

CHUBB CORP  
Form DEF 14A  
March 17, 2011

**Table of Contents**

**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.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**Table of Contents**

NOTICE OF 2011 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME	Tuesday, April 26, 2011 at 8:00 a.m., local time
PLACE	Amphitheater The Chubb Corporation 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 vote on the adoption of The Chubb Corporation Annual Incentive Compensation Plan (2011).  (3) To ratify the appointment of Ernst & Young LLP as independent auditor.  (4) To hold an advisory vote on the compensation of our named executive officers as disclosed pursuant to Item 402 of Regulation S-K in the enclosed annual meeting materials.  (5) To hold an advisory vote on the frequency of the shareholder vote on executive compensation.
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 4, 2011.
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 4, 2011. 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 17, 2011

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**Table of Contents**

**2011 ANNUAL MEETING OF SHAREHOLDERS  
PROXY STATEMENT  
TABLE OF CONTENTS**

	<b>PAGE</b>
<u>Proxy and Voting Information</u>	1
<u>Information about the Delivery of our Annual Meeting Materials</u>	1
<u>Who Can Vote</u>	1
<u>How Many Shares Can Be Voted</u>	2
<u>How You Can Vote</u>	2
<u>Record Holders</u>	2
<u>CCAP Participants</u>	2
<u>Brokerage and Other Account Holders</u>	2
<u>Voting</u>	2
<u>Revocation of Proxies</u>	3
<u>Required Votes</u>	3
<u>Adjournments and Postponements</u>	3
<u>2010 10-K</u>	3
<u>Important Notice about Security</u>	3
<u>Corporate Governance</u>	4
<u>Commitment to Corporate Governance</u>	4
<u>Corporate Governance Guidelines</u>	4
<u>Director Qualifications and Director Nominee Considerations</u>	5
<u>Nominating Procedures</u>	6
<u>Director Election Procedures</u>	6
<u>Director Independence</u>	6
<u>Related Person Transactions</u>	7
<u>Board Leadership Structure and Risk Oversight</u>	8
<u>Board Structure</u>	8
<u>Risk Oversight</u>	9
<u>Contacting our Board</u>	9
<u>Special Procedures for Contacting our Audit Committee</u>	9
<u>Meeting Attendance and Related Matters</u>	10
<u>Audit Committee</u>	10
<u>Compensation Committee</u>	10
<u>Composition: Scope of Authority</u>	10
<u>Processes and Procedures</u>	10
<u>Role of Executive Officers</u>	11

---

**Table of Contents**

	<b>PAGE</b>
<u>Delegation of Authority</u>	11
<u>Role of Executive Compensation Consultant</u>	11
<u>Executive Committee</u>	12
<u>Finance Committee</u>	12
<u>Governance Committee</u>	12
<u>Compensation Committee Interlocks and Insider Participation</u>	12
<u>Directors Compensation</u>	12
<u>Director Compensation Table</u>	13
<u>Fees Earned or Paid in Cash</u>	15
<u>Stock Awards</u>	15
<u>Option Awards</u>	15
<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings</u>	15
<u>Cash Compensation</u>	15
<u>Cash Accounts</u>	16
<u>Market Value Accounts</u>	16
<u>Shareholders Equity Accounts</u>	16
<u>Equity Compensation</u>	16
<u>All Other Compensation</u>	17
<u>Directors Group Term Life Insurance Program</u>	17
<u>Director s Charitable Award Program</u>	17
<u>Estate Enhancement Program</u>	17
<u>Our Board of Directors</u>	18
<u>Committee Assignments</u>	22
<u>Audit Committee Report</u>	23
<u>Purpose</u>	23
<u>Composition and Meetings</u>	23
<u>Charter and Self-Assessment</u>	23
<u>Appointment of Independent Auditor</u>	23
<u>Review of Financial Information</u>	23
<u>Auditor Independence</u>	24
<u>Inclusion of Consolidated Financial Statements in the 2010 10-K</u>	24
<u>Compensation Committee Report</u>	25
<u>Compensation Discussion and Analysis</u>	26
<u>2010 Highlights</u>	26
<u>Overall Executive Compensation Philosophy and Objectives</u>	28
<u>Setting of Executive Compensation</u>	28
<u>Market Data</u>	28
<u>Individual Performance</u>	29
<u>Tally Sheets</u>	29
<u>Assessment of Compensation Programs</u>	30
<u>Tax Policies</u>	30
<u>Components of Executive Compensation</u>	31





**Table of Contents**

	<b>PAGE</b>
<u>Annual Salary</u>	31
<u>Annual Incentive Compensation</u>	31
<u>Incentive Opportunity</u>	31
<u>Performance Goal</u>	32
<u>Pool Funding</u>	32
<u>Performance Multiplier</u>	32
<u>Incentive Payouts</u>	32
<u>Long-Term Equity Incentive Awards</u>	32
<u>Equity Incentive Awards</u>	32
<u>Performance Units</u>	33
<u>RSUs</u>	34
<u>Stock Options</u>	34
<u>Equity Grant Practices</u>	34
<u>Perquisites</u>	34
<u>Corporate Aircraft</u>	34
<u>Automobile Use/Allowance</u>	35
<u>Financial Counseling</u>	35
<u>Company-Sponsored Benefit Plans</u>	35
<u>Retirement Plans</u>	35
<u>Nonqualified Defined Contribution and Deferred Compensation Plans</u>	35
<u>Restrictive Covenants and Recoupment Provisions</u>	35
<u>Employment and Severance Agreements</u>	36
<u>Change in Control Agreements</u>	36
<u>Share Ownership Guidelines</u>	36
<u>Anti-Hedging Policy</u>	37
<u>Executive Compensation</u>	38
<u>Summary Compensation Table</u>	38
<u>Grants of Plan-Based Awards</u>	40
<u>Outstanding Equity Awards at Fiscal Year-End</u>	41
<u>Option Exercises and Stock Vested</u>	42
<u>Pension Benefits</u>	43
<u>Pension Plan</u>	43
<u>Pension Excess Benefit Plan</u>	44
<u>Pension SERP Mr. Finnegan</u>	44
<u>Pension Benefits Table</u>	45
<u>Nonqualified Defined Contribution and Deferred Compensation Plans</u>	46
<u>Deferred Compensation Plans</u>	46
<u>CCAP Excess Benefit Plan</u>	46
<u>CCAP SERP Mr. Finnegan</u>	46
<u>ESOP Excess Benefit Plan</u>	46
<u>ESOP SERP Mr. Finnegan</u>	46
<u>Nonqualified Defined Contribution and Deferred Compensation Table</u>	47

**Table of Contents**

	<b>PAGE</b>
<u>Potential Payments upon Termination or a Change in Control</u>	48
<u>Accrued Compensation and Benefits</u>	48
<u>Termination Events</u>	48
<u>Disability or Death</u>	48
<u>Retirement</u>	48
<u>For Cause Termination</u>	48
<u>Voluntary Resignation</u>	49
<u>Involuntary Termination without Cause</u>	49
<u>Change in Control</u>	50
<u>Estimate of Incremental Potential Payment</u>	53
<u>Equity Compensation Plan Information</u>	58
<u>Security Ownership of Certain Beneficial Owners and Management</u>	59
<u>Certain Transactions and Other Matters</u>	62
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	62
<u>Proposal 1 Election of Directors</u>	63
<u>Proposal 2 Adoption of The Chubb Corporation Annual Incentive Compensation Plan (2011)</u>	64
<u>Proposal 3 Ratification of Appointment of Independent Auditor</u>	67
<u>Proposal 4 Advisory Vote on Executive Compensation</u>	68
<u>Proposal 5 Advisory Vote on the Frequency of the Shareholder Vote on Executive Compensation</u>	69
<u>Solicitation of Proxies</u>	70
<u>2012 Shareholder Proposals and Nominations</u>	70
<u>Annex A The Chubb Corporation Annual Incentive Compensation Plan (2011)</u>	A-1
<u>Annex B The Chubb Corporation Policy on Pre-Approval of Independent Auditor Services</u>	B-1

**Table of Contents**

**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 2011 Annual Meeting of Shareholders of The Chubb Corporation (the 2011 Annual Meeting). We will hold the 2011 Annual Meeting on Tuesday, April 26, 2011 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, 2010 (the 2010 10-K), on or before March 17, 2011.

**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 17, 2011, 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 the notice, you will not receive a paper copy of our annual meeting materials in the mail. However, 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 4, 2011 as the record date for the 2011 Annual Meeting. Shareholders of record of our common stock at the close of business on March 4, 2011 may vote at the 2011 Annual Meeting.

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## **Table of Contents**

### **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, 293,588,553 shares of our common stock were outstanding.

### **How You Can Vote**

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

If your shares are registered in your name with BNY Mellon Shareowner Services, 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 2011 Annual Meeting or give their proxy to be voted at the 2011 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 2011 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 21, 2011, 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 2011 Annual Meeting. Your broker, bank or nominee has enclosed a voting instruction card. Beneficial owners of shares who wish to vote in person at the 2011 Annual Meeting must obtain a legal proxy from their broker, bank or nominee and present it at the 2011 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 adoption of The Chubb Corporation Annual Incentive Compensation Plan (2011) (Proposal 2 on the proxy card), ratification of Ernst & Young LLP as independent auditor (Proposal 3 on the proxy card) and, on an advisory basis, the compensation of our named executive officers as disclosed pursuant to Item 402 of Regulation S-K in this proxy statement under the headings "Compensation Discussion and Analysis" and "Executive Compensation" (Proposal 4 on the proxy card). For the frequency of the shareholder vote on executive compensation (Proposal 5 on the proxy card), you can vote, on an advisory basis, for a three-year, two-year or one-year interval or you can abstain.

In the absence of voting 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 through 4 and FOR the

## **Table of Contents**

three-year interval specified in Proposal 5. 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, 2, 4 or 5.** If you are a beneficial 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 revoked proxy; or

by voting in person at the 2011 Annual Meeting.

You will not revoke a proxy merely by attending the 2011 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 2011 Annual Meeting is necessary to constitute a quorum. Each of the proposals to be voted upon at the 2011 Annual Meeting requires the affirmative vote of a majority of the votes cast on the proposal. Abstentions are counted as shares present at the 2011 Annual Meeting for purposes of determining a quorum. Similarly, shares which brokers do not have the authority to vote in the absence of timely instructions from beneficial owners (broker non-votes) also are counted as shares present at the 2011 Annual Meeting for purposes of determining a quorum. 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 2011 Annual Meeting at the time and on the date specified above or at any time and date to which the 2011 Annual Meeting may be properly adjourned or postponed.

## **2010 10-K**

The 2010 10-K is not a part of the proxy soliciting materials. However, the instructions for accessing the 2010 10-K online and for requesting a paper copy are included in the notice you received regarding our annual meeting materials. **The 2010 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 2011 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 2011 Annual Meeting. Attendees may be subject to security inspections. Video and audio recording devices and other electronic devices will not be permitted at the 2011 Annual Meeting.

**Table of Contents**

**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;
- 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;

## **Table of Contents**

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.

### **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 independent 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 desirability 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;

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;

## **Table of Contents**

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 "2012 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 reviews each director's independence annually 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 independence or are

## **Table of Contents**

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 2010 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).

## **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

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.

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;

**Table of Contents**

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, 2010 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 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;



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;

## **Table of Contents**

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 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 independent 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

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.

## **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*

## **Table of Contents**

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. Nine of our directors attended the 2010 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 2010, our Board met seven 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 2010, our Board designated Martin G. McGuinn and Daniel E. Somers as our audit committee financial experts (as defined by SEC rules). In 2010, our Audit Committee met eight times. The Audit Committee Report for 2010 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).

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

In 2010, our Compensation Committee met six 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 (2006) (the 2006 Annual Incentive Plan), in the case of annual 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

## **Table of Contents**

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 400,000 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.

### ***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.

## **Table of Contents**

### **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 2010.

### **Finance Committee**

Our Finance Committee oversees and regularly reviews the purchase and sale of securities in our investment portfolio. In 2010, our Finance Committee met three 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 2010, our Governance Committee met four times.

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

During our 2010 fiscal year, each of Sheila P. Burke, Martin G. McGuinn, Daniel E. Somers, Karen Hastie Williams, 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 2010 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.

### **Directors 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 2010:

Name <sup>(1)</sup>	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred Compensation			All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
				Plan Compensation (\$)	Earnings (\$)			
Zoë Baird	\$ 111,000	\$ 99,977				\$ 107	\$ 211,084	
Sheila P. Burke	107,000	99,977					206,977	
James I. Cash, Jr.	95,000	99,977					194,977	
Joel J. Cohen <sup>(5)</sup>	35,000						35,000	
Klaus J. Mangold <sup>(5)</sup>	24,500						24,500	
Martin G. McGuinn	132,000	99,977				26,234	258,211	
Lawrence M. Small	89,500	99,977				1,166	190,643	
Jess Sørderberg	98,500	99,977				28,219	226,696	
Daniel E. Somers	137,000	99,977				26,399	263,376	
Karen Hastie Williams <sup>(5)</sup>	101,333	99,977				531	201,841	
James M. Zimmerman <sup>(6)</sup>	151,000	99,977					250,977	
Alfred W. Zollar	115,000	99,977				178	215,155	

(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 27, 2010, each non-employee director received deferred stock units representing the right to receive 1,916 shares of our common stock valued at \$52.18 per share. These awards vested immediately upon grant, but the issuance of the shares underlying such awards was mandatorily deferred until following the recipient's separation from service on our Board. Accordingly, the aggregate grant date fair value of each of these awards, calculated in accordance with FASB ASC Topic 718, is \$99,977 per non-employee director.

As of December 31, 2010, each of our non-employee directors other than Mr. Zimmerman had the following outstanding equity awards:

Grant Date	Type of Award	Number of Units <sup>(a)</sup>
------------	---------------	--------------------------------

April 29, 2008	Stock Unit	469 <sup>(b)</sup>
April 28, 2009	Deferred Stock Unit	2,481 <sup>(c)</sup>
April 27, 2010	Deferred Stock Unit	1,916 <sup>(c)</sup>
<b>Total</b>		<b>4,866<sup>(d)</sup></b>

- (a) Each stock unit and 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 on the third anniversary of grant date.
- (c) Settles following separation from service on our Board.
- (d) Excludes the April 29, 2008 performance unit awards that were earned as of December 31, 2010. The actual payment of these awards was made on February 23, 2011, pursuant to which each non-employee director other than Mr. Zimmerman received, or was entitled to receive, 2,130 shares of our common stock (151.4% of the original performance unit award).

**Table of Contents**

- (3) The following table sets forth the option awards outstanding for each non-employee director at December 31, 2010, all of which are fully vested:

Name	Aggregate Number of Shares Subject to Option Awards
Zoë Baird	20,000
Sheila P. Burke	56,000
James I. Cash, Jr.	8,000
Martin G. McGuinn	
Lawrence M. Small	41,943
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 under the Directors' Group Term Life Insurance Program; (ii) premiums paid 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 to purchase life insurance under The Chubb Corporation Estate Enhancement Program for Non-Employee Directors. Additional information regarding these programs is set forth under the heading Directors' Compensation - All Other Compensation.
- (5) Mr. Cohen and Dr. Mangold each retired from our Board effective as of April 27, 2010. Ms. Williams retired from our Board effective as of November 1, 2010.
- (6) Mr. Zimmerman was elected to our Board on June 11, 2008. As of December 31, 2010, Mr. Zimmerman had the following outstanding equity awards, which have the same general terms as those described in footnote (2) above:

Grant Date	Type of Award	Number of Units <sup>(a)</sup>
June 11, 2008	Stock Unit	433 <sup>(b)</sup>
April 28, 2009	Deferred Stock Unit	2,481 <sup>(c)</sup>
April 27, 2010	Deferred Stock Unit	1,916 <sup>(c)</sup>
<b>Total</b>		<b>4,830<sup>(d)</sup></b>

(a) Each stock unit and 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 on the third anniversary of grant date.

- (c) Settles following separation from service on our Board.
- (d) Excludes the June 11, 2008 performance unit awards that were earned as of December 31, 2010. The actual payment of these awards was made on February 23, 2011, pursuant to which Mr. Zimmerman received, or was entitled to receive, 1,970 shares of our common stock (151.4% of the original performance unit award).

**Table of Contents*****Fees Earned or Paid in Cash***

The following table summarizes the cash components of our 2010 non-employee director compensation program:

<b>Item</b>	<b>Amount</b>
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

***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 4, 2011, a maximum of 467,808 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 27, 2010. The deferred stock units vested immediately upon grant, but the issuance of the shares underlying such awards was mandatorily deferred until following the recipient's separation from service on our Board.

***Option Awards***

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.

***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

**Table of Contents**

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, 2010, 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.

At December 31, 2010, we maintained market value accounts for four 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, 2010, 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, 2010, we maintained deferred equity accounts for six 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



**Table of Contents**

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 2010, 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. Mmes. Baird and Williams 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 2010 to Mmes. Baird and Williams in the respective amounts of \$107 and \$531 and to Messrs. Small, Somers and Zollar in the respective amounts of \$318, \$165 and \$178. 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.

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, 2010, 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 2010. For Messrs. McGuinn, S derberg and Somers, the premiums paid in 2010 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 2010, Mr. Small recognized imputed income of \$848 in connection with the premiums paid on the insurance policies purchased in connection with his participation in the program.



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 26, 2011, the date of the 2011 Annual Meeting.

**ZOË BAIRD** (Age 58)

*Director since 1998*

Zoë Baird 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'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 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 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'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 60)

*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, the Partnership for Public Service and the Association of American Medical Colleges.

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 63)

*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 General Catalyst 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 62)

*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 52)

*Nominee for Director*

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 currently serves as a Director on the board of Marriott International, Inc. On the civic front, he is on a number of boards including serving as Chairman of the Greater Houston Partnership and as a trustee for Rice University.

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 68)

*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. He served as the 2005 President of the Federal Reserve Board's Advisory Council. Mr. McGuinn serves on the Boards of Celanese Corporation and iGate Corporation, 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.

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 69)

*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 66)

*Director since 2007*

Retired from A.P. Moller-Maersk in November 2007. Mr. Soderberg 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. Soderberg 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. Soderberg is honored as a Knight 1st Degree of the Order of Dannebrog and the Chilean Order of Bernardo O'Higgins.

In selecting Mr. Soderberg 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. Soderberg'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.



**Table of Contents**

***DANIEL E. SOMERS*** (Age 63)

*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. He is also a member of the Board of Trustees of Stonehill College.

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 67)

*Director since 2008*

Retired Chairman and Chief Executive Officer of Federated Department Stores, Inc. 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 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 56)

*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.



**Table of Contents**

**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  
Martin G. McGuinn  
Jess Söderberg  
Alfred W. Zollar

**Compensation Committee**

Martin G. McGuinn (Chair)  
Sheila P. Burke  
Daniel E. Somers  
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  
Jess Söderberg

**Governance Committee**

James I. Cash, Jr. (Chair)  
Zoë Baird  
Lawrence M. Small

**Table of Contents**

**AUDIT COMMITTEE REPORT**

**Purpose**

Our Board has formed our Audit Committee to assist our Board in monitoring:

- 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, 2010, our Audit Committee was comprised of five 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 2010 and our Board designated him, together with Mr. McGuinn, as our audit committee financial experts. Prior to his retirement from our Board in April 2010, Mr. Cohen was also designated as an audit committee financial expert. Information regarding the respective experience of Messrs. McGuinn 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 and Somers, Ms. Baird and Messrs. Sørderberg and Zollar currently serve on our Audit Committee. Our Audit Committee met eight times during 2010.

**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 2010, 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 3 Ratification of Appointment of Independent Auditor.

**Review of Financial Information**

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 2010 and the first quarter of 2011, 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, 2010. Our Audit

**Table of Contents**

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 2010 10-K**

Based on the foregoing, our Audit Committee recommended to our Board that the audited consolidated financial statements be included in the 2010 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  
Martin G. McGuinn

Jess Söderberg  
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.**

Table of Contents

**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 2011 Annual Meeting and that the "Compensation Discussion and Analysis" be incorporated by reference into the 2010 10-K for the year ended December 31, 2010.

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

Martin G. McGuinn (Chair)  
Sheila P. Burke  
Daniel E. Somers

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.**

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis describes the 2010 compensation program for our NEOs. During 2010, our executive management team consisted of the following NEOs:

John D. Finnegan, Chief Executive Officer;

Richard G. Spiro, Chief Financial Officer;

John J. Degnan, Chief Operating Officer;

Paul J. Krump, Chief Underwriting Officer;

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

Dino E. Robusto, Chief Administrative Officer.

Mr. Degnan retired from his position of Vice Chairman and Chief Operating Officer effective as of December 31, 2010. As of January 1, 2011, Mr. Krump was promoted to the position of President of Commercial and Specialty Lines, Mr. Robusto was promoted to the position of President of Personal Lines and Claims and Mr. Morrison was promoted to the position of Chief Administrative Officer, while also retaining the position of Chief Global Field Officer.

**2010 Highlights**

We had excellent results in 2010. It was the second-best year in our history in terms of net income per share and our third-best year for operating income per share. Our underwriting results in 2010 were highly profitable. Our combined loss and expense ratio (combined ratio), the key measure of underwriting profitability in the property and casualty insurance industry, was below 90%. In 2010, we also produced an attractive return on equity, increased our book value per share by approximately 11% and returned over \$2.5 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 very strong. For example, based upon a February 2011 estimate published by a worldwide insurance-rating and information agency, our 2010 combined ratio was 13% better than the industry average. 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 2010 total shareholder return (stock price appreciation plus dividends) was 25.6% compared to the Standard & Poor 500 Index's (S&P 500) total shareholder return of 18.5%.



**Table of Contents**

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 2006 Annual Incentive Plan (i) are tied to the achievement of business and individual performance goals; and (ii) can be reduced to zero.
- (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 2010 were:

*Salary Adjustments.* In April 2010, Mr. Finnegan's annual salary was increased by 4% to \$1,325,000 and Mr. Spiro's annual salary was increased by 5% to \$787,500. Although Messrs. Degan, Krump, Morrison and Robusto delivered excellent performance throughout 2010, our Compensation Committee noted that each of them had received a significant annual salary increase in September 2009. Accordingly, our Compensation Committee did not increase their respective salaries for 2010. In recognition of the senior management appointments announced in October 2010 and effective in January 2011, our Compensation Committee increased annual salaries for Mr. Krump by 21% to \$700,000, for Mr. Morrison by 18% to \$600,000 and for Mr. Robusto by 37% to \$700,000. These annual salary increases took effect on January 1, 2011.

*Annual Cash Incentive Compensation.* While we produced an attractive operating income result in 2010 (the basis upon which the 2010 annual cash incentive compensation pool was calculated under our 2006 Annual Incentive Plan as described in more detail below), our adjusted operating income was approximately 9.4% lower than in 2009. Consequently, the overall 2010 annual cash incentive compensation pool was also 9.4% lower than in 2009.

*Performance Units.* For performance units granted to our NEOs and other senior executives in March 2008, the three-year performance cycle ended December 31, 2010. Our total shareholder return (the

## **Table of Contents**

performance metric applicable to performance unit awards as described in more detail below) was 19.8% during this performance cycle. During this same period, the average total shareholder return for the companies in the S&P 500 against whom our performance was benchmarked was -1%. This placed our performance in the 75.7 percentile of companies within the S&P 500 during the performance cycle, translating into a payout on the 2008 performance unit awards of 151.4% of target for recipients of these performance unit awards, including each of our NEOs other than Mr. Spiro (who joined our company in October 2008).

## **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.

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 2006 Annual Incentive Plan awards), absolute stock price appreciation (restricted stock unit (RSU)) and a combination of total shareholder return relative to companies in the S&P 500 Index and 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 2010, the

**Table of Contents**

19 companies comprising our peer group, of which seven were in the property and casualty insurance industry, 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.*	

\* Denotes a company in the property and casualty insurance industry.

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 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 cash 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 2010, the total actual compensation for Messrs. Finnegan and Degnan slightly exceeded the 75<sup>th</sup> percentile as a result of their individual performance as well as our strong absolute and relative performance. Mr. Spiro's total actual compensation for 2010 slightly exceeded the 75<sup>th</sup> percentile goal, reflective of the external market for attracting the superior talent that he provides, his excellent performance and our strong financial results. While our Compensation Committee recognizes the outstanding contributions to our financial results attributable to Messrs. Krump, Morrison and Robusto, each of them was promoted in 2008, and received significant annual salary increases in 2008 and 2009, which brought their respective total actual compensation packages close to the 25<sup>th</sup> percentile of 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 incentive compensation, equity incentive awards, benefits and perquisites, retirement plan accruals and total payments upon various

## **Table of Contents**

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 2010, 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 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. The assessment revealed that our overall executive compensation program is aligned with our business strategy of emphasizing operating income and shareholder return and reflects 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 cash 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 2006 Annual Incentive Plan for our NEOs that we use for all other plan participants.

Our variable compensation awards (annual cash 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.

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 cash 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 2010, 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.

### **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 CEO 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 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

## **Table of Contents**

Service (IRS), the compensation of Mr. Spiro, our principal financial officer for 2010, 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.

### ***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 incentive compensation is then developed based on annual salary levels.

In February 2010, our Compensation Committee reviewed annual salaries for each of our NEOs based upon the above factors. Reflective of our excellent performance, our Compensation Committee decided to increase Mr. Finnegan's annual salary by 4% and to increase Mr. Spiro's annual salary by 5%.

During the third quarter of 2009, our Compensation Committee undertook a comprehensive review of the compensation of Messrs. Degnan, Krump, Morrison and Robusto in connection with the decision to defer Mr. Degnan's retirement until December 31, 2010. As a result of that analysis, our Compensation Committee approved annual salary increases effective September 1, 2009 for Messrs. Degnan, Krump, Morrison and Robusto of 6.0%, 5.5%, 6.3% and 13.3%, respectively. Given these September 2009 increases, our Compensation Committee decided to maintain the 2009 annual salaries in 2010 for each of Messrs. Degnan, Krump, Morrison and Robusto. Accordingly, the 2010 annual salaries for Messrs. Finnegan, Spiro, Degnan, Krump, Morrison and Robusto were set at \$1,325,000, \$787,500, \$874,500, \$580,000, \$510,000, and \$510,000, respectively.

As noted above, in connection with their respective promotions and their excellent overall performance, the annual salaries of Messrs. Krump, Morrison and Robusto were increased effective January 1, 2011 to \$700,000, \$600,000 and \$700,000, respectively. In February 2011, our Compensation Committee approved a 3% increase to Mr. Spiro's annual salary in recognition of his strong performance during 2010 effective as of April 1, 2011. As of April 1, 2011, Mr. Spiro's annual salary will be \$811,125.

### ***Annual Incentive Compensation***

Our 2006 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 2006 Annual Incentive Plan.

*Incentive Opportunity.* As discussed under the heading Compensation Discussion and Analysis Setting of Executive Compensation, baseline opportunities for annual 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 incentive compensation based upon its analysis of market data from our peer group of companies, advice from the

**Table of Contents**

Compensation Consultant and subject to the minimum annual 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 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 2006 Annual Incentive Plan for our NEOs in 2010, see the information set forth under the heading *Executive Compensation Grants of Plan-Based Awards*. For 2010, the respective target awards for Messrs. Finnegan, Spiro, Degnan, Krump, Morrison and Robusto were \$2,120,000, \$945,000, \$1,136,900, \$464,000, \$408,000 and \$408,000.

*Performance Goal.* Since 2007, annual 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 commitment to return capital to shareholders through our share repurchase program.

*Pool Funding.* Each year we fund an aggregate award pool for all 2006 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 2010 operating income relative to 2009 operating income will result in a proportional increase or decrease in the 2010 annual incentive compensation award pool, thus providing a direct link between incentive payouts and year over year performance.

*Performance Multiplier.* Actual 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 incentive compensation award pool by the total baseline opportunities for all participants covered by the 2006 Annual Incentive Plan.

*Incentive Payouts.* Adjusted operating income in 2010 was \$2.1 billion, which was approximately 9.4% lower than 2009 adjusted operating income of \$2.3 billion. This created a 2010 award pool of approximately \$184 million, 9.4% lower than the 2009 award pool. Consequently, the respective non-equity incentive compensation awards to Messrs. Finnegan, Spiro and Degnan were lower than the awards they received relative to their 2009 performance. For 2010, Messrs. Finnegan, Spiro and Degnan were awarded \$3,600,000, \$1,487,400 and \$1,789,400, respectively. In light of their assumption of transition responsibilities during 2010 in connection with Mr. Degnan's retirement and their excellent individual performance, 2010 non-equity incentive compensation awards for Messrs. Krump, Morrison and Robusto were set at \$850,000, \$725,000 and \$750,000, 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. As disclosed in our 2009 proxy statement, our Compensation Committee approved 2009 annual equity awards for eligible employees in February 2009 under The Chubb Corporation Long-Term Stock Incentive Plan (2004) (2004 LTIP). Accordingly, 2010 was the first year in which eligible employees, including each of our NEOs, received equity awards under the 2009 LTIP. The structure, mix and terms of awards made under the 2009 LTIP were substantially similar to those

made under the 2004 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;

**Table of Contents**

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, 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 2010, the target long-term equity incentive awards for Messrs. Finnegan, Spiro and Degnan were \$7,600,000, \$2,650,000 and \$3,000,000, respectively. The target long-term equity incentive award for each of Messrs. Krump, Morrison, and Robusto was \$700,000. These target levels were determined based on analysis of data from our peer group of companies. In connection with their respective promotions and their excellent overall performance, for 2011, the respective target long-term equity incentive awards for Messrs. Krump, Morrison and Robusto were increased to \$1,200,000, \$900,000 and \$1,200,000, respectively.

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 0.6% in 2010, 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.

*Performance Units.* Performance units are intended to motivate our senior officers to achieve superior total shareholder return—share price appreciation plus reinvested dividends (TSR)—versus companies in the S&P 500 over a three-year performance period. We view the other companies in the S&P 500 as the competition for our shareholders' investment dollars. 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:

<b>TSR Percentile Ranking</b>	<b>Percent of Target Shares Earned</b>
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.

**Table of Contents**

The performance period for the performance units granted in 2008 ended on December 31, 2010. Our TSR over the performance period was 19.8%, which positioned us at the 75.7 percentile of companies in the S&P 500. Based on the performance scale above, each of our NEOs (other than Mr. Spiro), like all recipients of 2008 performance units who did not forfeit such awards due to termination of their employment, received in February 2011 the number of shares of common stock equal to 151.4% of the respective target number of performance units granted in 2008. Information regarding the vesting of each NEO's respective 2008 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 2010 for the performance period running from January 1, 2010 to December 31, 2012 is set forth under the heading Executive Compensation Grants of Plan-Based Awards.

*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 2010 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 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 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 2010, we owned one corporate aircraft and leased a second. Senior executives 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. Prior to his retirement on December 31, 2010, our Board also permitted Mr. Degnan 20 hours per year of personal use of our corporate aircraft.

## **Table of Contents**

*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 with respect thereto.

*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**.

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 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 unsettled 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.

## **Table of Contents**

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 executive, the independent members of the Board, in their sole discretion, have the right to cause such senior executive to reimburse us for (1) any bonus or other incentive-based or equity-based compensation received by that senior executive 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 executive 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 it is in our best interest and the best interests of our shareholders to have a specific compensation package with incentives and guarantees in order to retain Mr. Finnegan's services. 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."

## **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's