



# **The Chubb Corporation 2003 Update on Asbestos Reserves**

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# Forward Looking Statements

**The following materials may contain “forward looking statements” that are subject to certain risks and uncertainties which could cause actual results to differ materially from those expressed or suggested by such statements. Such risks or uncertainties include but are not limited to those which may be noted more fully in the materials themselves, as well as those discussed or identified from time to time in The Chubb Corporation’s public filings with the Securities and Exchange Commission. The Chubb Corporation assumes no obligation to update any forward-looking information set forth in the following materials, which speak as of February 3, 2004 or as otherwise specified in the materials.**



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# Purpose of Review

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



# Conclusions

- **An update of our 2002 ground-up analysis of asbestos liabilities concluded a need for \$250M of additional net reserves**
- **The carried net reserve of \$1.01B at 12/31/03 represents the best estimate of Chubb and an independent consulting actuarial firm of our ultimate asbestos liability**
- **This amount contemplates a modest 5% reinsurance recoverable**
- **Net payments for asbestos liabilities in 2003 were \$72.1M**
- **Current reserves calculate to a 3 year survival ratio of 18.5**



# Evaluation Methodology

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

## **Traditional defendant policyholders (Tiers 1 & 2)**

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

## **Peripheral defendant policyholders (Tiers 3 & 4)**

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



# Exposure Analysis

**Of these policyholder categories, Chubb did an exposure based analysis on:**

- **All Tier 1 and 2 accounts**
- **Each Tier 3 and 4 account which had been reviewed during the 2002 analysis**
- **Certain additional Tier 3 and 4 accounts identified by our outside actuarial consultants as having high potential severity**

**Within the above groups, available coverage was reviewed for each defendant policyholder; including terms of coverage, policy limits and aggregate limits**



# Asbestos Payments & Reserves by Category

(\$ in millions)

	No. of Open Policy- holders <u>#</u>	Total Net Paid in 2003 <u>\$</u>	Net Asbestos Reserves At 12/31/03 <u>\$</u>	Incurred During 2003 <u>\$</u>
Traditional Defendants Tier 1	4	–	57	2
Traditional Defendants Tier 2	21	51	300	72
Peripheral Defendants Tiers 3 & 4	321	21	419	111
All Other			34	7
Reserves for future claims from unknown policyholders	<u>TBD</u>	<u>–</u>	<u>202</u>	<u>58</u>
<b>Total</b>	<b>346</b>	<b>72</b>	<b>1012</b>	<b>250</b>



# Asbestos Payments & Reserves by Category

**Total net asbestos reserves: \$1.01B**

- **Case reserves of \$365.6M**
  - **Established by Claim Department on known claims**
- **IBNR reserves of \$646.2M**
  - **Includes provision for:**
    - **potential reserve development on known defendant policyholders (development)**
    - **future claims from unknown defendant policyholders (pure IBNR)**
    - **future declaratory judgment actions and other litigation**



# Asbestos Net Loss Reserve Comparison

(\$ in Millions)

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



# Summary

- **Chubb's asbestos net reserves of \$1.01 B at 12/31/03 are based on an update of our 2002 ground-up analysis of our ultimate asbestos liabilities**
- **The reserve is the best estimate of Chubb and an independent consulting actuarial firm**
- **This reserve amount is at full (undiscounted) value**
- **No consideration has been given for legislative or judicial relief**
- **The net reserve reflects a modest reinsurance recoverable amount of about 5% of the gross reserve**

