. of Open Policy- holders	Total Net Paid in 2004	Net Asbestos Reserves At 12/31/04	Incurred During 2004
	#	\$	\$	\$
Traditional Defendants Tier 1	5	—	57	
Traditional Defendants Tier 2	17	44	284	25
Peripheral Defendants Tiers 3 & 4	378	137	343	27
All Other			34	
Reserves for future claims from unknown policyholders	TBD	—	188	23
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Total	400	181	906	75



Asbestos Payments & Reserves by Category

Total net asbestos reserves: \$906M

- **Case reserves of \$337.8M**
 - **Established by Claim Department on known claims**
- **IBNR reserves of \$568.0M**
 - **Includes provision for:**
 - **potential reserve development on known defendant policyholders (development)**
 - **future claims from unknown defendant policyholders (pure IBNR)**
 - **future declaratory judgment actions and other litigation**



Asbestos Net Loss Reserve Comparison

(\$ in Millions)	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Beginning Reserves	\$1,011.8	\$833.9	\$214.6	\$211.7
Incurred Losses & LAE	75.0	250.0	657.3	56.6
CY Payments for Losses	(163.0)	(57.7)	(26.7)	(37.9)
CY Payments for LAE	<u>(18.0)</u>	<u>(14.4)</u>	<u>(11.3)</u>	<u>(15.8)</u>
Ending Reserves	<u>\$905.8</u>	<u>\$1,011.8</u>	<u>\$833.9</u>	<u>\$214.6</u>
IBNR portion of Ending Reserves	\$568.0	\$646.2	\$587.4	\$ 71.9



Summary

- **Chubb's asbestos net reserves of \$906M at 12/31/04 are based on our 2004 analysis of our ultimate asbestos liabilities**
- **The reserve is the best estimate of Chubb and an independent consulting actuarial firm**
- **This reserve amount is at full (undiscounted) value**
- **No consideration has been given for legislative or judicial relief**
- **The net reserve reflects a modest reinsurance recoverable amount of approximately 5% of the gross reserve**

