

CHUBB CORP  
Form DEF 14A  
March 19, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**The Chubb Corporation**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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:

(5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME	Tuesday, April 28, 2009 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 13 directors to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified.  (2) To approve the adoption of The Chubb Corporation Long-Term Incentive Plan (2009).  (3) To ratify the appointment of Ernst & Young LLP as independent auditor.
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 9, 2009.
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 via the internet includes instructions for voting via the internet 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 9, 2009. 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 19, 2009

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**PROXY STATEMENT**

**PROXY AND VOTING INFORMATION**

Our Board of Directors (our Board) has provided you with these proxy materials in connection with its solicitation of proxies to be voted at the 2009 Annual Meeting of Shareholders (the 2009 Annual Meeting). We will hold the 2009 Annual Meeting on Tuesday, April 28, 2009 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 2009 voting instructions and proxy card and our Annual Report on Form 10-K for the year ended December 31, 2008 (the 2008 10-K), on or before March 19, 2009.

**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 19, 2009, 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.

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. 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 9, 2009 as the record date for the 2009 Annual Meeting. Shareholders of record of our common stock at the close of business on March 9, 2009 may vote at the 2009 Annual Meeting.

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**How Many Shares Can Be Voted**

Each shareholder has one vote for each share of common stock owned at the close of business on the record date. On the record date, 352,178,299 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 2009 Annual Meeting or give their proxy to be voted at the 2009 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 2009 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 23, 2009, any Plan Shares you hold will be voted in proportion to the way the other participants in the CCAP vote their shares.

***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 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 2009 Annual Meeting. Your broker, bank or nominee has enclosed a voting instruction card. Beneficial owners of shares who wish to vote at the 2009 Annual Meeting must obtain a legal proxy from their broker, bank or nominee and present it at the 2009 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 also specify whether you vote for or against or abstain from the adoption of The Chubb Corporation Long-Term Incentive Plan (2009) (Proposal 2 on the proxy card) and the ratification of Ernst & Young LLP as independent auditor (Proposal 3 on the proxy card).

**If you duly execute the proxy card but do not specify how you want to vote, your shares will be voted as our Board recommends, which is FOR the election of each of the nominees for director as set forth under Proposal 1 below, FOR the adoption of The Chubb Corporation Long-Term Incentive Plan (2009) described in Proposal 2 below and FOR ratification of the appointment of Ernst & Young LLP as independent auditor as described in Proposal 3 below.**

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### **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 2009 Annual Meeting.

You will not revoke a proxy merely by attending the 2009 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 2009 Annual Meeting is necessary to constitute a quorum. Each of the proposals to be voted upon at the 2009 Annual Meeting requires the affirmative vote of a majority of the votes cast on the proposal at the 2009 Annual Meeting. Abstentions are counted as shares present at the 2009 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 2009 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 outcome of the vote for Proposals 1, 2 or 3.

### **Adjournments and Postponements**

Any action on the items of business described above may be considered at the 2009 Annual Meeting at the time and on the date specified above or at any time and date to which the 2009 Annual Meeting may be properly adjourned or postponed.

### **2008 10-K**

The 2008 10-K is not a part of the proxy soliciting materials. However, the instructions for accessing the 2008 10-K online and for requesting a paper copy are included in the notice you received regarding our annual meeting materials. **The 2008 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 2009 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 2009 Annual Meeting. Attendees may be subject to security inspections. Video and audio recording devices and other electronic devices will not be permitted at the 2009 Annual Meeting.

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**CORPORATE GOVERNANCE**

**Commitment to Corporate Governance**

Our Board and management have a strong commitment to effective corporate governance. We have in place a comprehensive corporate governance framework for our operations which, among other things, takes into account the requirements of the Sarbanes-Oxley Act of 2002, the SEC and the New York Stock Exchange (NYSE). 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;

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management succession and evaluation of our Chief Executive Officer;

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

shareholder access to our Board and Audit Committee.

**Director Qualifications and Candidate 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 Governance Committee is responsible, among other things, for:

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 considers a number of factors in selecting director candidates, including:

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;

whether the professional experience and industry expertise of the candidate will 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;

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

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

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

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

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

## **Nominating Procedures**

The primary purpose of our nominating procedures is to identify and recruit outstanding individuals to serve on our Board. Our Board has delegated responsibility for identifying director candidates to our Governance Committee, which 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 "2010 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

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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 in the ordinary course of business on an arm's length basis.

Our Board reviewed director independence in 2008 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 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 arms 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 arms 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;

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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 during 2008 are discussed under the heading "Certain Transactions and Other Matters."

**Lead Director**

Our Board annually elects an independent director to serve as Lead Director to ensure our Board's independence and proper functioning when, as is currently the case, the offices of Chief Executive Officer and Chairman of the Board are combined. 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;



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.

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The Lead Director serves on our Executive Committee and is eligible to serve on any or all other committees of our Board. The office of Lead Director is not subject to term limits. Joel J. Cohen has served as our Lead Director since December 2003 when Mr. Finnegan succeeded Mr. Cohen as Chairman of the Board.

### **Contacting our Board and Audit Committee**

#### ***Director Communications***

Parties interested in contacting our 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:

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 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 the Corporate Secretary.

#### ***Audit Committee Communications***

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 non-employee directors. Any such communication may be anonymous and may be reported to our Audit Committee through our General Counsel by writing to:

Executive Vice President and General Counsel  
The Chubb Corporation  
15 Mountain View Road  
Warren, New Jersey 07059  
*GeneralCounsel@chubb.com*

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

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

### **Required Certifications**

As of the mailing date of this proxy statement, our Chief Executive Officer and Chief Financial Officer have timely delivered the certifications required under applicable rules of the SEC and the NYSE.

**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. Eleven of our directors attended the 2008 Annual Meeting of Shareholders. Directors also are expected to spend the time needed and to meet as frequently as necessary to properly discharge

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their responsibilities. In 2008, our Board met ten 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, our 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 2008, our Board designated Joel J. Cohen, Martin G. McGuinn and Daniel E. Somers as our audit committee financial experts (as defined by SEC rules). In 2008, our Audit Committee met nine times. The Audit Committee Report for 2008 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 principle 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 2008, our Compensation Committee met eight 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 Annual Incentive Plan), in the case of annual incentive compensation, The Chubb Corporation Long-Term Stock Incentive Plan (2004) (the 2004 Employee Plan), in the case of long-term incentive awards, and for certain other plans in which our named executive officers identified under the heading **Executive Compensation Summary Compensation Table** (our NEOs) do not participate. In addition, our Compensation Committee evaluates our Chief Executive Officer's overall individual performance and contributions over the prior year. Our Chief Executive Officer presents our Compensation Committee with his evaluation of each of the other NEOs, which includes a review of contributions and performance during the prior year, strengths, weaknesses, development plans, succession potential and compensation recommendations. Our Compensation Committee then makes a final determination of compensation amounts for each NEO with respect to each of the elements of the executive compensation program for both compensation based on prior year performance and target compensation for the current year.

Mid-year, typically in June, our Compensation Committee considers each NEO's total compensation as compared with that of the named executive officers of a peer group of companies. Information regarding this peer group analysis is set forth under the heading **Compensation Discussion and Analysis Setting of Executive Compensation**. This peer group review provides our Compensation Committee with an external basis to evaluate our overall compensation program, including an assessment of its pay to performance relationship. Following this presentation of competitive

market data, our Compensation Committee makes decisions, in consultation with our Chief Executive Officer regarding the other NEOs, assessing the need for any modifications to executive compensation opportunities and overall program design for implementation in the following year. Final approval of any program or individual changes typically occurs in the first quarter of the following year, at or around the same

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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***

In 2008, our Compensation Committee retained the services of a compensation consulting firm, Mercer (US) Inc.'s Executive Remuneration Services group (the Consultant), to assist our Compensation Committee in reviewing our overall compensation strategy and total compensation package. At the request of our Compensation Committee, the Consultant provided input on the competitive market for executive talent, evolving executive compensation market practices, program design and regulatory compliance.

Our Compensation Committee determined that there was substantial overlap between the structuring of our compensation programs by our Compensation Committee and their implementation and administration by certain members of management pursuant to the direction and oversight of our Compensation Committee. Our Compensation Committee also determined that requiring management to utilize a separate consultant to assist in such implementation and administration would result in an inefficient use of corporate resources. Accordingly, our Compensation Committee authorized our management to utilize the services provided by other consulting groups within Mercer (US) Inc. To ensure that these management level services do not impair the Consultant's objectivity, all such services require the pre-approval of our Compensation Committee. In addition, our Compensation Committee periodically reviews the nature of the services rendered together with the Consultant's aggregate fees for such services. During 2008, these services included advice regarding our medical, prescription and dental benefit plans, as well as pension consulting services in connection with our qualified and nonqualified retirement plans. These consulting services include providing actuarial calculations for incurred but not reported claims for our voluntary employees' beneficiary association and serving as the actuary for our qualified and nonqualified defined benefit pension plans.

Pursuant to its charter, our Compensation Committee has the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of executive compensation and to approve the Consultant's fees and retention terms.

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### **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 met once during 2008.

### **Finance Committee**

Our Finance Committee oversees and regularly reviews the purchase and sale of securities in our investment portfolio. In 2008, our Finance Committee met four times.

### **Governance Committee**

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 2008, our Governance Committee met six times.

### **Pension & Profit Sharing Committee**

Prior to its dissolution in April 2008, our Pension & Profit Sharing Committee oversaw and regularly reviewed our retirement and profit sharing plans. It met once during 2008. After its dissolution, the responsibilities of our Pension & Profit Sharing Committee were reallocated between our Compensation Committee, our Finance Committee and a management-level committee.

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

During our 2008 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 2008 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. The Compensation and Governance Committees consult periodically with the 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 2008:

Name <sup>(1)</sup>	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(2)</sup>	Option Award (\$) <sup>(3)</sup>	Change in Pension Value and Non-Equity Incentive Plan Compensation			Total (\$)
				Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(4)</sup>		
Zoë Baird	\$ 121,000	\$ 102,144					\$ 223,144
Sheila P. Burke	120,750	102,144					222,894
James I. Cash, Jr.	114,000	102,144					216,144
Joel J. Cohen	190,750	102,144					292,894
Klaus J. Mangold	101,250	102,144					203,394
Martin G. McGuinn <sup>(5)</sup>	136,500	102,144			\$ 26,234		264,878
David G. Scholey	35,000						35,000
Lawrence M. Small	99,500	102,144					201,644
Jess Sørderberg <sup>(6)</sup>	101,250	102,144				27,632	231,026
Daniel E. Somers	150,500	102,144				33,629	286,273
Karen Hastie Williams	121,000	102,144					223,144
James M. Zimmerman <sup>(7)</sup>	61,375	93,993					155,368
Alfred W. Zollar	125,000	102,144					227,144

(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 below under the headings "Compensation Discussion and Analysis" and "Executive Compensation."

(2) Pursuant to The Chubb Corporation Long-Term Stock Incentive Plan for Non-Employee Directors (2004) (the 2004 Director Plan), on April 29, 2008, each non-employee director other than Mr. Zimmerman (who joined our Board in June 2008) and Sir David Scholey (who retired from our Board on April 29, 2008) received a target award of 1,407 performance units valued at \$54.83 per share. These awards vested immediately upon grant. Accordingly, the grant date fair value of each of these awards, calculated in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) *Share Based Payment* (FAS 123R), is the same as the amount of compensation expense we reflected in our financial statements with respect to each of these awards (\$77,146 per non-employee director). 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 adjusted to reflect (i) the anticipated appreciation of our common stock over the three-year performance period and (ii) that these awards do not receive dividend equivalents during the performance period. In addition, on April 29, 2008, each non-employee director other than Mr. Zimmerman and Sir David Scholey received stock

units representing the right to receive 469 shares of our common stock valued at \$53.30 per share. These awards vested immediately upon grant. Accordingly, the grant date fair value of each of these awards, calculated in accordance with FAS 123R, is the same as the amount of compensation expense we reflected in our financial statements with respect to each of these awards (\$24,998 per non-employee director). 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.

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Including the 2008 performance unit and stock unit awards described in the preceding paragraph, as of December 31, 2008, each of our non-employee directors other than Messrs. McGuinn, Sørderberg and Zimmerman had three outstanding stock unit awards and two outstanding performance unit awards. The following table sets forth these awards for each non-employee director other than Messrs. McGuinn, Sørderberg and Zimmerman as of December 31, 2008:

<b>Grant Date</b>	<b>Stock Units<sup>(a)</sup></b>	<b>Performance Units<sup>(a)(b)</sup></b>
April 25, 2006	445	
April 24, 2007	413	1,239
April 29, 2008	469	1,407
<b>Total</b>	<b>1,327</b>	<b>2,646</b>

(a) Each stock unit and each performance unit has the equivalent value of one share of our common stock.

(b) Represents target award. Actual payout may range from 0% to 200% of target. Additional information regarding non-employee director performance units is set forth under the heading Directors Compensation Stock Awards. Excludes the April 25, 2006 performance unit awards that were earned as of December 31, 2008. The actual payment of these awards was made on February 25, 2009. Each non-employee director other than Messrs. McGuinn, Sørderberg and Zimmerman received, or was entitled to receive, 2,247 shares of our common stock.

(3) The following table sets forth the option awards outstanding for each non-employee director at December 31, 2008:

<b>Name</b>	<b>Aggregate Number of Shares Subject to Option Awards<sup>(a)</sup></b>
Zoë Baird	40,000
Sheila P. Burke	56,000
James I. Cash, Jr.	8,000
Joel J. Cohen	111,371
Klaus J. Mangold	16,000
Martin G. McGuinn	
Lawrence M. Small	41,943
Jess Sørderberg	
Daniel E. Somers	2,000
Karen Hastie Williams	24,000
James M. Zimmerman	
Alfred W. Zollar	

- (a) All outstanding options are fully vested.
  
- (4) Represents premiums paid in 2008 for life insurance policies through which we will fund our non-employee directors' charitable contributions under the Director's Charitable Award Program. See below under Directors Compensation All Other Compensation. At December 31, 2008, ten of our non-employee directors participated in this program. The life insurance premiums with respect to seven of these participants were fully paid prior to 2008.

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- (5) Mr. McGuinn was elected to our Board on June 8, 2007. As of December 31, 2008, Mr. McGuinn had two outstanding stock unit awards and two outstanding performance unit awards. These awards have the same general terms as those described in footnote (2) above. The following table sets forth Mr. McGuinn's outstanding awards:

<b>Grant Date</b>	<b>Stock Units</b>	<b>Performance Units</b>
June 8, 2007	384	1,157
April 29, 2008	469	1,407
<b>Total</b>	<b>853</b>	<b>2,564</b>

- (6) Mr. Sørderberg was elected to our Board on September 6, 2007. As of December 31, 2008, Mr. Sørderberg had two outstanding stock unit awards and two outstanding performance unit awards. These awards have the same general terms as those described in footnote (2) above. The following table sets forth Mr. Sørderberg's outstanding awards:

<b>Grant Date</b>	<b>Stock Units</b>	<b>Performance Units</b>
September 6, 2007	295	885
April 29, 2008	469	1,407
<b>Total</b>	<b>764</b>	<b>2,292</b>

- (7) Mr. Zimmerman was elected to our Board on June 11, 2008. The amount reflected for Mr. Zimmerman in the Fees Earned or Paid in Cash column includes pro-rated Board and committee retainers (paid quarterly) in the aggregate amount of \$5,625 for the second quarter of 2008. Additional information regarding non-employee director cash compensation is set forth under the heading Directors Compensation Fees Earned or Paid in Cash. On the date of his election, Mr. Zimmerman also received an equity grant of 1,301 performance units valued at \$54.66 per share and stock units representing the right to receive 433 shares of our common stock valued at \$52.84 per share. These awards have the same general terms as those described in footnote (2) above. The performance unit award vested immediately upon grant. Accordingly, the grant date fair value of this award, calculated in accordance with FAS 123R, is the same as the amount of compensation expense we reflected in our financial statements with respect to this award (\$71,113). The grant date fair value of this award is estimated based on the fair market value of our common stock on the date of grant adjusted to reflect the anticipated appreciation of our common stock over the performance period and to reflect that this award does not receive dividend equivalents during the performance period. The stock unit award vested immediately upon grant. Accordingly, the grant date fair value of this award, calculated in accordance with FAS 123R, is the same as the amount of compensation expense we reflected in our financial statements with respect to this award (\$22,880). The grant date fair value of this award is estimated based on the fair market value of our common stock on the date of grant. Additional information regarding non-employee director equity compensation is set forth under the heading Directors Compensation Stock Awards.

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

The following table summarizes the cash components of our 2008 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
Pension & Profit Sharing Committee Member Retainer	7,500
Board Meeting Fee	2,000
Committee Meeting Fee	2,000

***Stock Awards***

*Background.* The 2004 Director Plan is administered by our Governance Committee with the assistance of our Compensation Committee. Subject to adjustment upon the occurrence of certain events described below, a maximum of 500,000 shares of our common stock may be issued under the 2004 Director Plan.

Pursuant to the 2004 Director Plan, each non-employee director receives an annual equity grant valued at approximately \$90,000 (or such higher amount as our Governance Committee may determine, not to exceed the value of 3,000 shares of our common stock). Each annual award consists of performance units and stock units, with performance units comprising 75% of the award and stock units comprising the remaining 25% of the award.

The 2004 Director Plan also authorizes our Governance Committee to make grants to non-employee directors in addition to the annual grants described in the preceding paragraph. We anticipate that discretionary grants will be made only to address special circumstances, such as when a director is elected to our Board mid-term or when one or more non-employee directors are called upon to provide services to us above and beyond those services required of non-employee directors generally. In 2008, the Governance Committee exercised this discretionary authority in making a grant to Mr. Zimmerman, who was elected to our Board in June 2008.

*2008 Stock Awards.* Based upon its market analysis, peer group comparison and the recommendation of the Compensation Consultant, our Governance Committee increased the amount of 2008 equity compensation by \$10,000. Accordingly, following our 2008 Annual Meeting of Shareholders on April 29, 2008, each of our non-employee directors other than Mr. Zimmerman and Sir David Scholey received an equity grant in the amount of approximately \$100,000 comprised of 1,407 performance units and stock units representing the right to receive 469 shares of our common stock. Mr. Zimmerman was elected to our Board on June 11, 2008 and, on that date, received an equity grant of 1,301 performance units and stock units representing the right to receive 433 shares of our common stock. Sir David Scholey retired from our Board on April 29, 2008.

As with performance units awarded to our NEOs under the 2004 Employee Plan described under the heading Compensation Discussion and Analysis Components of Executive Compensation, the actual number of shares payable to each of our non-employee directors under performance unit awards can vary from 0% to 200% of the original target award based on our total shareholder return relative to total shareholder returns over a three-year performance period for the other companies in the S&P 500 Index. For information regarding the actual number of performance units that a non-employee director can earn over the performance period, see the table set forth under



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the heading Compensation Discussion and Analysis Components of Executive Compensation. The performance period for all performance units granted to our non-employee directors in 2008 commenced on January 1, 2008 and ends on December 31, 2010. The ultimate value of the performance unit awards also will depend on the value of our common stock at the end of the performance period. Unlike the performance units awarded to our NEOs, non-employee directors vested immediately in their performance unit awards. Accordingly, a non-employee director whose service as a member of our Board terminates during a performance period will be entitled to receive the same payment in respect of performance units without proration that would have been payable had his or her service continued until the end of the applicable performance period. Any amount payable to a former non-employee director generally would be paid at the same time as amounts in respect of similar awards are paid to other participants in the 2004 Director Plan. However, if a non-employee director is removed from our Board for cause (or resigns in anticipation of such removal), the non-employee director would forfeit all rights to receive any payment in respect of his or her outstanding performance units.

The stock units vested immediately upon grant and will settle at the earlier of the third anniversary of the grant date or termination of the recipient's Board service. However, if a non-employee director is removed from our Board for cause (or resigns in anticipation of such removal), the non-employee director would forfeit all rights to receive any payment in respect of his or her outstanding stock units.

***Option Awards***

Since the adoption of the 2004 Director Plan, the practice of our Governance Committee has been to refrain from granting stock options to non-employee directors. The only stock options that have been granted to non-employee directors since that time were not granted on a discretionary basis, but rather pursuant to a restoration stock option feature that was included in the terms of stock options granted under predecessor plans to the 2004 Director Plan. The restoration stock option feature provides for an automatic grant of a new stock option if, upon exercise of the original stock option, shares are exchanged in a stock-for-stock exercise. The restoration stock option feature only applies if the original stock option is exercised within seven years of the grant date and if the fair value market of our common stock on the date of exercise is at least 25% higher than the exercise price of the original stock option. The grant date of the restoration stock option is the date of exercise of the original option and the exercise price is the average of the high and low prices of our common stock on the date that the original option is exercised.

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

*Cash Compensation.* Under the Director Deferred Compensation Program, 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 termination of service or at a specified date chosen by the non-employee director at the time the deferral election is made. The Director Deferred Compensation Program 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 Director Deferred Compensation Program may elect to receive the compensation deferred in either a lump sum or in annual installments. All amounts are paid in cash, except for the market value accounts which we pay in shares of our common stock. Deferred compensation represents an unsecured obligation payable out of our general corporate assets.

*Cash Accounts.* Interest bearing accounts (cash accounts) bear interest at the lesser of 120% of the applicable long-term federal interest rate and Citibank, N.A.'s prime rate in effect on the first day of each January, April, July and October during the deferral period. At December 31, 2008, we maintained a cash account for one non-employee director pursuant to the Director Deferred Compensation Program.

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*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, 2008, we maintained market value accounts for seven non-employee directors, three of whom deferred 2008 compensation into a market value account pursuant to the Director Deferred Compensation Program.

*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, 2008, we did not maintain shareholders' equity accounts for any of our non-employee directors.

*Equity Compensation.* We offer non-employee directors the option of deferring receipt of all or a portion of their equity compensation. Amounts of voluntarily deferred equity are payable at the option of the non-employee director either upon the non-employee director's termination of service 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. 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. At December 31, 2008, we maintained deferred equity accounts for nine non-employee directors, six of whom deferred 2008 equity compensation.

***All Other Compensation***

*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

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our shareholders, may 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, 2008, ten non-employee directors were participating in the program. For seven of these non-employee directors, we paid the full premium on the life insurance policies through which we fund the program prior to 2008. For the remaining three non-employee directors who were participating in this program as of December 31, 2008, the premiums paid in 2008, which also are reflected in the All Other Compensation column of the Director Compensation Table set forth under the heading Corporate Governance Directors Compensation, are as follows:

<b>Name</b>	<b>Amount</b>
Martin G. McGuinn	\$ 26,234
Jess S�oderberg	27,632
Daniel E. Somers	33,629

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.

***Changes in Director Compensation Policies for 2009***

In February 2009, our Board approved The Chubb Corporation Long-Term Stock Incentive Plan (2009) (the 2009 Stock Plan) subject to shareholder approval at the 2009 Annual Meeting. If our shareholders approve the 2009 Stock Plan, beginning in 2009, we expect that each of our non-employee directors will receive an annual equity award in the form of deferred stock units, instead of the performance units and stock units awarded under the 2004 Director Plan discussed above. Information regarding the deferred stock units is set forth under the heading Proposal 2 Adoption of The Chubb Corporation Long-Term Incentive Plan (2009). We expect that the fair market value of these awards will remain approximately \$100,000 per non-employee director.

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**OUR BOARD OF DIRECTORS**

Our Board oversees our business operations, assets, affairs and performance. In accordance with our long-standing practice, each of our directors other than our Chief Executive Officer is independent. Our Corporate Governance Guidelines provide that no director may be nominated to a new term if the director would be age 72 or older at the time of election.

The name, age, length of service on our Board and principal occupation of each director nominee, together with certain other biographical information, are set forth below. Unless otherwise indicated, each nominee has served for at least five years in the business position currently or most recently held. The age of each director is as of April 28, 2009, the date of the 2009 Annual Meeting.

***ZOË BAIRD*** (Age 56)

*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 the Convergys Corporation, Boston Properties, and Brookings Institution, among others.

***SHEILA P. BURKE*** (Age 57)

*Director since 1997*

Faculty Research Fellow, Malcolm Wiener Center for Social Policy, Member of Faculty, J.F. Kennedy School of Government, Harvard University. 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 also serves on the boards of Wellpoint Inc., the Kaiser Commission on the Future of Medicaid and Uninsured, the Georgetown University School of Nursing and Health Studies and the Partnership for Public Service.

***JAMES I. CASH, JR.*** (Age 61)

*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, Microsoft Corporation,

Wal-Mart and Phase Forward Inc., and as a Special Advisor to General Catalyst Partners. Dr. Cash also serves on the boards of the National Association of Basketball Coaches Foundation and the Bert King Foundation.

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***JOEL J. COHEN*** (Age 71)

*Director since 1984*

Chairman and Co-Chief Executive Officer of Sagent Advisors Inc., a financial advisory firm, since September 2003. Mr. Cohen has been Lead Director of Chubb's Board since December 2003 and was Chairman of the Board (non-executive) from December 2002 to December 2003. Mr. Cohen previously was Managing Director and co-head of Global Mergers and Acquisitions at Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), a leading investment and merchant bank, until his retirement in November 2000. He had been associated with DLJ since October 1989. He had previously served as General Counsel to the Presidential Task Force on Market Mechanisms and as a partner of the law firm Davis Polk & Wardwell. Mr. Cohen also serves on the boards of Borders Group, Inc. and Maersk, Inc.

***JOHN D. FINNEGAN*** (Age 60)

*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.

***KLAUS J. MANGOLD*** (Age 64)

*Director since 2001*

Chairman of the Supervisory Board of Rothschild & Cie, Frankfurt and Vice Chairman of Rothschild & Cie, London/Paris. Dr. Mangold previously served as a member of the Board of Management of DaimlerChrysler AG and as Chairman of the Board of Management of DaimlerChrysler Services AG, a provider of financial services and a subsidiary of DaimlerChrysler AG, until December 2003. Daimler AG is primarily engaged in the development, manufacture, distribution, sale and financing of a wide range of automotive products. Dr. Mangold also serves on the Boards of Metro AG, Magna International Inc., Canada and Alstom S.A., Paris.

***MARTIN G. McGUINN*** (Age 66)

*Director since 2007*

Chairman and Chief Executive Officer of Mellon Financial Corporation from January 1999 until February 2006. Mr. McGuinn held a number of positions during his 25 years at Mellon. Mr. McGuinn recently concluded a one-year term as Chairman of the Financial Services Roundtable. He served as the 2005 President of the Federal Reserve Board's Advisory Council. Mr. McGuinn serves on the Board of Celanese 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.



**LAWRENCE M. SMALL** (Age 67)

*Director since 1989*

Former Secretary of the Smithsonian Institution, the world's largest museum and research complex, a position he held from January 2000 until March 2007. Mr. Small previously had been President and Chief Operating Officer of Fannie Mae, the nation's largest source of financing for home mortgages, from 1991 to 2000. Mr. Small also serves on the boards of Marriott International, Inc. and New York City's Spanish Repertory Theatre.

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***JESS SØDERBERG*** (Age 64)

*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 recently, is a member of Danske Bank's Advisory Board, is a member of the board of Carlsberg A/S 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.

***DANIEL E. SOMERS*** (Age 61)

*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 Vice Chairman of the Board of Trustees of Stonehill College.

***KAREN HASTIE WILLIAMS*** (Age 64)

*Director since 2000*

Partner, Crowell & Moring LLP, attorneys, from 1982 until her retirement to Senior Counsel status in January 2005. Ms. Williams also serves on the boards of Continental Airlines Inc., Gannett Company, Inc., SunTrust Banks, Inc. and Washington Gas Light Holdings, Inc. She is also a Trustee of Amherst College, the Black Student Fund and the NAACP Legal Defense and Education Fund.

***JAMES M. ZIMMERMAN*** (Age 65)

*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., continues on the boards of and in leadership roles with several community organizations, and previously served on the boards of the H. J. Heinz Company, Goodyear Tire and Rubber Company, and Convergys Corporation.

***ALFRED W. ZOLLAR*** (Age 54)

*Director since 2001*

General Manager, Tivoli Software, IBM Corporation, which manufactures and sells computer services, hardware and software, since July 2004. 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



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**COMMITTEE ASSIGNMENTS**

Our Board has established the five committees described above under the headings Corporate Governance Audit Committee, Compensation Committee, Executive Committee, Finance Committee, and Governance Committee to assist our Board in fulfilling its responsibilities. In April 2008, our Board dissolved the Pension & Profit Sharing Committee and reallocated its work among the Compensation Committee, the Finance Committee and a management-level committee. 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  
Joel J. Cohen  
Martin G. McGuinn  
Alfred W. Zollar

**Compensation Committee**

Martin G. McGuinn (Chair)  
Sheila P. Burke  
Daniel E. Somers  
Karen Hastie Williams  
James M. Zimmerman  
Alfred W. Zollar

**Executive Committee**

John D. Finnegan (Chair)  
James I. Cash, Jr.  
Joel J. Cohen  
Martin G. McGuinn  
Daniel E. Somers

**Finance Committee**

John D. Finnegan (Chair)  
Sheila P. Burke  
Klaus J. Mangold  
Jess Søderberg

**Governance Committee**

James I. Cash, Jr. (Chair)  
Zoë Baird  
Joel J. Cohen  
Lawrence M. Small  
Karen Hastie Williams



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**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, 2008, 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 2008 and our Board designated him, together with Messrs. Cohen and McGuinn, as the audit committee financial experts. Information regarding the respective experience of Messrs. Cohen, 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. Cohen, McGuinn and Somers, Ms. Baird and Mr. Zollar currently serve on our Audit Committee. Our Audit Committee met nine times during 2008.

**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 2005.

Pursuant to its charter, our Audit Committee performs an annual self-assessment. For 2008, 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 2008 and the first quarter of 2009, 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, 2008. Our Audit

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Committee discussed with the independent auditor the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

**Auditor Independence**

The 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 2008 10-K**

Based on the foregoing, our Audit Committee recommended to our Board that the audited consolidated financial statements be included in the 2008 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  
Joel J. Cohen

Martin G. McGuinn  
Alfred W. Zollar

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



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**COMPENSATION COMMITTEE REPORT**

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

Based upon the review and discussion described in the preceding paragraph, our Compensation Committee recommended to our Board that the "Compensation Discussion and Analysis" be included in our proxy statement on Schedule 14A prepared in connection with the 2009 Annual Meeting and that the "Compensation Discussion and Analysis" be incorporated by reference into the 2008 10-K for the year ended December 31, 2008.

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

Karen Hastie Williams  
James M. Zimmerman  
Alfred W. Zollar

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

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**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis describes the 2008 compensation program for our NEOs.

**Changes to Senior Management**

Our senior management team experienced several changes that impacted our NEOs during 2008. Thomas F. Motamed retired from Chubb as Vice Chairman and Chief Operating Officer, effective June 6, 2008, and Michael O Reilly retired from Chubb as Vice Chairman, effective December 31, 2008. On June 19, 2008, we made the following promotions, which took effect immediately:

John J. Degnan was promoted to Chief Operating Officer;

Paul J. Krump was promoted to Chief Underwriting Officer;

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

Dino E. Robusto was promoted to Chief Administrative Officer.

On September 4, 2008, our Board elected Richard G. Spiro as our Executive Vice President and Chief Financial Officer. Mr. Spiro's election as Executive Vice President was effective as of his October 1, 2008 start date and he succeeded Mr. O Reilly as Chief Financial Officer effective November 10, 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 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 collective and individual 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, a substantial portion of an executive's compensation incorporates performance criteria that support and reward achievement of our annual operating plan and long-term business goals. Specifically, compensation decisions for our NEOs are linked to corporate goals based on financial results (merit-based salary increases and Annual Incentive Plan awards), absolute stock price appreciation (restricted stock unit (RSU) and performance unit awards) and total shareholder return relative to companies in the S&P 500 Index (performance unit awards). For 2008, approximately 71% of Mr. Finnegan's total target compensation was performance-based. Mr. Spiro's 2008 compensation package was established in his offer letter and included a guaranteed bonus for 2008, payable in 2009. The percentage of performance-based pay relative to total target compensation for the NEOs other than Messrs. Finnegan and Spiro was, on average, 63%. Going forward, we expect that Mr. Spiro's percentage of performance-based compensation relative to his total compensation will be comparable to that of our NEOs other than Mr. Finnegan.

**Table of Contents****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 and the role of the 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 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 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 2008, the 21 companies comprising our peer group were:

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

Our Compensation Committee has established what it believes to be challenging performance goals both on an absolute basis and relative to our peers. Accordingly, 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 incentive compensation is targeted at the median of our peer group and long-term incentive awards are targeted between the 50<sup>th</sup> and 75<sup>th</sup> percentiles. 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. For 2008, approximately 70% of Mr. Finnegan's total target compensation represented long-term equity incentive awards. The percentage of long-term equity incentive awards relative to total target compensation for the other NEOs was, on average, 51% (excluding Mr. Spiro as during 2008 his only equity grant was an RSU award that he received upon commencement of his employment with us to compensate him for lost equity from his prior employer).

***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 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.

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### ***Tally Sheets***

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

### **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 Service (IRS), the compensation of Messrs. Spiro and O'Reilly, our Principal Financial Officers for 2008, 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, restricted stock and RSU awards, even though such plans and arrangements 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, in appropriate circumstances.

### **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 skill, 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 base 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 March 2008, our Compensation Committee reviewed annual salaries for each of our NEOs other than Mr. Spiro. Based upon the above factors (in particular, the achievement of another year of excellent performance), these NEOs, other than Mr. Finnegan, received a 6.20% increase in 2008 annual salary, on average. Messrs. Degnan, Krump, Morrison and Robusto also received salary increases in June 2008 that were commensurate with their respective promotions. Mr. Finnegan's original employment agreement provides for a minimum annual salary of \$1,200,000 per year. In 2005, Mr. Finnegan's annual salary was increased to \$1,275,000, which became his new minimum annual salary pursuant to the terms of his employment agreement. As reflected in Mr. Finnegan's 2008 performance-based compensation payouts, our Compensation Committee determined that Mr. Finnegan's performance placed him at the top of our peer group. However, our Compensation Committee also determined that his

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existing annual salary was competitive with annual salaries paid to other chief executive officers in our peer group. Accordingly, his 2008 annual salary remained at \$1,275,000. Pursuant to his offer letter, the Compensation Committee fixed Mr. Spiro's annual salary at \$750,000 for 2008.

***Annual Incentive Compensation***

Our Annual Incentive Plan was 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 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 salary) are generally set at the median for executives with commensurate positions at our peer group of companies. 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 and subject to the minimum annual incentive compensation award target of \$1.6 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 and market data from our peer group of companies. For information regarding the potential ranges of awards under the Annual Incentive Plan for our NEOs in 2008, see the information set forth under the heading "Executive Compensation - Grants of Plan-Based Awards."

*Performance Goals.* For 2008, our Compensation Committee determined that the annual incentive compensation award pool would not be funded unless we achieved 2008 adjusted operating income greater than 50% of our 2007 adjusted operating income. Adjusted operating income refers to net income excluding after-tax realized investment gains and adjusted to account for the loss of investment income attributable to our buyback of shares of our common stock since 2007. Our Compensation Committee determined 2008 actual incentive compensation awards for our NEOs (other than for Mr. Spiro who was guaranteed a bonus in connection with the commencement of his employment in October 2008 as discussed in more detail below) by applying a performance multiplier (established pursuant to a predetermined formula described below) to the NEOs' total baseline opportunities. In March 2008, our Compensation Committee determined that the performance multiplier for our NEOs (other than for Mr. Spiro) would be calculated in two steps.

First, our Compensation Committee determined that 2008 adjusted operating income would be the performance goal utilized in determining the 2008 annual incentive compensation award pool for all participants covered by the Annual Incentive Plan, including the NEOs. This was a continuation of the program that we first implemented in 2007. Our Compensation Committee established adjusted operating income as the performance goal because our Compensation Committee believed that tying annual incentive compensation awards to an operating income goal provided an effective means of directly linking executive compensation to our shareholders' interests. The investment income adjustment (used in calculating adjusted operating income) was premised on the notion that the calculation should not be impacted by our continuing commitment to return capital to shareholders through our share buyback programs. Under the performance goal established by our Compensation Committee, each percentage increase or decrease in 2008 adjusted operating income relative to 2007 adjusted operating income resulted in a proportional increase or decrease in the 2008 annual incentive compensation award pool. For example, if 2008 adjusted operating income was \$2,732.8 million (5% higher than the adjusted operating income in 2007), the actual incentive compensation award pool would be 5% higher than in 2007. Conversely, if 2008 adjusted operating income was \$2,472.5 million (5% lower than the adjusted operating income in 2007), the actual incentive compensation award pool would be 5% lower than the annual incentive compensation award pool in 2007.



Second, our Compensation Committee determined that the performance multiplier for calculating the 2008 annual incentive awards for our NEOs (up to the maximum permitted award) would be derived by dividing the 2008 annual incentive compensation award pool described in the preceding paragraph by the total baseline opportunities for all participants covered by the Annual Incentive Plan. The total baseline opportunities for Messrs. Degnan, Krump, Morrison and Robusto, were increased in June 2008 to reflect their respective promotions.

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Pursuant to his offer letter, Mr. Spiro received a guaranteed cash bonus paid in March 2009 in the amount of \$1.42 million (which would have been reduced to the extent he had received any 2008 bonus from his previous employer) and a cash payment in the amount of \$315,000 paid on his start date of October 1, 2008.

*Incentive Payouts.* Adjusted operating income in 2008 was \$2.2 billion, which created a 2008 award pool of \$189.3 million. Based upon this award pool and total baseline opportunities, awards to Messrs. Finnegan, O Reilly and Degnan were set at \$3.4 million, \$1.5 million and \$1.8 million, respectively. The bonus amounts paid to these three executives reflect our formulaic approach to calculating bonuses and the Compensation Committee did not make any adjustments based on individual performance.

Our Compensation Committee decided to adjust the formulaic approach for Messrs. Krump, Morrison and Robusto to reflect their respective achievements against pre-established goals in the areas of financial performance, people management and customer service. With these adjustments, the awards to Krump, Morrison and Robusto were set at \$775,000, \$682,000 and \$675,000, 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.* Long-term equity incentive awards made pursuant to the 2004 Employee Plan were designed to support several of our compensation objectives, including:

- placing a significant portion of total compensation at risk;
- linking long-term performance-based awards with shareholder value; and
- retaining our highly-skilled and valued senior management.

All employees at or above the level of Assistant Vice President (approximately 1,700 employees), 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 2008, the target long-term equity incentive award for Mr. Finnegan was \$7,600,000. The target long-term equity incentive awards for the other NEOs averaged \$1,261,000 (excluding Mr. Spiro as he only received equity as part of his sign-on agreement). These target levels were determined based on analysis of data from our peer group of companies.

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

Our Compensation Committee manages the potential dilutive effect of equity incentive awards by monitoring this run rate—the number of shares granted as a percentage of our fully diluted common shares outstanding—relative to our peer companies. Our Compensation Committee also evaluates guidelines used by certain institutional advisory services and considers advice from the Consultant. Our annual run rate was approximately 0.5% in 2008, which we believe is conservative relative to the practices of our peer group 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 Standard & Poor 500 Index (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

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total return delivered to our investors, thus motivating our senior officers to deliver superior returns over an extended performance period. Performance units also support retention, as 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 25<sup>th</sup> and 85<sup>th</sup> 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 end of the three-year performance period, thus providing an additional link to shareholders' interests and providing our senior officers with significant value potential based on our results.

The performance period for the performance units granted in March 2006 ended on December 31, 2008. Our TSR over the performance period was 8.4%, which positioned us at the 84.3 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 2006 performance units who did not forfeit such awards due to termination of their employment, received the number of shares of common stock in February 2009 equal to 168.6% of the respective target number of performance units granted in 2006. Information regarding the vesting of each NEO's respective 2006 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 2008 for the performance period running from January 1, 2008 to December 31, 2010 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 generally cliff vest on the third anniversary of the date of grant, provided the recipient remains employed by us over that period. The number and grant date value of RSUs granted to NEOs in 2008 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. In addition, stock options granted to all participants, including participating NEOs, under predecessor plans to the 2004 Employee Plan included a restoration option feature that provides the optionee with the right to receive a restoration stock option upon exercise of the original option if shares are exchanged in a stock-for-stock exercise within seven years of the grant date and our stock price is at least 25% above the exercise price on the exercise date. Restoration stock options are granted on the same date the original stock option award is

exercised, have an exercise price equal to the average of the high and low prices of our common stock on the grant date and have a term equal to the remaining term of the original option.

*Equity Grant Practices.* Our Compensation Committee approves and grants annual equity awards at its regularly scheduled meeting in the first quarter of each year based on market data from our peer group of companies 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 under the 2004 Employee Plan, 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. An

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exception was made when we hired Mr. Spiro in 2008. In recognition of Mr. Spiro's loss of equity compensation granted by his previous employer, he was granted an RSU award on October 1, 2008 with a value of approximately \$3.7 million, which vests ratably in three annual installments beginning January 31, 2009.

As discussed under the heading "Corporate Governance - Compensation Committee," our Compensation Committee has delegated authority to Mr. Finnegan to grant equity awards under the 2004 Employee Plan 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, 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.

*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.

On February 26, 2009, our Board, upon recommendation of our Compensation Committee, approved the adoption of 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 financial document embodying such financial reporting requirement; 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.

***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 2008, we owned two corporate aircraft and leased a third. 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 Messrs. Finnegan and Degnan, and prior to his retirement, Mr. O'Reilly, limited use of the corporate aircraft for personal travel. The annual personal use of the corporate aircraft for Messrs. Finnegan and Degnan is limited to 35 hours and 20 hours, respectively. Prior to his retirement, Mr. O'Reilly's personal use of the corporate aircraft was also limited to 20 hours.

*Automobile Use/Allowance.* As required pursuant to his employment agreement, we provide Mr. Finnegan with a car and driver for all of his business travel needs to minimize and more efficiently utilize his travel time and enhance his personal security. Mr. Finnegan's personal use of the car and driver is primarily for his commute to and from the

office. 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 employees at or above the level of Senior Vice President and who are also in pay band 12 or above, including our NEOs, financial counseling services. These services include income

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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 tax liability, of income (salary, annual incentive compensation and equity compensation) to a later specified 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**.

### **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**.

### **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, Spiro and Degnan 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

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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, Spiro and Degnan. The change in control agreements for Messrs. Spiro and Degnan require both a change in control event 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. Due to Mr. O Reilly's retirement on December 31, 2008, his change in control agreement is no longer in effect. Only Mr. Finnegan's change in control agreement provides for a gross-up payment in connection with the determination that a payment would be subject to the excise tax under Section 280G of the Internal Revenue Code.

**Share Ownership Guidelines**

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

The guidelines were designed to maintain share ownership at levels high enough to assure our shareholders of our senior officers' commitment to value creation, while taking into account each individual officer's need for portfolio diversification. Under these guidelines, senior officers, including each of our NEOs, are expected, over time, to acquire and hold shares of our common stock equal in value to a multiple of their annual salaries. Owned shares, unvested restricted stock, unvested RSUs, shares allocated in our retirement plans and shares deferred until termination of employment count toward satisfying the guidelines. Unexercised stock options and unearned performance units do not count toward satisfaction of the guidelines. There is a five-year phase-in period beginning on the later of becoming an officer subject to the share ownership guidelines and the date the guidelines were adopted in February 2004. Our current share ownership guidelines are as follows:

<b>Pay Band</b>	<b>Officer Titles Included</b>	<b>Ownership Level</b>
15	Chief Executive Officer	5x Salary
14	Chief Operating Officer/Chief Financial Officer	3x Salary
13	Executive Vice President/Senior Vice President	2x Salary
12	Senior Vice President	1x Salary

Our Compensation Committee reviews the guidelines on a periodic basis and monitors the officers' progress toward meeting their target ownerships levels. The share ownership of our NEOs at the end of 2008 was:

<b>Name</b>	<b>Target Ownership Level</b>	<b>Target Number of Shares<sup>(1)</sup></b>	<b>Number of Shares Deemed Owned</b>
John D. Finnegan	5x Salary	125,000	480,410
Richard G. Spiro	3x Salary	44,118	72,434
John J. Degnan	3x Salary	48,529	190,794
Paul J. Krump	2x Salary	21,569	72,118
Harold L. Morrison, Jr.	2x Salary	18,824	19,691
Dino E. Robusto	2x Salary	17,647	22,835

- (1) Based on a per share price of \$51.00, which was the closing price of our common stock on December 31, 2008, and the respective salaries of our NEOs as of that date.

As shown in the above table, each of our NEOs has met his required number of shares.

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

The following table sets forth information regarding NEO compensation during 2008, 2007 and 2006:

Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(4)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(5)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(6)</sup>	All Other Compensation (\$) <sup>(7)</sup>	
McGowan President	2008	\$ 1,275,000		\$ 7,572,820		\$ 3,357,800	\$ 4,412,367	\$ 205,615	\$
	2007	1,275,000		7,572,126		3,569,900	3,542,642	189,248	
Officer	2006	1,275,000		7,136,716	\$ 1,928,732	3,242,900	3,024,142	154,864	
Spiro Vice President	2008	187,500	\$ 1,735,000	1,294,313				1,500	
Reilly Vice President	2008	729,900		2,521,686	772,528	1,459,100	2,440,745	137,956	
Officer	2007	695,126		3,302,743	30,868	1,494,300	1,665,161	104,912	
Officer	2006	661,251		3,702,421		1,262,300	1,157,421	103,467	
Officer	2008	759,588		2,451,038		1,765,300	1,424,657	144,819	
Officer	2007	669,188		3,211,058		1,438,500	941,587	100,947	
Officer	2006	636,250		3,586,370		1,215,200	657,610	118,503	
Officer	2008	505,285		437,404		775,000	522,480	58,056	
Officer	2007	447,855		413,186	86,683	725,000	425,293	50,704	
Officer	2006	432,875		411,572	281,637	659,800	368,979	49,759	
Officer	2008	433,744		414,084		682,000	563,237	48,239	
Officer	2007	398,975		403,683		675,000	432,120	47,071	
Officer	2006								
Officer	2008								

- (1) \$275,000 of Mr. Finnegan's salary for 2008, 2007 and 2006 was deferred under the 2005 Deferred Compensation Plan. Additional information regarding the 2005 Deferred Compensation Plan is set forth under the heading Executive Compensation Nonqualified Defined Contribution and Deferred Compensation Plans. For 2008, salaries earned by our NEOs account for the following percentages of their total compensation: Mr. Finnegan (7.6%), Mr. Spiro (5.8%), Mr. O'Reilly (9.1%), Mr. Degnan (11.6%), Mr. Krump (22.0%), Mr. Morrison (20.3%) and Mr. Robusto (20.4%).
- (2) Pursuant to his offer letter, Mr. Spiro received a guaranteed cash bonus in the amount of \$1,420,000 paid in March 2009 (which would have been reduced to the extent he had received any 2008 bonus from his previous employer) and a cash payment in the amount of \$315,000 paid on his start date of October 1, 2008.
- (3) The grant date fair values of the RSUs, restricted stock and performance unit awards are estimated based on the fair market value of our common stock on the date of grant. The fair value of the performance unit awards is adjusted to reflect (i) the anticipated appreciation of our common stock over the performance period and (ii) that these awards do not receive dividend equivalents during such period. For the 2008, 2007 and 2006 performance unit awards granted to our retirement-eligible NEOs (Messrs. O'Reilly and Degnan), amounts recognized equal the full grant date fair value for the grants made to such NEOs, as required pursuant to FAS 123R. Information regarding our FAS 123R calculations is set forth in footnote 12 to the financial statements included in the 2008 10-K. For additional details regarding equity expensing see the information set forth under the heading Equity Award Expense Amortization.
- (4) In 2004, we eliminated stock options from our core long-term equity incentive program. Amounts in this column reflect the dollar amount recognized for financial statement reporting purposes during 2008, 2007 and 2006 for each of Messrs. Finnegan (2006 only), O'Reilly (2008 and 2007), and Krump (2007 and 2006) as computed pursuant to FAS 123R, in respect of non-discretionary restoration stock options granted to Messrs. Finnegan, O'Reilly and Krump, respectively, upon their exercise of vested stock options. The restoration stock option feature is described under the heading Compensation Discussion and Analysis Components of Executive Compensation. Restoration stock options are fully vested on the grant date. Accordingly, the grant date fair value of these awards is the same as the amount of compensation expense we reflect in our financial statements with respect to

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these awards. The grant date fair value of each restoration stock option was estimated using the Black-Scholes option pricing model. Information regarding our FAS 123R calculations is set forth in footnote 12 to the financial statements included in the 2008 10-K.

- (5) Reflects 2008, 2007 and 2006 incentive compensation paid in March 2009, March 2008 and March 2007, respectively, under our Annual Incentive Plan. Additional information regarding annual incentive compensation is set forth under the headings Compensation Discussion and Analysis Components of Executive Compensation and Executive Compensation Grants of Plan-Based Awards.
- (6) Reflects solely the aggregate change in pension value for 2008 under our defined benefit plans as follows: Mr. Finnegan's benefits under the Pension Plan, Pension Excess Benefit Plan and Pension SERP, \$14,305, \$275,167 and \$4,122,895, respectively; Mr. O'Reilly's benefits under the Pension Plan and Pension Excess Benefit Plan, \$183,434 and \$2,257,311, respectively; Mr. Degnan's benefits under the Pension Plan and Pension Excess Benefit Plan, \$89,912 and \$1,334,745, respectively; Mr. Krump's benefits under the Pension Plan and Pension Excess Benefit Plan, \$57,697 and \$464,783, respectively; Mr. Morrison's benefits under the Pension Plan and Pension Excess Benefit Plan, \$64,010 and \$499,227, respectively; and Mr. Robusto's benefits under the Pension Plan and Pension Excess Benefit Plan, \$56,774 and \$375,346, respectively. Since Mr. Spiro joined us on October 1, 2008, he has not accrued any benefits under the Pension Plan or Pension Excess Benefit Plan. Information regarding our calculations of pension values is set forth in footnote 13 to the financial statements included in the 2008 10-K.
- (7) The following table reflects the components for the All Other Compensation column for 2008:

Name	Personal Use of Aircraft				Registrant Contributions to Defined	Total (\$)
	(\$) <sup>(a)</sup>	Financial Planning (\$) <sup>(b)</sup>	Automobile Expense (\$) <sup>(c)</sup>	Contribution Plans (\$) <sup>(d)</sup>		
John D. Finnegan		\$ 12,630	\$ 12,269	\$ 180,716	\$ 205,615	
Richard G. Spiro			1,500		1,500	
Michael O'Reilly	\$ 49,659	4,000	6,000	78,297	137,956	
John J. Degnan	49,388	12,630	6,000	76,801	144,819	
Paul J. Krump		7,750	6,000	44,306	58,056	
Harold L. Morrison, Jr.		7,750	6,000	34,489	48,239	
Dino E. Robusto		7,750	6,000	33,321	47,071	

(a) The incremental cost of the personal use of corporate aircraft expense for each of the NEOs is calculated by multiplying the direct operating cost per hour by the NEO's personal use hours. Direct operating cost of the aircraft is comprised of fuel, landing/parking fees, crew fees and expenses, custom fees, flight services/charts, variable maintenance costs, catering, aircraft supplies and other miscellaneous expenses.

(b) The incremental cost of financial planning represents the actual cost incurred by us.

(c)

The incremental cost to us relating to automobile expense is the amount of the automobile allowance provided to our NEOs (other than Mr. Finnegan). The incremental cost of Mr. Finnegan's automobile and driver was calculated by multiplying the variable expenses of owning and operating the car that Mr. Finnegan uses by the personal use percentage of the total vehicle miles in 2008. The variable expenses are comprised of gas, maintenance, driver overtime and miscellaneous driving expenses. Mr. Finnegan's personal use percentage for 2008 was approximately 19.7% of the total vehicle miles.

- (d) Reflects 2008 matching contributions under the CCAP and the CCAP Excess Benefit Plan. For Mr. Degnan \$1,425 represents a Qualified Non-elective Contribution ( QNEC ). None of the other NEOs were eligible for the QNEC.

As stipulated in Mr. Finnegan's employment agreement, we pay the club dues and membership fees associated with his country club membership but do not recognize any incremental cost due to his personal use because club dues and membership fees are generally fixed. For 2008, the club dues and membership fees were \$11,325. Mr. Finnegan paid income tax on his personal use of the country club and any additional costs resulting from his personal use were paid directly by him.

- (8) Mr. O'Reilly retired effective December 31, 2008.

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

The following table sets forth information regarding 2008 grants to our NEOs under our Annual Incentive Plan and 2004 Employee Plan:

Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(4)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(5)</sup>	Exercise or Base Price of Option Awards (\$/Sh) <sup>(6)</sup>
	Threshold (\$) <sup>(2)</sup>	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
2/2008	\$ 1,923,700	\$ 2,040,000	\$ 4,717,500						
2/2008				56,537	113,073	226,146			
2/2008							37,690		
1/2008							72,434		
2/2008	835,900	886,400	2,142,200						
2/2008				18,598	37,195	74,390			
2/2008							12,398		
6/2008								74,131	\$ 53.975
5/2008								75,527	\$ 53.675
2/2008	1,011,400	1,072,500	2,557,500						
2/2008				18,077	36,153	72,306			
2/2008							12,051		
2/2008	414,900	440,000	1,155,000						



2/2008			3,534	7,067	14,134	
2/2008						2,355
2/2008	362,100	384,000	1,008,000			
2/2008			3,348	6,695	13,390	
2/2008						2,231
2/2008	339,500	360,000	945,000			
2/2008			3,348	6,695	13,390	
2/2008						2,231

- (1) Represents the range of potential awards to each NEO under our Annual Incentive Plan. The plan is designed so that the Compensation Committee can apply negative discretion to annual awards of each NEO. Maximum awards reflect the maximum annual incentive compensation awards established by our Compensation Committee pursuant to Section 162(m) of the Internal Revenue Code. Information regarding the actual payouts under the Annual Incentive Plan is set forth in the Non-Equity Incentive Plan Compensation column of the table included under the heading Executive Compensation Summary Compensation Table. Information regarding the structure of the Annual Incentive Plan is set forth under the heading Compensation Discussion and Analysis Components of Executive Compensation.
- (2) Represents payouts under the Annual Incentive Plan assuming that 2008 adjusted operating income was 50% of 2007 adjusted operating income. No payouts would have been awarded if 2008 adjusted operating income had been less than 50% of 2007 adjusted operating income.
- (3) Represents grants to each NEO other than Mr. Spiro during 2008 of performance units under our 2004 Employee Plan. Performance units are earned, if at all, based on our TSR over a three-year performance period relative to the TSR over the same period for the companies in the S&P 500 Index. No dividend equivalents are paid on performance unit awards during the performance period. Information regarding performance targets, vesting and additional performance unit award details are set forth under the heading Executive Compensation Components of Executive Compensation.
- (4) Represents RSU grants to each NEO during 2008. Except in the case of Mr. Spiro, the RSUs will vest, subject to continued employment, on the third anniversary of the grant date. RSUs pay dividend equivalents at the same time and in the same amount as dividends are paid on our common stock. Pursuant to his offer letter, Mr. Spiro received an RSU award of 72,434 units valued at approximately \$3.7 million on the date of grant. The RSU award will vest ratably in three annual installments beginning January 31, 2009. Additional information

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regarding RSUs is set forth under the heading Executive Compensation Components of Executive Compensation.

- (5) Represents restoration stock option grants to Mr. O Reilly during 2008. The restoration stock options were fully vested on the grant date. Additional information regarding restoration stock option grants is set forth under the heading Executive Compensation Components of Executive Compensation.
- (6) Pursuant to the terms of the predecessor plans to the 2004 Employee Plan under which these restoration stock options were granted, the exercise price is calculated based on the average of the high and low prices of our common stock on the date of grant. For Mr. O Reilly, the average of the high and low prices resulted in lower exercise prices than if we had used the closing price of our common stock on the date of grant.
- (7) Represents full grant date fair value of stock awards and restoration stock option awards granted to each NEO in 2008, as computed in accordance with FAS 123R. The grant date fair value of each stock award is estimated based on the fair market value of our common stock on the date of grant adjusted, in the case of performance units, to reflect (i) the anticipated appreciation of our common stock over the performance period and (ii) that these awards do not receive dividend equivalents during the performance period. The grant date fair value of each restoration stock option was estimated using the Black-Scholes option pricing model. Information regarding our FAS 123R calculations is set forth in footnote 12 to the financial statements included in the 2008 10-K.

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

The following table sets forth information regarding our NEOs' equity holdings as of December 31, 2008. The market value of unvested and unearned stock awards is based on the closing price of our common stock on December 31, 2008 of \$51.00 per share:

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of
	Unexercised Options	Unexercised Options	Unexercised Options	Unexercised Options	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of	Equity Incentive Plan Awards: Market or Payout Value of
	Exercisable (#)	Unexercised Options (#)	Unexercised Options (#)	Unexercised Options (#)	Option Price (\$)	Option Expiration Date	Unearned Shares, Units or Other Rights that Have Not Vested (#) <sup>(2)</sup>	Unearned Shares, Units or Other Rights that Have Not Vested (\$)
John D. Finnegan	40,650				\$ 39.7125	12/02/2012		
	52,554				45.8750	12/02/2012		
	129,750				51.4550	12/02/2012		
	141,826				53.5100	12/02/2012		
							115,355	\$ 5,883,105
Richard G. Spiro							452,786	\$ 23,092,086
Michael O. Reilly	2,810				53.3450	03/02/2010		
	1,874				53.3450	03/01/2011		
	74,131				53.9750	03/01/2011		
	75,527				53.6750	03/07/2012		
John J. Degnan							148,942	7,596,042
							144,772	7,383,372
Paul J. Krump	15,682				36.8400	03/07/2012		
	17,840				41.5975	03/06/2013		
	2,882				52.0200	03/02/2010		
	10,781				52.0200	03/02/2010		
	11,399				52.7250	03/01/2011		

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	1,896	52.7250	03/01/2011					
				6,671	340,221			
Harold L. Morrison, Jr.						26,808		1,367,208
				6,317	322,167			
						25,318		1,291,218
Dino E. Robusto	4,252	23.9844	03/02/2010					
	10,066	23.9844	03/02/2010					
	2,822	35.4250	03/01/2011					
	6,638	35.4250	03/01/2011					
	10,396	36.8400	03/07/2012					
	11,932	23.0250	03/06/2013					
				6,187	315,537			
						25,318		1,291,218

(1) Represents RSUs for Mr. Finnegan, of which 39,892 RSUs vested on March 2, 2009, 37,773 RSUs will vest on March 1, 2010 and 37,690 RSUs will vest on March 12, 2011. Represents RSUs for Mr. Spiro, of which 24,145 RSUs vested on January 31, 2009, 24,145 RSUs will vest on January 31, 2010 and 24,144 RSUs will vest on January 31, 2011. Represents RSUs for Mr. Degnan, of which 12,754 RSUs vested on March 2, 2009, 12,077 RSUs will vest on March 1, 2010 and 12,051 RSUs will vest on March 12, 2011. Represents RSUs for

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Mr. Krump, of which 2,204 RSUs vested on March 2, 2009, 2,112 RSUs will vest on March 1, 2010 and 2,355 RSUs will vest on March 12, 2011. Represents RSUs for Mr. Morrison, of which 2,098 RSUs vested on March 2, 2009, 1,988 RSUs will vest on March 1, 2010 and 2,231 RSUs will vest on March 12, 2011. Represents RSUs for Mr. Robusto, of which 1,968 RSUs vested on March 2, 2009, 1,988 RSUs will vest on March 1, 2010 and 2,231 RSUs will vest on March 12, 2011. Dividend equivalents are paid on RSUs during the restricted period.

- (2) Represents outstanding performance unit awards for the 2007-2009 performance period assuming maximum performance (performance was above target as of December 31, 2008) for Messrs. Finnegan, O Reilly, Degnan, Krump, Morrison and Robusto in the amounts of 226,640, 74,552, 72,466, 12,674, 11,928 and 11,928 shares, respectively. Such awards will vest, if at all, on December 31, 2009. Also represents outstanding performance unit awards for the 2008-2010 performance period assuming maximum performance (performance was above target as of December 31, 2008) for Messrs. Finnegan, O Reilly, Degnan, Krump, Morrison and Robusto in the amounts of 226,146, 74,390, 72,306, 14,134, 13,390 and 13,390 shares, respectively. Such awards will vest, if at all, on December 31, 2010. Mr. O Reilly vested in both the 2007-2009 and 2008-2010 performance awards as of his retirement on December 31, 2008. However, the actual number of performance units that he will earn, if any, will be based on our actual performance at the end of the performance period. Performance units awarded in 2006 vested on December 31, 2008. Information regarding the vesting of the NEOs respective 2006 performance units is set forth under the heading Executive Compensation Option Exercises and Stock Vested. The actual value of awards at the end of the performance period may vary from the valuations indicated above. No dividend equivalents are paid on performance unit awards during the performance period.

**Equity Award Expense Amortization**

Reflects the dollar amount recognized for financial statement reporting purposes during 2008, 2007 and 2006 for each NEO, as computed pursuant to FAS 123R, disregarding any estimates relating to service-based vesting conditions, in respect of all outstanding RSU, restricted stock and performance unit awards as follows:

Name	Stock Award Type	Grant Date	Shares	Employee Equity Award Expense			
				Per Share Fair Value (\$)	Recognized 2008 (\$)	Recognized 2007 (\$)	Recognized 2006 (\$)
John D. Finnegan	RSUs	04/27/2004	54,284	\$ 35.00	\$ 0	\$ 211,105	\$ 633,313
	RSUs	03/03/2005	48,094	39.51	105,566	633,398	633,398
	RSUs	03/02/2006	39,892	47.63	633,352	633,352	527,793
	RSUs	03/01/2007	37,773	50.30	633,327	527,773	0
	RSUs	03/12/2008	37,690	50.41	474,988	0	0
	Performance Units	04/27/2004	162,858	32.74	0	0	1,777,324
	Performance Units	03/03/2005	144,286	37.02	0	1,780,490	1,780,489
	Performance Units	03/02/2006	119,678	44.73	1,784,399	1,784,399	1,784,399
	Performance Units	03/01/2007	113,320	52.99	2,001,609	2,001,609	0
	Performance Units	03/12/2008	113,073	51.46	1,939,579	0	0
<b>Total Expense</b>					<b>7,572,820</b>	<b>7,572,126</b>	<b>7,136,716</b>
Richard G. Spiro	RSUs	10/01/2008	72,434	51.32	1,294,313	N/A	N/A

<b>Total Expense</b>				<b>1,294,313</b>	<b>N/A</b>	<b>N/A</b>
Michael O Reilly RSUs	04/27/2004	19,678	35.00	0	76,525	229,577
RSUs	03/03/2005	15,820	39.51	34,725	208,349	208,349
RSUs	03/02/2006	13,122	47.63	208,334	208,334	173,611
RSUs	03/01/2007	12,425	50.30	208,326	173,605	0
RSUs	03/12/2008	12,398	50.41	156,246	0	0
Restricted Stock	11/29/2002	17,116	29.21	0	74,994	99,992
Performance Units	04/27/2004	59,036	32.74	0	0	644,280
Performance Units	03/03/2005	47,462	37.02	0	585,681	585,681
Performance Units	03/02/2006	39,368	44.73	0	0	1,760,931
Performance Units	03/01/2007	37,276	52.99	0	1,975,255	0
Performance Units	03/12/2008	37,195	51.46	1,914,055	0	0
<b>Total Expense</b>				<b>2,521,686</b>	<b>3,302,743</b>	<b>3,702,421</b>

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Name	Stock Award Type	Grant Date	Shares	Employee Equity Award Expense			
				Per Share Fair Value (\$)	Recognized 2008 (\$)	Recognized 2007 (\$)	Recognized 2006 (\$)
John J. Degnan	RSUs	04/27/2004	18,784	35.00	0	73,048	219,147
	RSUs	03/03/2005	15,376	39.51	33,750	202,502	202,502
	RSUs	03/02/2006	12,754	47.63	202,491	202,491	168,743
	RSUs	03/01/2007	12,077	50.30	202,491	168,743	0
	RSUs	03/12/2008	12,051	50.41	151,873	0	0
	Restricted Stock	11/29/2002	17,116	29.21	0	74,994	99,992
	Performance Units	04/27/2004	56,358	32.74	0	0	615,054
	Performance Units	03/03/2005	46,134	37.02	0	569,293	569,294
	Performance Units	03/02/2006	38,266	44.73	0	0	1,711,638
	Performance Units	03/01/2007	36,233	52.99	0	1,919,987	0
	Performance Units	03/12/2008	36,153	51.46	1,860,433	0	0
<b>Total Expense</b>					<b>2,451,038</b>	<b>3,211,058</b>	<b>3,586,370</b>
Paul J. Krump	RSUs	04/27/2004	2,856	35.00	0	11,107	33,320
	RSUs	03/03/2005	2,530	39.51	5,553	33,320	33,320
	RSUs	03/02/2006	2,204	47.63	34,992	34,992	29,160
	RSUs	03/01/2007	2,112	50.30	35,411	29,509	0
	RSUs	03/12/2008	2,355	50.41	29,679	0	0
	Restricted Stock	12/06/2001	6,000	33.22	0	0	29,898
	Performance Units	04/27/2004	8,572	32.74	0	0	93,549
	Performance Units	03/03/2005	7,594	37.02	0	93,710	93,710
	Performance Units	03/02/2006	6,614	44.73	98,614	98,615	98,615
	Performance Units	03/01/2007	6,337	52.99	111,933	111,933	0
	Performance Units	03/12/2008	7,067	51.46	121,222	0	0
<b>Total Expense</b>					<b>437,404</b>	<b>413,186</b>	<b>411,572</b>
Harold L. Morrison, Jr.	RSUs	03/03/2005	2,372	39.51	5,207	N/A	N/A
	RSUs	03/02/2006	2,098	47.63	33,309	N/A	N/A
	RSUs	03/01/2007	1,988	50.30	33,332	N/A	N/A
	RSUs	03/12/2008	2,231	50.41	28,117	N/A	N/A
	Performance Units	03/02/2006	6,300	44.73	93,933	N/A	N/A
	Performance Units	03/01/2007	5,964	52.99	105,344	N/A	N/A
	Performance Units	03/12/2008	6,695	51.46	114,842	N/A	N/A
<b>Total Expense</b>					<b>414,084</b>	<b>N/A</b>	<b>N/A</b>
Dino E. Robusto	RSUs	03/03/2005	1,264	39.51	2,774	N/A	N/A
	RSUs	03/02/2006	1,968	47.63	31,245	N/A	N/A
	RSUs	03/01/2007	1,988	50.30	33,332	N/A	N/A
	RSUs	03/12/2008	2,231	50.41	28,117	N/A	N/A

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Performance Units	03/02/2006	5,904	44.73	88,029	N/A	N/A
Performance Units	03/01/2007	5,964	52.99	105,344	N/A	N/A
Performance Units	03/12/2008	6,695	51.46	114,842	N/A	N/A
<b>Total Expense</b>				<b>403,683</b>	<b>N/A</b>	<b>N/A</b>

Total expense figures are also reflected on the Summary Compensation Table. No data reported for N/A items.



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

The following table sets forth the value realized by our NEOs with respect to stock option exercises and stock awards that vested in 2008:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) <sup>(1)</sup>	Value Realized on Exercise (\$) <sup>(2)</sup>	Number of Shares Acquired on Vesting (#) <sup>(3)</sup>	Value Realized on Vesting (\$) <sup>(4)</sup>
John D. Finnegan			249,871	\$ 10,840,573
Richard G. Spiro				
Michael O Reilly	183,824	3,252,481	104,916	4,724,780
John J. Degnan			79,892	3,466,078
Paul J. Krump	25,204	51,966	13,681	592,677
Harold L. Morrison, Jr.	5,932	172,354	12,994	562,655
Dino E. Robusto	2,000	57,811	11,218	479,156

- (1) Represents the exercise of the following stock options by Mr. O Reilly: (i) 92,014 shares at an exercise price of \$53.975 and (ii) 91,810 shares at an exercise price of \$53.675. Represents the exercise of the following stock options by Mr. Krump: (i) 23,100 shares at an exercise price of \$53.7045, and (ii) 2,104 shares at an exercise price of \$53.7045. Represents the exercise of 5,932 shares at an exercise price of \$52.08 by Mr. Morrison. Represents the exercise of 2,000 shares at an exercise price of \$52.8901 by Mr. Robusto.
- (2) For stock-swap option exercises, value realized is based on the excess of the average of the high and low prices of our common stock on the date of exercise over the exercise price. In the case of stock options exercised through a cashless-sell-all transaction, value realized is based on the market price on the date of the exercise.
- (3) For Mr. Finnegan, represents the vesting of 48,094 RSUs granted in 2005 and the vesting of 201,777 shares in respect of the performance unit award granted in 2006. For Mr. O Reilly, represents the vesting of 15,820 RSUs granted in 2005, 12,029 RSUs granted in 2006, 7,593 RSUs granted in 2007, 3,100 RSUs granted in 2008 and 66,374 shares in respect of the performance unit award granted in 2006. Receipt of 22,722 RSUs for Mr. O Reilly that vested on December 31, 2008 due to his retirement (12,029 RSUs granted in 2006, 7,593 RSUs granted in 2007, and 3,100 RSUs granted in 2008) have been deferred six months from his retirement date. As a result of his retirement, Mr. O Reilly forfeited 15,223 previously outstanding RSUs. For Mr. Degnan, represents the vesting of 15,376 RSUs granted in 2005 and 64,516 shares in respect of the performance unit award granted in 2006. For Mr. Krump, represents the vesting of 2,530 RSUs granted in 2005 and 11,151 shares in respect of the performance unit award granted in 2006. For Mr. Morrison, represents the vesting of 2,372 RSUs granted in 2005 and 10,622 shares in respect of the performance unit award granted in 2006. For Mr. Robusto, represents the vesting of 1,264 RSUs granted in 2005 and 9,954 shares in respect of the performance unit award granted in

2006. Receipt of the 48,094 RSUs for Mr. Finnegan and 11,344 RSUs of Mr. Degan's 15,376 granted in 2005 have been deferred until their respective retirements. Information regarding performance unit awards is set forth under the heading "Compensation Discussion and Analysis - Components of Executive Compensation."

- (4) For RSU awards, the value realized is based on the average of the high and low prices of our common stock on the settlement date. For Mr. O'Reilly's RSUs, which vested as a result of his retirement on December 31, 2008, the year-end closing price of \$51.00 was used to value these shares. The value of these RSUs is also reflected in the information regarding Mr. O'Reilly set forth under the heading "Potential Payments upon Termination or a Change in Control." The price on his distribution date, six months after his retirement, will determine his actual value realized. The performance unit awards are valued at their February 10, 2009 settlement price of \$41.765.

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**Pension Benefits**

***Pension Plan***

Our eligible employees, and certain eligible employees of our subsidiaries, participate in the Pension Plan. Our NEOs participate on the same terms and conditions as other eligible employees, except as noted below. The Pension Plan, as in effect during 2008, provides each eligible employee with annual retirement income beginning at age 65 equal to the product of:

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

13/4% of average compensation for the highest five years in the last ten years of participation prior to retirement during which the employee was most highly paid or, if higher, the last 60 consecutive months (final average earnings).

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

the total number of years of participation in the Pension Plan (for years prior to February 1, 2008, this number was capped at 35 years); and

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

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

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

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

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

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

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

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

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

***Pension Excess Benefit Plan***

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

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

***Pension SERP Mr. Finnegan***

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

***Pension Benefits Table***

The following table sets forth information regarding participation by our NEOs in our pension plans as of December 31, 2008:

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)</b>	<b>Present Value of Accumulated Benefit (\$)<sup>(1)(2)</sup></b>	<b>Payments During Last Fiscal Year (\$)</b>
John D. Finnegan	Pension Plan	5	\$ 60,164	
	Pension Excess Benefit Plan	5	1,010,463	
	Pension SERP	6	15,081,815	
Richard G. Spiro	Pension Plan	0	0	
		0	0	

	Pension Excess Benefit Plan		
Michael O Reilly	Pension Plan	38	1,589,014
	Pension Excess Benefit Plan	38	11,628,071
John J. Degnan	Pension Plan	17	615,727
	Pension Excess Benefit Plan	17	4,832,475
Paul J. Krump	Pension Plan	26	458,934
	Pension Excess Benefit Plan	26	2,088,596
Harold L. Morrison, Jr.	Pension Plan	24	494,652
	Pension Excess Benefit Plan	24	1,530,278
Dino E. Robusto <sup>(3)</sup>	Pension Plan	22	430,287
	Pension Excess Benefit Plan	22	1,132,635

(1) Represents the present value of the NEO's accumulated pension benefit computed as of the same Pension Plan measurement date we used for 2008 financial statement reporting. The following actuarial assumptions were used:

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Interest discount rate: 6.00%;  
 Future interest crediting rate on cash balance accounts: 5.00%;  
 Mortality table: 2008 PPA separate static annuitant and non-annuitant mortality tables; and  
 Payment Form:  
 Pension Plan 50% take cash balance account as a lump sum;  
 Pension Excess Benefit Plan 100% take benefit as a lump sum; and  
 Pension SERP lump sum.

- (2) The figures shown in the table above assume retirement benefits commence at the earliest unreduced retirement age, reflecting the assumptions described in the preceding footnote. However, if the NEO's employment terminated or he retired on December 31, 2008 (which is the assumption underlying the figures set forth in the Voluntary Resignation/Retirement column in the tables under the heading Executive Compensation Potential Payments upon Termination), and plan benefits were immediately payable as lump sums (calculated using the 5% discount rate specified in the plans), the Pension Excess Benefit Plan and Pension SERP benefits, as applicable, would have been as follows:

Name	Plan Name	Lump Sum Amount
John D. Finnegan	Pension Excess Benefit Plan	\$ 1,030,612
	Pension SERP	17,213,426
Richard G. Spiro	Pension Excess Benefit Plan	0
Michael O. Reilly	Pension Excess Benefit Plan	11,628,071
John J. Degnan	Pension Excess Benefit Plan	5,091,578
Paul J. Krump	Pension Excess Benefit Plan	1,887,912
Harold L. Morrison, Jr.	Pension Excess Benefit Plan	1,356,265
Dino E. Robusto	Pension Excess Benefit Plan	1,010,179

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

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

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

participant at any time, at his or her discretion.

***CCAP Excess Benefit Plan***

We also maintain the CCAP Excess Benefit Plan which is a supplemental, nonqualified, unfunded excess defined contribution plan. The CCAP Excess Benefit Plan recognizes compensation in excess of IRS limits for the CCAP and provides the participants with the applicable company match on eligible compensation. Matching



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contributions for each of the NEOs equal 4% of plan compensation. Each of our NEOs has elected to defer receipt of matching contribution amounts attributable to the CCAP Excess Benefit Plan. Balances are invested in the Fidelity Stable Value Fund, which is one of the investment funds available under the CCAP. For 2008, the Fidelity Stable Value Fund had a 4.54% return.

***CCAP SERP Mr. Finnegan***

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

***ESOP Excess Benefit Plan***

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

***ESOP SERP Mr. Finnegan***

Mr. Finnegan's employment agreement also provides that he is entitled to the ESOP SERP. The ESOP and ESOP Excess Benefit Plan included a one-year waiting period prior to entry as well as five years of vesting service. Mr. Finnegan's employment agreement, however, provides that he was credited with an amount equal to the stock that he would have been entitled under the ESOP and ESOP Excess Benefit Plan from his date of employment and provides that the ESOP SERP account is immediately vested and the balance credited thereunder earns 5% interest per annum.

***Nonqualified Defined Contribution and Deferred Compensation Table***

The following table sets forth information regarding participation by our NEOs in our nonqualified defined contribution and deferred compensation plans as of December 31, 2008:

<b>Name</b>	<b>Executive Contributions in Last Fiscal Year (\$)<sup>(1)</sup></b>	<b>Registrant Contributions in Last Fiscal Year (\$)<sup>(2)</sup></b>	<b>Aggregate Earnings in Last Fiscal Year (\$)<sup>(3)</sup></b>	<b>Aggregate Withdrawals/Distributions (\$)<sup>(4)</sup></b>	<b>Aggregate Balance at Last Fiscal Year-End (\$)</b>
John D. Finnegan	\$ 2,688,357	\$ 171,716	\$ (60,960)	\$ 195,965	\$ 11,586,470
Richard G. Spiro					
Michael O. Reilly		69,297	(9,860)		1,465,667
John J. Degnan	569,242	66,376	(51,013)	35,274	2,782,718
Paul J. Krump		35,306	(108,345)		844,076
Harold L. Morrison, Jr.		25,489	(1,541)		84,822

Dino E. Robusto	24,321	(3,538)	123,110
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- (1) Represents RSU deferrals for Messrs. Finnegan and Degnan in the amounts of \$2,413,357 and \$569,242, respectively. Mr. Finnegan's amount also includes the deferral of \$275,000 of his 2008 annual salary. This amount is included in the Salary column of the table set forth under the heading Executive Compensation Summary Compensation Table. All of these deferrals were made under the 2005 Deferred Compensation Plan.
- (2) Represents the company match for the CCAP Excess Benefit Plan.

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

Name	CCAP Excess Benefit Plan and CCAP SERP Earnings (\$) <sup>(a)</sup>	Deferred Compensation Earnings (\$)	Appreciation and Dividends on Deferred RSUs (\$)	ESOP Excess Benefit Plan and ESOP SERP Earnings (\$) <sup>(b)</sup>	Total (\$)
John D. Finnegan	\$ 28,501	\$ 92,857	\$ (179,520)	\$ (2,798)	\$ (60,960)
Richard G. Spiro					
Michael O Reilly	25,704			(35,564)	(9,860)
John J. Degnan	17,217	(13,380)	(22,671)	(32,179)	(51,013)
Paul J. Krump	8,549	(107,814)		(9,080)	(108,345)
Harold L. Morrison, Jr.	882			(2,423)	(1,541)
Dino E. Robusto	285			(3,823)	(3,538)

(a) For Mr. Finnegan, represents CCAP Excess earnings of \$24,856 and CCAP SERP earnings of \$3,645. For all other participants represents CCAP Excess benefit only.

(b) For Mr. Finnegan, represents ESOP Excess earnings of (\$6,685) and ESOP SERP earnings of \$3,888. For all other participants represents ESOP Excess benefit only.

(4) Represents dividends paid on deferred vested RSUs for Messrs. Finnegan and Degnan.

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

As of December 31, 2008, each of our NEOs was fully vested in the amounts set forth under the heading Executive Compensation Pension Benefits and the amounts set forth under the heading Executive Compensation Nonqualified Defined Contribution and Deferred Compensation Plans. In addition, at that date, each NEO was entitled to receive all earned but unpaid salary, other vested long-term equity awards (as set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End and the other applicable tables set forth under the heading Executive Compensation ), amounts held in his account under the CCAP and employee welfare plans. During 2008, Mr. O Reilly retired and his termination of employment was treated in the same manner as retirements of our other retirement-eligible salaried employees.

***Termination Events***

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

***Equity Awards.*** With respect to equity awards, under the terms of the 2004 Employee Plan, upon the disability or death of a participant, including each of our NEOs, the participant or the participant's estate, as applicable, would receive pro-rata vesting of the unvested portion of outstanding RSUs and continuation of the exercise period within

which the participant or the participant's estate may exercise outstanding options through the stated expiration date of such options. With respect to performance unit awards, if a participant's employment terminates due to disability or death on or after the completion of the first calendar year of any performance period, the participant or the participant's estate, as applicable, would receive all of the performance units for the performance period that would have been earned had the participant continued employment for the full period (with payments contingent on our relative TSR over the performance period).

Mr. Finnegan. In addition to the equity vesting provisions described in the preceding paragraph, Mr. Finnegan's employment agreement calls for us to provide him with a death benefit equal to five times his annual salary as of the time of his death. We provide all of our salaried employees, including Mr. Finnegan, with cash in an amount equal to the premiums associated with the cost of life insurance coverage for the employee's annual salary under our group life plan. The remainder of Mr. Finnegan's death benefit (four times his annual salary) is in the form of an unsecured, uninsured claim against our general corporate assets. In the event of Mr. Finnegan's

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

*Retirement.* Mr. Degnan is eligible for retirement under many of our compensation and benefit plans and arrangements. Accordingly, other than in connection with a termination for cause or a change in control, the termination of employment of Mr. Degnan would be treated as a retirement, as is the case for all of our retirement-eligible salaried employees. As such, pursuant to the terms of the 2004 Employee Plan and its predecessor plans, upon termination of his employment, other than for cause or in connection with a change in control, Mr. Degnan would receive pro-rata vesting of the unvested portion of outstanding RSUs, continued vesting of all performance units for which the first calendar year of the performance period has been completed (with payments contingent on actual performance for the performance period). Mr. O'Reilly's retirement during 2008 was treated in the same manner as retirements of our other retirement-eligible salaried employees under our compensation and benefit plans and arrangements.

*For Cause Termination.* Under Mr. Finnegan's employment agreement, in the event of his termination for cause, he is entitled to receive retiree health benefits pursuant to our retiree health plans that would be available to an employee with 32 years of service with us. None of our other NEOs is entitled to any additional payments or benefits, and each of our NEOs would forfeit his unvested equity awards, in the event we terminate his employment for cause. Under the 2004 Employee Plan, cause means:

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

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

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

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

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

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

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

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

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

*Voluntary Resignation.* Messrs. Spiro, Krump, Morrison and Robusto are not entitled to any payments or benefits that are not available to salaried employees generally upon voluntary resignation. As discussed above, Mr. Degnan is retirement-eligible for purposes of many of our plans. Accordingly, a resignation by Mr. Degnan would be treated as a retirement under such plans. Under Mr. Finnegan's employment agreement, in the event of his voluntary resignation, he is entitled to receive retiree health benefits pursuant to our retiree health plans that would be available to an employee with 32 years of service with us.

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*Involuntary Termination without Cause.* Except for Mr. Finnegan and as discussed below for Messrs. Spiro and Degnan in connection with a change in control, neither a termination of employment by us without cause nor a demotion or other constructive termination would entitle our NEOs to any payments or benefits that are not available to salaried employees generally. The severance policy applicable to all of our salaried employees generally provides two weeks of severance pay for each year of service up to a maximum of 52 weeks. As discussed above, Mr. Degnan is retirement-eligible for purposes of many of our plans. Accordingly, an involuntary termination by Mr. Degnan without cause would be treated as a retirement under such plans. As mentioned above, Mr. O Reilly retired during 2008.

Mr. Finnegan's employment agreement provides that, upon the termination of his employment without cause, his constructive termination or in the event we elect not to renew his employment agreement in accordance with its terms, he is entitled to receive the following benefits beyond those generally available to our salaried employees:

current annual salary (without proration)

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

a severance payment equal to the sum of up to 2.5 times (with the 2.5 multiple being subject to reduction as described below) the sum of his then-current annual salary and the average amount of his annual incentive compensation paid in the preceding three years;

up to 2.5 years of additional age and service credit for purposes of his supplemental retirement benefits (with the 2.5 multiple being subject to reduction as described below);

up to 2.5 years of continued health and welfare benefits (with the 2.5 multiple being subject to reduction as described below) under our employee welfare plans and then retiree benefits; and

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

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

In the case of our non-renewal of his employment agreement only, the 2.5 multiplier decreases by 0.5 when Mr. Finnegan attains age 58 and decreases by an additional 0.5 on each of anniversary of such date so that when Mr. Finnegan turns 62, this multiplier will be zero. In addition, the obligation to continue to provide health and welfare benefits would cease if Mr. Finnegan receives such benefits from a new employer. As of December 31, 2008, Mr. Finnegan's severance multiplier was equal to 2.5 because there has been no non-renewal of his employment agreement.

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

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

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

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

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

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



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

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

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

***Change in Control***

*Equity Awards.* Under the terms of the 2004 Employee Plan, if outstanding equity awards are assumed by an acquirer in accordance with the terms of the 2004 Employee Plan, the awards would remain outstanding and vesting would not accelerate unless the employee was terminated without cause or experienced a constructive termination. In the event of a change in control in which the acquirer did not assume outstanding equity awards in accordance with the 2004 Employee Plan, RSUs would immediately vest in full (but paid out in accordance with the terms of the awards) and performance unit awards would become earned and payable at 100% of the applicable target award. These provisions would apply to the outstanding RSUs and performance unit awards held by Messrs. Spiro, O'Reilly, Degnan, Krump, Morrison and Robusto as of December 31, 2008. The impact of a change in control on Mr. Finnegan's equity awards is discussed below. For purposes of the 2004 Employee Plan, a change in control is defined as:

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

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

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

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

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

three times the sum of his then-current annual salary and highest annual bonus over the past three years, including any bonus payable for the current year;

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

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

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

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

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

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

- the acquisition of 20% or more of our outstanding common stock by any person;
- continuing directors (or their approved successors) ceasing to constitute a majority of our Board;
- a merger, reorganization or similar transaction (including a sale of substantially all assets), where our shareholders immediately prior to such transaction do not control more than 50% of the surviving entity immediately after the transaction; or
- shareholder approval of any plan or proposal for our liquidation or dissolution.

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

Messrs. Spiro, Degnan and O Reilly. In addition to the above terms with respect to equity awards, we have entered into change in control agreements with Messrs. Spiro and Degnan. Mr. O Reilly's change in control agreement ceased to be effective after December 31, 2008 due to his retirement. The agreements with Messrs. Spiro and Degnan come into effect in the event that the employment of any of these individuals is terminated (other than as a result of death, disability, retirement, voluntary termination by the individual or for cause) or is constructively terminated within two years after the effective date of the change in control (as defined below). Upon actual or constructive termination following a change in control, the affected individual is entitled to receive a severance payment equal to two times the sum of:

- the individual's then-current annual salary; and
- the average amount of the individual's annual incentive compensation for the last three years;

provided that the amount of the severance payment cannot exceed the amount the individual would have received had he remained in our employment until his normal retirement age under the Pension Plan. In addition to severance, the individual also is entitled to reimbursement for legal fees incurred by the individual as a result of the termination and continuation of health and other welfare benefits for a period of two years after the date of termination. Neither agreement provides for a gross-up of any excise taxes that might be triggered by these payments.

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

For purposes of both agreements with Messrs. Spiro and Degnan, cause means:

- the individual's willful and continued failure to perform his duties;
- the individual's willful engagement in misconduct which is materially injurious to us.

For purposes of Mr. Degnan's agreement, a change in control means:

following a tender or exchange offer, a proxy contest or a merger, consolidation or sale of substantially all of our business or our assets, the members of our Board immediately prior to the event do not constitute a majority of our Board following such event and for one year thereafter; or

any person acquires more than 25% of our outstanding common stock.

For purposes of both agreements with Messrs. Spiro and Degnan, constructive termination means the individual's voluntary termination of employment following the occurrence of certain events, including:

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

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

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

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

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

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

**Estimate of Incremental Potential Payment**

The following tables quantify the additional payments and benefits under the compensation and benefit plans and arrangements to which our NEOs would be entitled upon termination of employment on December 31, 2008 under the termination scenarios described above that are beyond those generally available to our salaried employees. Because the payments to be made to an NEO depend on several factors, the actual amounts to be paid out upon a triggering event can only be determined at the time of the triggering event.

Payment Type	John D. Finnegan					
	Death (\$)	Disability (\$)	Voluntary Resignation/ Retirement/ Cause (\$)	Involuntary Termination (\$)	Involuntary Termination or Constructive Termination after Change in Control (\$)	Change in Control (\$)
Cash Payment <sup>(1)(2)</sup>	\$5,100,000	\$3,451,032		\$10,729,583	\$14,534,700	
RSUs <sup>(3)</sup>	3,522,757	3,522,757		5,883,105	5,883,105	\$5,883,105
Performance Units <sup>(4)</sup>	23,092,086	23,092,086		23,092,086	11,546,043	11,546,043
Retirement Benefits <sup>(5)</sup>				9,440,942	11,416,655	
Retiree Medical Benefits <sup>(6)</sup>	111,189	197,091	\$197,091	197,091	197,091	
Other Benefits <sup>(7)</sup>	25,260	25,260		25,260	128,140	
Gross-up on Excise Tax <sup>(8)</sup>					15,793,038	
<b>Total</b>	<b>\$31,851,292</b>	<b>\$30,288,226</b>	<b>\$197,091</b>	<b>\$49,368,067</b>	<b>\$59,498,772</b>	<b>\$17,429,148</b>

- (1) Figure included in the **Death** column represents an incremental death benefit of four times annual salary as of December 31, 2008 (\$1,275,000). Figure included in the **Disability** column represents the present value of payments equal to 60% of annual salary until age 65. Figure included in the **Involuntary Termination** column represents a multiple of annual salary as of December 31, 2008 and the average of Mr. Finnegan's last three annual incentive compensation awards (\$3,016,833). Figure included in the **Involuntary Termination or Constructive Termination after Change in Control** column represents a multiple of annual salary and the highest of his last three annual incentive compensation awards (\$3,569,900).
- (2) These amounts do not include any amounts attributable to Mr. Finnegan's 2008 annual incentive compensation award to be paid in March 2009 and disclosed under the heading **Executive Compensation Summary Compensation Table**.
- (3) Reflects fair market value of accelerated unvested RSUs based on our closing stock price of \$51.00 per share on December 31, 2008. Figure included in the **Change in Control** column assumes the RSUs were not assumed by the acquirer.

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- (4) Reflects fair market value of accelerated unearned performance units based on our closing stock price of \$51.00 per share on December 31, 2008. In the case of a termination of Mr. Finnegan's employment without cause or due to death or disability, the number of performance units that vest would be based on our actual performance at the end of the performance period and, for purposes of this calculation, reflects the same performance assumptions used for Mr. Finnegan's outstanding performance unit awards set forth under the heading Executive Compensation Outstanding Equity Awards at Fiscal Year-End. In the event of an involuntary termination or constructive termination after a change in control or upon a change in control, the number of performance units that vest would be based on target performance. Figure included in the Change in Control column assumes the performance units were not assumed by the acquirer.
- (5) Reflects the value attributable to additional age and service credit under Mr. Finnegan's Pension SERP.
- (6) Mr. Finnegan's employment agreement provides for retiree medical benefits assuming that Mr. Finnegan had 33 years of service at retirement. None of our other employees hired on or after January 1, 1999 receives company-subsidized retiree medical benefits. The present value of these benefits is calculated based on the assumptions used for financial reporting purposes at year-end 2008, including a discount rate of 6.0%, medical trend of 8.75% in 2008 grading down 0.75% per year to 6.5% in 2012, then grading 0.5% per year to an ultimate rate of 5% in 2015 and assuming retirement at December 31, 2008.
- (7) Represents \$100,000 in outplacement benefits (in the case of a termination in connection with a change in control), the difference between active health insurance rates versus retiree subsidized rates for three years of continued health coverage (\$2,880) and executive financial counseling (\$25,260).
- (8) This calculation is an estimate for proxy disclosure purposes only. Payments upon a change in control may differ based on factors such as transaction price, timing of employment termination and payments, changes in compensation and reasonable compensation analyses. For purposes of this calculation, no portion of the performance units that would accelerate upon a change in control have been treated as reasonable compensation for services rendered prior to the change in control or no value has been attributed to non-competition covenants.

**Richard G. Spiro**

				<b>Involuntary Termination or Constructive Termination after Change in Control</b>	<b>Change in Control</b>
<b>Death</b>	<b>Disability</b>	<b>Voluntary Resignation/ Retirement</b>	<b>Involuntary Termination</b>		
<b>(\$)</b>	<b>(\$)</b>	<b>(\$)<sup>(1)</sup></b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>