CHUBB CORP
Form 10-Q
November 05, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended SEPTEMBER 30, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-8661

THE CHUBB CORPORATION

(Exact name of registrant as specified in its charter)

NEW JERSEY	13-2595722
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
15 MOUNTAIN VIEW ROAD, WARREN, NEW JERSEY	07059
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (908) 903-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.(Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

The number of shares of common stock outstanding as of September 30, 2010 was 304,932,537.

THE CHUBB CORPORATION
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Part I. FINANCIAL INFORMATION

Item 1 Financial Statements

THE CHUBB CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
PERIODS ENDED SEPTEMBER 30

	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions)			
Revenues				
Premiums Earned	$ 2,798	$ 2,836	$ 8,379	$ 8,490
Investment Income	412	414	1,248	1,224
Other Revenues	3	1	10	7
Realized Investment Gains (Losses), Net				
Total Other-Than-Temporary Impairment Losses on Investments		(24)	(6)	(117)
Other-Than-Temporary Impairment Losses on Investments Recognized in Other Comprehensive Income		4	(3)	19
Other Realized Investment Gains (Losses), Net	54	89	280	(72)
Total Realized Investment Gains (Losses), Net	54	69	271	(170)
Total Revenues	3,267	3,320	9,908	9,551
Losses and Expenses				
Losses and Loss Expenses	1,522	1,534	4,912	4,721
Amortization of Deferred Policy Acquisition Costs	774	775	2,279	2,260
Other Insurance Operating Costs and Expenses	105	116	327	321
Investment Expenses	9	11	27	27
Other Expenses	3	2	11	9
Corporate Expenses	70	73	218	221
Total Losses and Expenses	2,483	2,511	7,774	7,559
Income Before Federal and Foreign Income Tax	784	809	2,134	1,992
Federal and Foreign Income Tax	212	213	580	504
Net Income	$ 572	$ 596	$ 1,554	$ 1,488
Net Income Per Share				

Basic	$ 1.82	$ 1.70	$ 4.80	$ 4.21
Diluted	1.80	1.69	4.76	4.18
Dividends Declared Per Share	.37	.35	1.11	1.05

See Notes to Consolidated Financial Statements.

THE CHUBB CORPORATION
CONSOLIDATED BALANCE SHEETS

	Sept. 30, 2010	Dec. 31, 2009
	(in millions)	
Assets		
Invested Assets		
Short Term Investments	$ 2,046	$ 1,918
Fixed Maturities		
Tax Exempt (cost $18,894 and $18,720)	20,248	19,587
Taxable (cost $16,071 and $16,470)	17,136	16,991
Equity Securities (cost $1,253 and $1,215)	1,404	1,433
Other Invested Assets	2,218	2,075
TOTAL INVESTED ASSETS	43,052	42,004
Cash	77	51
Accrued Investment Income	452	460
Premiums Receivable	1,974	2,101
Reinsurance Recoverable on Unpaid Losses and Loss Expenses	1,896	2,053
Prepaid Reinsurance Premiums	319	308
Deferred Policy Acquisition Costs	1,563	1,533
Deferred Income Tax		272
Goodwill	467	467
Other Assets	1,282	1,200
TOTAL ASSETS	$ 51,082	$ 50,449
Liabilities		
Unpaid Losses and Loss Expenses	$ 22,755	$ 22,839
Unearned Premiums	6,133	6,153
Long Term Debt	3,975	3,975
Deferred Income Tax	148	
Dividend Payable to Shareholders	115	118
Accrued Expenses and Other Liabilities	1,977	1,730
TOTAL LIABILITIES	35,103	34,815

Contingent Liabilities (Note 7)

Shareholders Equity

Common Stock $1 Par Value; 371,980,460 Shares	372	372
Paid-In Surplus	191	224
Retained Earnings	17,435	16,235
Accumulated Other Comprehensive Income	1,314	720
Treasury Stock, at Cost 67,047,923 and 39,972,796 Shares	(3,333)	(1,917)
TOTAL SHAREHOLDERS EQUITY	15,979	15,634
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 51,082	$ 50,449

See Notes to Consolidated Financial Statements.

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THE CHUBB CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PERIODS ENDED SEPTEMBER 30

	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions)			
Net Income	$ 572	$ 596	$ 1,554	$ 1,488
Other Comprehensive Income (Loss), Net of Tax				
Change in Unrealized Appreciation or Depreciation of Investments	457	813	620	1,328
Change in Unrealized Other-Than- Temporary Impairment Losses on Investments	3	3	7	(6)
Foreign Currency Translation Gains (Losses)	32	98	(62)	143
Amortization of Net Loss and Prior Service Cost Included in Net Postretirement Benefit Costs	10	9	29	21
	502	923	594	1,486
Comprehensive Income	$ 1,074	$ 1,519	$ 2,148	$ 2,974

See Notes to Consolidated Financial Statements.

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THE CHUBB CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30

	2010	2009
	(in millions)	
Cash Flows from Operating Activities		
Net Income	$ 1,554	$ 1,488
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Increase in Unpaid Losses and Loss Expenses, Net	213	306
Increase (Decrease) in Unearned Premiums, Net	4	(196)
Decrease in Premiums Receivable	127	167
Change in Income Tax Recoverable or Payable	216	(33)
Amortization of Premiums and Discounts on Fixed Maturities	131	140
Depreciation	47	46
Realized Investment Losses (Gains), Net	(271)	170
Other, Net	(128)	(242)
Net Cash Provided by Operating Activities	1,893	1,846
Cash Flows from Investing Activities		
Proceeds from Fixed Maturities		
Sales	1,793	2,512
Maturities, Calls and Redemptions	2,079	2,031
Proceeds from Sales of Equity Securities	93	368
Purchases of Fixed Maturities	(3,965)	(5,838)
Purchases of Equity Securities	(108)	(13)
Investments in Other Invested Assets, Net	66	(1)
Increase in Short Term Investments, Net	(109)	(108)
Increase in Net Payable from Security Transactions Not Settled	112	143
Purchases of Property and Equipment, Net	(38)	(38)
Other, Net	(1)	4
Net Cash Used in Investing Activities	(78)	(940)
Cash Flows from Financing Activities		
Increase in Funds Held under Deposit Contracts	23	3
Proceeds from Issuance of Common Stock Under Stock-Based Employee Compensation Plans	54	26
Repurchase of Shares	(1,509)	(564)
Dividends Paid to Shareholders	(357)	(366)

Net Cash Used in Financing Activities	(1,789)	(901)
Net Increase in Cash	26	5
Cash at Beginning of Year	51	56
Cash at End of Period	$ 77	$ 61

See Notes to Consolidated Financial Statements.

THE CHUBB CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) General

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts of The Chubb Corporation (Chubb) and its subsidiaries (collectively, the Corporation). Significant intercompany transactions have been eliminated in consolidation.

Effective April 1, 2009, the Corporation adopted new guidance issued by the Financial Accounting Standards Board (FASB) related to the recognition and presentation of other-than-temporary impairments. This guidance was not permitted to be retroactively applied to prior periods financial statements; accordingly, consolidated financial statements for periods prior to April 1, 2009 have not been restated for this change in accounting policy. This accounting change is further described in Note (4)(b).

The amounts included in this report are unaudited but include those adjustments, consisting of normal recurring items, that management considers necessary for a fair presentation. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in the Notes to Consolidated Financial Statements included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2009.

2) Adoption of New Accounting Pronouncement

Effective January 1, 2010, the Corporation adopted new guidance issued by the FASB related to the accounting for a variable interest entity (VIE). A company would consolidate a VIE, as the primary beneficiary, when a company has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIE s economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Ongoing reassessment of whether a company is the primary beneficiary of a VIE is required. The new guidance replaces the quantitative-based approach previously required for determining which company, if any, has a controlling financial interest in a VIE. The adoption of this guidance did not have a significant effect on the Corporation s financial position or results of operations.

The Corporation is involved in the normal course of business with VIEs primarily as a passive investor in residential mortgage-backed securities, commercial mortgage-backed securities and private equity limited partnerships issued by third party VIEs. The Corporation is not the primary beneficiary of these VIEs. The Corporation s maximum exposure to loss with respect to these investments is limited to the investment carrying values included in the Corporation s consolidated balance sheet and any unfunded partnership commitments.

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3) Accounting Pronouncements Not Yet Adopted

In October 2010, the FASB issued new guidance related to the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies which costs relating to the successful acquisition of new or renewal insurance contracts shall be capitalized. This guidance is effective for the Corporation for the year beginning January 1, 2012 and may be applied prospectively or retrospectively. The Corporation is in the process of assessing the effect that the implementation of the new guidance will have on its financial position and results of operations. The amount of acquisition costs the Corporation would defer under the new guidance is expected to be less than the amount deferred under the Corporation s current accounting practice.

4) Invested Assets

(a) The amortized cost and fair value of fixed maturities and equity securities were as follows:

	September 30, 2010			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
		(in millions)		
Fixed maturities				
Tax exempt	$ 18,894	$ 1,394	$ 40	$ 20,248
Taxable				
U.S. Government and government agency and authority obligations	806	49	3	852
Corporate bonds	6,288	545	12	6,821
Foreign government and government agency obligations	5,881	327	3	6,205
Residential mortgage-backed securities	1,437	75	7	1,505
Commercial mortgage-backed securities	1,659	95	1	1,753
	16,071	1,091	26	17,136
Total fixed maturities	$ 34,965	$ 2,485	$ 66	$ 37,384
Equity securities	$ 1,253	$ 250	$ 99	$ 1,404

	December 31, 2009			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
	(in millions)			
Fixed maturities				
Tax exempt	$ 18,720	$ 933	$ 66	$ 19,587
Taxable				
U.S. Government and government agency and authority obligations	756	12	10	758
Corporate bonds	6,287	327	24	6,590
Foreign government and government agency obligations	5,903	221	11	6,113
Residential mortgage-backed securities	1,850	69	20	1,899
Commercial mortgage-backed securities	1,674	6	49	1,631
	16,470	635	114	16,991
Total fixed maturities	$ 35,190	$ 1,568	$ 180	$ 36,578
Equity securities	$ 1,215	$ 261	$ 43	$ 1,433

At September 30, 2010 and December 31, 2009, the gross unrealized depreciation of fixed maturities included $5 million and $15 million, respectively, of unrealized other-than-temporary impairment losses recognized in accumulated other comprehensive income.

The amortized cost and fair value of fixed maturities at September 30, 2010 by contractual maturity were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due in one year or less	$ 1,499	$ 1,523
Due after one year through five years	11,249	11,927
Due after five years through ten years	11,709	12,813
Due after ten years	7,412	7,863
	31,869	34,126
Residential mortgage-backed securities	1,437	1,505
Commercial mortgage-backed securities	1,659	1,753
	$ 34,965	$ 37,384

Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations.

The Corporation s equity securities comprise a diversified portfolio of primarily U.S. publicly-traded common stocks.

(b) The components of unrealized appreciation or depreciation, including unrealized other-than-temporary impairment losses, of investments carried at fair value were as follows:

	September 30 2010	December 31 2009
	(in millions)	
Fixed maturities		
Gross unrealized appreciation	$ 2,485	$ 1,568
Gross unrealized depreciation	66	180
	2,419	1,388
Equity securities		
Gross unrealized appreciation	250	261
Gross unrealized depreciation	99	43
	151	218
	2,570	1,606
Deferred income tax liability	899	562
	$ 1,671	$ 1,044

When the fair value of an investment is lower than its cost, an assessment is made to determine whether the decline is temporary or other than temporary. The assessment of other-than-temporary impairment of fixed maturities and equity securities is based on both quantitative criteria and qualitative information and also considers a number of other factors including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors.

In determining whether fixed maturities are other than temporarily impaired, prior to April 1, 2009, the Corporation considered many factors including its intent and ability to hold a security for a period of time sufficient to allow for the recovery of the security s cost. When an impairment was deemed other than temporary, the security was written down to fair value and the entire writedown was included in net income as a realized investment loss. Effective April 1, 2009, the Corporation adopted new guidance which modified the guidance on the recognition and presentation of other-than-temporary impairments of debt securities. Under this guidance, the Corporation is required to recognize an other-than-temporary impairment loss when it concludes it has the intent to sell or it is more likely than not it will be required to sell an impaired fixed maturity before the security recovers to its amortized cost value or it is likely it will not recover the entire amortized cost value of an impaired debt security. Also under this guidance, if the Corporation has the intent to sell or it is more likely than not that the Corporation will be required to sell an impaired fixed maturity before the security recovers to its amortized cost value, the security is written down to fair value and the entire amount of the writedown is included in net income as a realized investment loss. For all other impaired fixed maturities, the impairment loss is separated into the amount representing the credit loss and the amount representing the loss related to all other factors. The amount of the impairment loss that represents the credit loss is included in net income as a realized investment loss and the amount of the impairment loss that relates to all other factors is included in other comprehensive income.

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For fixed maturities, the split between the amount of other-than-temporary impairment losses that represents credit losses and the amount that relates to all other factors is principally based on assumptions regarding the amount and timing of projected cash flows. For fixed maturities other than mortgage-backed securities, cash flow estimates are based on assumptions regarding the probability of default and estimates regarding the timing and amount of recoveries associated with a default. For mortgage-backed securities, cash flow estimates are based on assumptions regarding future prepayment rates, default rates, loss severity and timing of recoveries. The Corporation has developed the estimates of projected cash flows using information based on historical market data, industry analyst reports and forecasts and other data relevant to the collectability of a security.

In determining whether equity securities are other than temporarily impaired, the Corporation considers its intent and ability to hold a security for a period of time sufficient to allow for the recovery of cost. If the decline in the fair value of an equity security is deemed to be other than temporary, the security is written down to fair value and the amount of the writedown is included in net income as a realized investment loss.

The following table summarizes, for all investment securities in an unrealized loss position at September 30, 2010, the aggregate fair value and gross unrealized depreciation, including unrealized other-than-temporary impairment losses, by investment category and length of time that individual securities have continuously been in an unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation
			(in millions)			
Fixed maturities						
Tax exempt	$ 188	$ 2	$ 298	$ 38	$ 486	$ 40
Taxable						
U.S. Government and government agency and authority obligations	34	1	17	2	51	3
Corporate bonds	108	3	161	9	269	12
Foreign government and government agency obligations	382	2	27	1	409	3
Residential mortgage- backed securities			41	7	41	7
Commercial mortgage- backed securities	5	1			5	1
	529	7	246	19	775	26
Total fixed maturities	717	9	544	57	1,261	66
Equity securities	141	21	307	78	448	99
	$ 858	$ 30	$ 851	$ 135	$ 1,709	$ 165

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At September 30, 2010, approximately 260 individual fixed maturity and equity securities were in an unrealized loss position, of which approximately 215 were fixed maturities. The Corporation does not have the intent to sell and it is not more likely than not that the Corporation will be required to sell these fixed maturities before the securities recover to their amortized cost value. In addition, the Corporation believes that none of the declines in the fair values of these fixed maturities relate to credit losses. The Corporation has the intent and ability to hold the equity securities in an unrealized loss position for a period of time sufficient to allow for the recovery of cost. The Corporation believes that none of the declines in the fair value of these fixed maturities and equity securities were other than temporary at September 30, 2010.

The following table summarizes, for all investment securities in an unrealized loss position at December 31, 2009, the aggregate fair value and gross unrealized depreciation, including unrealized other-than-temporary impairment losses, by investment category and length of time that individual securities have continuously been in an unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation
			(in millions)			
Fixed maturities						
Tax exempt	$ 542	$ 8	$ 1,048	$ 58	$ 1,590	$ 66
Taxable						
U.S. Government and government agency and authority obligations	195	6	44	4	239	10
Corporate bonds	657	19	88	5	745	24
Foreign government and government agency obligations	809	11			809	11
Residential mortgage- backed securities	9	4	89	16	98	20
Commercial mortgage- backed securities			1,273	49	1,273	49
	1,670	40	1,494	74	3,164	114
Total fixed maturities	2,212	48	2,542	132	4,754	180
Equity securities	82	6	393	37	475	43
	$ 2,294	$ 54	$ 2,935	$ 169	$ 5,229	$ 223

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The change in unrealized appreciation or depreciation of investments carried at fair value, including the change in unrealized other-than-temporary impairment losses and the cumulative effect adjustment of $30 million as a result of adopting new guidance related to the recognition and presentation of other-than-temporary impairments during the second quarter of 2009, was as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions)			
Change in unrealized appreciation or depreciation of fixed maturities	$ 589	$ 1,081	$ 1,031	$ 1,775
Change in unrealized appreciation or depreciation of equity securities	118	175	(67)	213
	707	1,256	964	1,988
Deferred income tax	247	440	337	696
	$ 460	$ 816	$ 627	$ 1,292

(c) Realized investment gains and losses were as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions)			
Fixed maturities				
Gross realized gains	$ 14	$ 30	$ 71	$ 95
Gross realized losses	(6)	(13)	(17)	(30)
Other-than-temporary impairment losses		(3)	(3)	(22)
	8	14	51	43
Equity securities				
Gross realized gains	18	7	30	78
Gross realized losses			(1)	
Other-than-temporary impairment losses		(17)	(6)	(76)
	18	(10)	23	2
Other invested assets	28	65	197	(215)
	$ 54	$ 69	$ 271	$ (170)

(d) As of September 30, 2010 and December 31, 2009, fixed maturities still held by the Corporation for which a portion of their other-than-temporary impairment losses were recognized in other comprehensive income had cumulative credit-related losses of $20 million recognized in net income.

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5) Fair Values of Financial Instruments

Fair values of financial instruments are determined using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values are generally measured using quoted prices in active markets for identical assets or liabilities or other inputs, such as quoted prices for similar assets or liabilities, that are observable either directly or indirectly. In those instances where observable inputs are not available, fair values are measured using unobservable inputs for the asset or liability. Unobservable inputs reflect the Corporation s own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. Fair value estimates derived from unobservable inputs are affected by the assumptions used, including the discount rates and the estimated amounts and timing of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and are not necessarily indicative of the amounts that would be realized in a current market exchange. Certain financial instruments, particularly insurance contracts, are excluded from fair value disclosure requirements.

The methods and assumptions used to estimate the fair values of financial instruments are as follows:

(i) The carrying value of short term investments approximates fair value due to the short maturities of these investments.

(ii) Fair values for fixed maturities are determined by management, utilizing prices obtained from an independent, nationally recognized pricing service or, in the case of securities for which prices are not provided by a pricing service, from independent brokers. For fixed maturities that have quoted prices in active markets, market quotations are provided. For fixed maturities that do not trade on a daily basis, the pricing service and brokers provide fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads and measures of volatility. Management reviews on an ongoing basis the reasonableness of the methodologies used by the relevant pricing service and brokers. In addition, management, using the prices received for the securities from the pricing service and brokers, determines the aggregate portfolio price performance and reviews it against applicable indices. If management believes that significant discrepancies exist, it will discuss these with the relevant pricing service or broker to resolve the discrepancies.

(iii) Fair values of equity securities are based on quoted market prices.

(iv) Fair values of long term debt issued by Chubb are determined by management, utilizing prices obtained from an independent, nationally recognized pricing service.

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The carrying values and fair values of financial instruments were as follows:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Assets				
Invested assets				
Short term investments	$ 2,046	$ 2,046	$ 1,918	$ 1,918
Fixed maturities	37,384	37,384	36,578	36,578
Equity securities	1,404	1,404	1,433	1,433
Liabilities				
Long term debt	3,975	4,419	3,975	4,102

A pricing service provides fair value amounts for approximately 99% of the Corporation s fixed maturities. The prices obtained from a pricing service and brokers generally are non-binding, but are reflective of current market transactions in the applicable financial instruments.

At September 30, 2010 and December 31, 2009, the Corporation did not hold financial instruments in its investment portfolio for which a lack of market liquidity impacted the determination of fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets.

Level 2 Other inputs that are observable for the asset, either directly or indirectly.

Level 3 Inputs that are unobservable.

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The fair value of fixed maturities and equity securities categorized based upon the lowest level of input that was significant to the fair value measurement was as follows:

	September 30, 2010			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Fixed maturities				
Tax exempt	$	$ 20,240	$ 8	$ 20,248
Taxable				
U.S. Government and government Agency and authority obligations		852		852
Corporate bonds		6,688	133	6,821
Foreign government and government agency obligations		6,205		6,205
Residential mortgage-backed securities		1,493	12	1,505
Commercial mortgage-backed securities		1,753		1,753
		16,991	145	17,136
Total fixed maturities		37,231	153	37,384
Equity securities	1,391		13	1,404
	$ 1,391	$ 37,231	$ 166	$ 38,788

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Fixed maturities				
Tax exempt	$	$ 19,578	$ 9	$ 19,587
Taxable				
U.S. Government and government agency and authority obligations		725	33	758
Corporate bonds		6,482	108	6,590
Foreign government and government agency obligations		6,113		6,113
Residential mortgage-backed securities		1,898	1	1,899
Commercial mortgage-backed securities		1,631		1,631
		16,849	142	16,991
Total fixed maturities		36,427	151	36,578

Equity securities	1,207		226	1,433
	$ 1,207	$ 36,427	$ 377	$ 38,011

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The amount of Level 3 equity securities at September 30, 2010 decreased compared to December 31, 2009 primarily due to the exchange, as a result of a merger, of equity securities of a non-public company in which the Corporation held an investment for equity securities of a public company for which a quoted price in an active market was available.

6) Segments Information

The principal business of the Corporation is the sale of property and casualty insurance. The profitability of the property and casualty insurance business depends on the results of both underwriting operations and investments, which are viewed as two distinct operations. The underwriting operations are managed and evaluated separately from the investment function.

The property and casualty insurance subsidiaries (P&C Group) underwrite most lines of property and casualty insurance. Underwriting operations consist of four separate business units: personal insurance, commercial insurance, specialty insurance and reinsurance assumed. The personal segment targets the personal insurance market. The personal classes include automobile, homeowners and other personal coverages. The commercial segment includes those classes of business that are generally available in broad markets and are of a more commodity nature. Commercial classes include multiple peril, casualty, workers compensation and property and marine. The specialty segment includes those classes of business that are available in more limited markets since they require specialized underwriting and claim settlement. Specialty classes include professional liability coverages and surety. The reinsurance assumed business is effectively in run-off following the sale of the ongoing business to a reinsurance company in 2005.

Corporate and other includes investment income earned on corporate invested assets, corporate expenses and the results of the Corporation s non-insurance subsidiaries.

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Revenues and income before income tax of the operating segments were as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions)			
Revenues				
Property and casualty insurance				
Premiums earned				
Personal insurance	$ 942	$ 930	$ 2,800	$ 2,754
Commercial insurance	1,159	1,192	3,475	3,585
Specialty insurance	694	704	2,093	2,110
Total insurance	2,795	2,826	8,368	8,449
Reinsurance assumed	3	10	11	41
	2,798	2,836	8,379	8,490
Investment income	398	400	1,187	1,180
Total property and casualty Insurance	3,196	3,236	9,566	9,670
Corporate and other	17	15	71	51
Realized investment gains (losses), net	54	69	271	(170)
Total revenues	$ 3,267	$ 3,320	$ 9,908	$ 9,551
Income before income tax				
Property and casualty insurance				
Underwriting				
Personal insurance	$ 125	$ 166	$ 143	$ 409
Commercial insurance	151	147	262	368
Specialty insurance	123	125	404	373
Total insurance	399	438	809	1,150
Reinsurance assumed	7	16	21	56
	406	454	830	1,206
Increase (decrease) in deferred policy acquisition costs	(7)	(31)	36	(11)

Underwriting income	399	423	866	1,195
Investment income	390	390	1,162	1,156
Other charges	(2)	(12)	(5)	(7)
Total property and casualty insurance	787	801	2,023	2,344
Corporate and other loss	(57)	(61)	(160)	(182)
Realized investment gains (losses), net	54	69	271	(170)
Total income before income tax	$ 784	$ 809	$ 2,134	$ 1,992

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7) Contingent Liabilities

Chubb and certain of its subsidiaries have been involved in the investigations by various Attorneys General and other regulatory authorities of several states, the U.S. Securities and Exchange Commission, the U.S. Attorney for the Southern District of New York and certain non-U.S. regulatory authorities with respect to certain business practices in the property and casualty insurance industry including (1) potential conflicts of interest and anti-competitive behavior arising from the payment of contingent commissions to brokers and agents and (2) loss mitigation and finite reinsurance arrangements. In connection with these investigations, Chubb and certain of its subsidiaries received subpoenas and other requests for information from various regulators. The Corporation has cooperated fully with these investigations. The Corporation has settled with several state Attorneys General and insurance departments all issues arising out of their investigations. The Attorney General of Ohio on August 24, 2007 filed an action in the Court of Common Pleas in Cuyahoga County, Ohio, against Chubb and certain of its subsidiaries, as well as several other insurers and one broker, as a result of the Ohio Attorney General s business practices investigation. This action alleges violations of Ohio s antitrust laws. In July 2008, the court denied the Corporation s and the other defendants motions to dismiss the Ohio Attorney General s complaint. Discovery is still on-going. Although no other Attorney General or regulator has initiated an action against the Corporation, it is possible that such an action may be brought against the Corporation with respect to some or all of the issues that were the focus of the business practice investigations.

Individual actions and purported class actions arising out of the investigations into the payment of contingent commissions to brokers and agents have been filed in a number of federal and state courts. On August 1, 2005, Chubb and certain of its subsidiaries were named in a putative class action entitled *In re Insurance Brokerage Antitrust Litigation* in the U.S. District Court for the District of New Jersey (N.J. District Court). This action, brought against several brokers and insurers on behalf of a class of persons who purchased insurance through the broker defendants, asserts claims under the Sherman Act, state law and the Racketeer Influenced and Corrupt Organizations Act (RICO) arising from the alleged unlawful use of contingent commission agreements. On September 28, 2007, the N.J. District Court dismissed the second amended complaint filed by the plaintiffs in its entirety. In so doing, the court dismissed the plaintiffs Sherman Act and RICO claims with prejudice for failure to state a claim, and it dismissed the plaintiffs state law claims without prejudice because it declined to exercise supplemental jurisdiction over them. The plaintiffs appealed the dismissal of their second amended complaint to the U.S. Court of Appeals for the Third Circuit (Third Circuit). On August 13, 2010, the Third Circuit affirmed in part and vacated in part the N.J. District Court decision and remanded the case back to the N.J. District Court for further proceedings. As a result of the Third Circuit s decision, the plaintiffs state law claims and certain of the plaintiffs Sherman Act and RICO claims were reinstated against the Corporation. The Corporation and the other defendants have filed motions to dismiss the reinstated claims and those motions are in the process of being briefed.

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Chubb and certain of its subsidiaries also have been named as defendants in other putative class actions relating or similar to the *In re Insurance Brokerage Antitrust Litigation* that have been filed in various state courts or in U.S. district courts between 2005 and 2007. These actions have been subsequently removed and ultimately transferred to the N.J. District Court for consolidation with the *In re Insurance Brokerage Antitrust Litigation.* These actions are currently stayed.

In the various actions described above, the plaintiffs generally allege that the defendants unlawfully used contingent commission agreements and conspired to reduce competition in the insurance markets. The actions seek treble damages, injunctive and declaratory relief, and attorneys fees. The Corporation believes it has substantial defenses to all of the aforementioned legal proceedings and intends to defend the actions vigorously.

The Corporation cannot predict at this time the ultimate outcome of the aforementioned ongoing investigations and legal proceedings, including any potential amounts that the Corporation may be required to pay in connection with them. Nevertheless, management believes that it is likely that the outcome will not have a material adverse effect on the Corporation s results of operations or financial condition.

8) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions, except for per share amounts)			
Basic earnings per share:				
Net income	$ 572	$ 596	$ 1,554	$ 1,488
Weighted average shares outstanding	314.4	350.3	323.9	353.4
Basic earnings per share	$ 1.82	$ 1.70	$ 4.80	$ 4.21
Diluted earnings per share:				
Net income	$ 572	$ 596	$ 1,554	$ 1,488
Weighted average shares outstanding	314.4	350.3	323.9	353.4
Additional shares from assumed exercise of stock-based compensation awards	2.9	3.2	2.4	3.0
Weighted average shares and potential shares assumed outstanding for computing diluted earnings per share	317.3	353.5	326.3	356.4
Diluted earnings per share	$ 1.80	$ 1.69	$ 4.76	$ 4.18

Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations

Management s Discussion and Analysis of Financial Condition and Results of Operations addresses the financial condition of the Corporation as of September 30, 2010 compared with December 31, 2009 and the results of operations for the nine months and three months ended September 30, 2010 and 2009. This discussion should be read in conjunction with the condensed consolidated financial statements and related notes contained in this report and the consolidated financial statements and related notes and management s discussion and analysis of financial condition and results of operations included in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2009.

Cautionary Statement Regarding Forward-Looking Information

Certain statements in this document are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995 (PSLRA). These forward-looking statements are made pursuant to the safe harbor provisions of the PSLRA and include statements regarding our loss reserve and reinsurance recoverable estimates; the cost of reinsurance in 2010; the adequacy of the rates at which we renewed and wrote new business; premium volume, competition and other market conditions in 2010; the repurchase of common stock under our share repurchase program; our capital adequacy and funding of liquidity needs; and the impact of a downgrade in our credit or financial strength ratings. Forward-looking statements frequently can be identified by words such as believe, expect, anticipate, intend, plan, will, may, should, could, would, likely, estimate, predict, similar expressions. Forward-looking statements are made based upon management s current expectations and beliefs concerning trends and future developments and their potential effects on us. These statements are not guarantees of future performance. Actual results may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties, which include, among others, those discussed or identified from time to time in our public filings with the Securities and Exchange Commission and those associated with:

- global political conditions and the occurrence of terrorist attacks, including any nuclear, biological, chemical or radiological events;
- the effects of the outbreak or escalation of war or hostilities;
- premium pricing and profitability or growth estimates overall or by lines of business or geographic area, and related expectations with respect to the timing and terms of any required regulatory approvals;
- adverse changes in loss cost trends;
- our ability to retain existing business and attract new business;
- our expectations with respect to cash flow and investment income and with respect to other income;

- the adequacy of loss reserves, including:
  - our expectations relating to reinsurance recoverables;
  - the willingness of parties, including us, to settle disputes;
  - developments in judicial decisions or regulatory or legislative actions relating to coverage and liability, in particular, for asbestos, toxic waste and other mass tort claims;
  - development of new theories of liability;
  - our estimates relating to ultimate asbestos liabilities;
  - the impact from the bankruptcy protection sought by various asbestos producers and other related businesses; and
  - the effects of proposed asbestos liability legislation, including the impact of claims patterns arising from the possibility of legislation and those that may arise if legislation is not passed;
- the availability and cost of reinsurance coverage;
- the occurrence of significant weather-related or other natural or human-made disasters, particularly in locations where we have concentrations of risk;
- the impact of economic factors on companies on whose behalf we have issued surety bonds, and in particular, on those companies that file for bankruptcy or otherwise experience deterioration in creditworthiness;
- the effects of disclosures by, and investigations of, companies relating to possible accounting irregularities, practices in the financial services industry, investment losses or other corporate governance issues, including:
  - claims and litigation arising out of stock option backdating, spring loading and other equity grant practices by public companies;
  - the effects on the capital markets and the markets for directors and officers and errors and omissions insurance;
  - claims and litigation arising out of actual or alleged accounting or other corporate malfeasance by other companies;
  - claims and litigation arising out of practices in the financial services industry;
  - claims and litigation relating to uncertainty in the credit and broader financial markets; and
  - legislative or regulatory proposals or changes;
- the effects of changes in market practices in the U.S. property and casualty insurance industry arising from any legal or regulatory proceedings, related settlements and industry reform, including changes that have been announced and changes that may occur in the future;
- the impact of legislative and regulatory developments on our business, including those relating to terrorism, catastrophes and the financial markets;

any downgrade in our claims-paying, financial strength or other credit ratings;

the ability of our subsidiaries to pay us dividends;

- general political, economic and market conditions, whether globally or in the markets in which we operate including:
  - changes in interest rates, market credit spreads and the performance of the financial markets;
  - currency fluctuations;
  - the effects of inflation;
  - changes in domestic and foreign laws, regulations and taxes;
  - changes in competition and pricing environments;
  - regional or general changes in asset valuations;
  - the inability to reinsure certain risks economically; and
  - changes in the litigation environment; and
- our ability to implement management s strategic plans and initiatives.

Chubb assumes no obligation to update any forward-looking information set forth in this document, which speak as of the date hereof.

Critical Accounting Estimates and Judgments

The consolidated financial statements include amounts based on informed estimates and judgments of management for transactions that are not yet complete. Such estimates and judgments affect the reported amounts in the financial statements. Those estimates and judgments that were most critical to the preparation of the financial statements involved the determination of loss reserves and the recoverability of related reinsurance recoverables and the evaluation of whether a decline in value of any investment is temporary or other than temporary. These estimates and judgments, which are discussed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2009 as supplemented within the following analysis of our results of operations, require the use of assumptions about matters that are highly uncertain and therefore are subject to change as facts and circumstances develop. If different estimates and judgments had been applied, materially different amounts might have been reported in the financial statements.

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Overview

The following highlights do not address all of the matters covered in the other sections of Management s Discussion and Analysis of Financial Condition and Results of Operations or contain all of the information that may be important to Chubb s shareholders or the investing public. This overview should be read in conjunction with the other sections of Management s Discussion and Analysis of Financial Condition and Results of Operations.

Net income was $1.6 billion in the first nine months of 2010 and $572 million in the third quarter compared with $1.5 billion and $596 million, respectively, in the same periods of 2009. The higher net income in the first nine months of 2010 was due to net realized investment gains in the first nine months of 2010 compared with net realized investment losses in the same period in 2009. Operating income, which we define as net income excluding realized investment gains and losses after tax, was lower in the first nine months of 2010 compared with the same period of 2009. The lower net income in the third quarter of 2010 was due to lower operating income and lower net realized investment gains.

Operating income was $1.4 billion in the first nine months of 2010 and $537 million in the third quarter compared with $1.6 billion and $552 million, respectively, in the comparable periods of 2009. The lower operating income in the 2010 periods was due to lower underwriting income in our property and casualty insurance business. Management uses operating income, a non-GAAP financial measure, among other measures, to evaluate its performance because the realization of investment gains and losses in any period could be discretionary as to timing and can fluctuate significantly, which could distort the analysis of operating trends.

Underwriting results were highly profitable in the first nine months of both 2010 and 2009, but more so in 2009. Results were also highly profitable in the third quarter of both years. Our combined loss and expense ratio was 90.1% in the first nine months of 2010 and 86.2% in the third quarter compared with 86.5% and 85.4% in the respective periods of 2009. The less profitable results in the first nine months of 2010 were due primarily to a substantially higher impact of catastrophes. The impact of catastrophes accounted for 7.1 percentage points of the combined ratio in the first nine months of 2010 and 2.1 percentage points in the third quarter, compared with 1.1 and 0.8 percentage points, respectively, in the same periods of 2009.

During the first nine months and third quarter of 2010, we estimate that we experienced overall favorable development of about $600 million and $200 million, respectively, on loss reserves established as of the previous year end, due primarily to favorable loss experience in the professional liability, commercial liability and personal insurance classes. During the first nine months of 2009, we estimate that we experienced overall favorable development of about $545 million, due to better than expected results in several classes, particularly the professional liability classes. During the third quarter of 2009, we estimate that we experienced overall favorable development of $205 million, primarily in the professional liability and personal insurance classes.

Total net premiums written increased by 1% in the first nine months and third quarter of 2010 compared with the same periods in 2009. The increase in the first nine months of 2010 was attributable to the impact of currency fluctuation as a result of a weaker U.S. dollar relative to several currencies in which we write business in the first nine months of 2010 compared to the same period of 2009. Currency fluctuation did not have a significant effect on written premium growth in the third quarter of 2010. Growth in net premiums written has been limited by the ongoing impact of the general economic downturn and our continued emphasis on underwriting discipline in a market environment that remains competitive.

Property and casualty investment income after tax increased by 1% in the first nine months of 2010 and was flat in the third quarter compared with the same periods in 2009. Growth was positively affected in the first nine months of 2010 by the effects of currency fluctuation on income from our non-U.S. investments, in what continued to be a low yield investment environment. Currency fluctuation did not have a significant effect on investment income growth in the third quarter of 2010. Management uses property and casualty investment income after tax, a non-GAAP financial measure, to evaluate its investment performance because it reflects the impact of any change in the proportion of the investment portfolio invested in tax exempt securities and is therefore more meaningful for analysis purposes than investment income before income tax.

Net realized investment gains before tax were $271 million ($176 million after tax) in the first nine months of 2010 compared with net realized losses before tax of $170 million ($111 million after tax) in the same period of 2009. Net realized investment gains before tax were $54 million ($35 million after tax) in the third quarter of 2010 compared with net realized gains of $69 million ($44 million after tax) in the same period of 2009. The net realized gains in the first nine months of 2010 were primarily related to investments in limited partnerships, which are reported on a quarter lag. The net realized losses in the first nine months of 2009 were primarily attributable to losses from investments in limited partnerships. The net realized gains in the third quarter of 2010 were primarily related to sales of securities and, to a lesser extent, investments in limited partnerships. The net realized gains in the third quarter of 2009 were primarily attributable to gains related to investments in limited partnerships.

A summary of our consolidated net income is as follows:

	Nine Months		Third Quarter	
	2010	2009	2010	2009
		(in millions)		
Property and casualty insurance	$ 2,023	$ 2,344	$ 787	$ 801
Corporate and other	(160)	(182)	(57)	(61)
Consolidated operating income before income tax	1,863	2,162	730	740
Federal and foreign income tax	485	563	193	188
Consolidated operating income	1,378	1,599	537	552
Realized investment gains (losses) after income tax	176	(111)	35	44
Consolidated net income	$ 1,554	$ 1,488	$ 572	$ 596

Property and Casualty Insurance

A summary of the results of operations of our property and casualty insurance business is as follows:

	Periods Ended September 30			
	Nine Months		Third Quarter	
	2010	2009	2010	2009
	(in millions)			
Underwriting				
Net Premiums Written	$ 8,383	$ 8,294	$ 2,732	$ 2,705
Decrease (Increase) in Unearned Premiums	(4)	196	66	131
Premiums Earned	8,379	8,490	2,798	2,836
Losses and Loss Expenses	4,912	4,721	1,522	1,534
Operating Costs and Expenses	2,615	2,541	864	841
Decrease (Increase) in Deferred Policy Acquisition Costs	(36)	11	7	31
Dividends to Policyholders	22	22	6	7
Underwriting Income	866	1,195	399	423
Investments				
Investment Income Before Expenses	1,187	1,180	398	400
Investment Expenses	25	24	8	10
Investment Income	1,162	1,156	390	390
Other Charges	(5)	(7)	(2)	(12)
Property and Casualty Income Before Tax	$ 2,023	$ 2,344	$ 787	$ 801
Property and Casualty Investment Income After Tax	$ 941	$ 935	$ 317	$ 317

Property and casualty income before tax was lower in the first nine months of 2010 compared to the same period in 2009 and was lower, by a lesser margin, in the third quarter of 2010 compared to the same period of 2009. The lower income was due to a decrease in underwriting income, which was primarily the result of a higher impact of catastrophes during the 2010 periods. Investment income increased slightly in the first nine months of 2010 and was flat in the third quarter compared to the same periods of 2009.

The profitability of the property and casualty insurance business depends on the results of both our underwriting and investment operations. We view these as two distinct operations since the underwriting functions are managed separately from the investment function. Accordingly, in assessing our performance, we evaluate underwriting results separately from investment results.

Underwriting Results

We evaluate the underwriting results of our property and casualty insurance business in the aggregate and also for each of our separate business units.

Net Premiums Written

Net premiums written were $8.4 billion in the first nine months of 2010 and $2.7 billion in the third quarter, compared with $8.3 billion and $2.7 billion, respectively, in the comparable periods of 2009.

Net premiums written by business unit were as follows:

	Nine Months Ended Sept. 30		% Incr.	Quarter Ended Sept. 30		% Incr.
	2010	2009	(Decr.)	2010	2009	(Decr.)
	(in millions)			*(in millions)*		
Personal insurance	$ 2,862	$ 2,750	4%	$ 980	$ 946	4%
Commercial insurance	3,534	3,559	(1)	1,082	1,086	
Specialty insurance	1,981	1,968	1	669	669	
Total insurance	8,377	8,277	1	2,731	2,701	1
Reinsurance assumed	6	17	(65)	1	4	(75)
Total	$ 8,383	$ 8,294	1	$ 2,732	$ 2,705	1

Net premiums written increased by 1% in the first nine months and third quarter of 2010 compared with the same periods in 2009. Premiums in the United States, which represented 74% of our premiums written in the first nine months of 2010, decreased by 2% in the first nine months and were flat in the third quarter. Premiums outside the United States, expressed in U.S. dollars, increased by 11% in the first nine months and 6% in the third quarter. The increase in premiums written outside the United States was partly due to the impact of the weaker U.S. dollar relative to several currencies in which we wrote business in the first nine months and third quarter of 2010 compared to the same periods of 2009. Net premiums written outside the United States grew modestly in both periods when measured in local currencies.

Premium growth was constrained in the first nine months of 2010 by the challenging economic environment and a highly competitive marketplace where we continued our emphasis on underwriting discipline. Overall, renewal rates in the first nine months of 2010 in the U.S. were flat in commercial lines and down slightly in the professional liability business in comparison to expiring rates. The amounts of coverage purchased or the insured exposure amounts, both of which are bases upon which we calculate the premiums we charge, were generally flat to down slightly due to the general downturn in the economy which began in 2008. We continued to retain a high percentage of our existing customers, albeit in some cases with reduced amounts of coverage or lower insured exposures, and to renew those accounts at what we believe are acceptable rates relative to the risks. We expect the highly competitive market to continue throughout the remainder of 2010.

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Reinsurance Ceded

Our premiums written are net of amounts ceded to reinsurers who assume a portion of the risk under the insurance policies we write that are subject to reinsurance.

The most significant component of our ceded reinsurance program is property reinsurance. We purchase two types of such property treaties: catastrophe and property per risk. We renewed our major traditional property catastrophe treaties and our commercial property per risk treaty in April 2010, with no change in coverage. In June 2010, we purchased supplemental catastrophe reinsurance that provides additional coverage for our northeast United States exposures.

For property risks in the United States and Canada, we purchase catastrophe reinsurance in two forms. We purchase traditional catastrophe reinsurance, including our primary treaty which we refer to as the North American catastrophe treaty, as well as the supplemental catastrophe reinsurance purchased in June 2010. We have also arranged for the purchase of multi-year, collateralized reinsurance coverage funded through the issuance of collateralized risk linked securities, known as catastrophe bonds.

Our North American catastrophe treaty has an initial retention of $500 million.

The combination of the North American catastrophe treaty and a portion of the catastrophe bond coverages provide coverage for United States and Canadian exposures of approximately 69% of losses (net of recoveries from other available reinsurance) between $500 million and $1.37 billion and 60% of losses between $1.37 billion and $1.65 billion. For catastrophic events in the northeastern part of the United States and in Florida, the combination of the North American catastrophe treaty, the supplemental catastrophe reinsurance and the catastrophe bond coverages provide additional coverages as discussed below.

The catastrophe bond coverages generally provide reinsurance coverage for specific types of losses in specific geographic locations. They are generally designed to supplement coverage provided under the North American catastrophe treaty. We currently have three catastrophe bond coverages in effect: a $250 million reinsurance arrangement that expires in 2011 that provides coverage for homeowners-related hurricane losses in the northeastern part of the United States; a $200 million reinsurance arrangement that expires in 2011 that provides coverage for homeowners and commercial exposures for loss events in the northeastern part of the United States (for losses occurring elsewhere in the continental United States or Canada, the coverage is limited to $55 million); and a $150 million reinsurance arrangement that expires in 2012 that provides coverage for homeowners-related hurricane losses in Florida.

For catastrophic events in the northeastern part of the United States, the combination of the North American catastrophe treaty, the supplemental catastrophe reinsurance and certain catastrophe bond coverages provide additional coverage of approximately 40% of losses (net of recoveries from other available reinsurance) between $1.37 billion and $2.17 billion, approximately 90% of losses between $2.50 billion and $2.85 billion, and approximately 30% of homeowners-related hurricane losses between $1.47 billion and $2.30 billion.

For hurricane events in Florida, we have reinsurance from the Florida Hurricane Catastrophe Fund (FHCF), which is a state-mandated fund designed to reimburse insurers for a portion of their residential catastrophic hurricane losses. Our participation in this program limits our initial retention in Florida for homeowners-related losses to approximately $155 million and provides coverage of 90% of covered losses between approximately $155 million and $560 million. Additionally, certain catastrophe bond coverages provide coverage of approximately 50% of Florida homeowners-related hurricane losses between $850 million and $1.15 billion.

Our primary property catastrophe treaty for events outside the United States provides coverage of approximately 75% of losses (net of recoveries from other available reinsurance) between $100 million and $350 million.

Recoveries under our property reinsurance treaties are subject to certain coinsurance requirements that affect the interaction of some elements of our reinsurance program.

In addition to catastrophe treaties, we also have a commercial property per risk treaty. This treaty provides up to approximately $800 million (depending upon the currency in which the insurance policy was issued) of coverage per risk in excess of our initial retention, which is generally between $25 million and $35 million.

In addition to our major property catastrophe and property per risk treaties, we purchase several smaller property treaties that only cover specific classes of business or locations having potential concentrations of risk.

Our property reinsurance treaties generally contain terrorism exclusions for acts perpetrated by foreign terrorists, and for nuclear, biological, chemical and radiological loss causes whether such acts are perpetrated by foreign or domestic terrorists.

Overall, reinsurance rates for property risks have decreased in 2010, although rates have increased for non-U.S. property exposures in response to events during the first quarter such as the earthquake in Chile. We expect that the overall cost of our property reinsurance program in 2010 will be modestly lower than that in 2009.

Profitability

The combined loss and expense ratio, expressed as a percentage, is the key measure of underwriting profitability traditionally used in the property and casualty insurance business. Management evaluates the performance of our underwriting operations and of each of our business units using, among other measures, the combined loss and expense ratio calculated in accordance with statutory accounting principles. It is the sum of the ratio of losses and loss expenses to premiums earned (loss ratio) plus the ratio of statutory underwriting expenses to premiums written (expense ratio) after reducing both premium amounts by dividends to policyholders. When the combined ratio is under 100%, underwriting results are generally considered profitable; when the combined ratio is over 100%, underwriting results are generally considered unprofitable.

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Statutory accounting principles applicable to property and casualty insurance companies differ in certain respects from generally accepted accounting principles (GAAP). Under statutory accounting principles, policy acquisition and other underwriting expenses are recognized immediately, not at the time premiums are earned. Management uses underwriting results determined in accordance with GAAP, among other measures, to assess the overall performance of our underwriting operations. To convert statutory underwriting results to a GAAP basis, policy acquisition expenses are deferred and amortized over the period in which the related premiums are earned. Underwriting income determined in accordance with GAAP is defined as premiums earned less losses and loss expenses incurred and GAAP underwriting expenses incurred.

Underwriting results were highly profitable in the first nine months of 2010 and 2009, but more so in 2009. Results were also highly profitable in the third quarter of both years. The combined loss and expense ratio for our overall property and casualty business was as follows:

	Periods Ended September 30			
	Nine Months		Third Quarter	
	2010	2009	2010	2009
Loss ratio	58.8%	55.8%	54.5%	54.2%
Expense ratio	31.3	30.7	31.7	31.2
Combined ratio	90.1%	86.5%	86.2%	85.4%

The loss ratio was higher in the first nine months and slightly higher in the third quarter of 2010 compared with the same periods in 2009. The increase in both periods was due to a higher impact from catastrophe losses. The loss ratio in all periods reflected favorable loss experience which we believe resulted from our disciplined underwriting in recent years as well as relatively mild loss trends in certain classes of business.

The impact of catastrophes in the first nine months of 2010 was $595 million, including incurred losses of $586 million and reinsurance reinstatement premium costs of $9 million, which collectively represented 7.1 percentage points of the combined loss and expense ratio. This compares with catastrophe losses of $91 million, or 1.1 percentage points, in the same period in 2009. The $9 million reinstatement premium reinstated coverage under property catastrophe treaties for events outside the United States, including coverage for property catastrophe losses in parts of Latin America. Catastrophe losses in the third quarter of 2010 were $58 million, which represented 2.1 percentage points of the combined loss and expense ratio, compared with catastrophe losses of $22 million, or 0.8 percentage points, in the same period of 2009. A significant portion of the catastrophe losses in the first nine months of 2010 related to numerous storms in the United States, including a severe hail storm in Oklahoma in the second quarter, and the earthquake in Chile in the first quarter.

The expense ratio was higher in the first nine months and third quarter of 2010 compared with the same periods in 2009. The increases in the first nine months and the third quarter of 2010 compared to the same periods in 2009 were due to growth, including outside the United States, in certain classes of business with higher commission rates and, to a lesser extent, overhead expenses increasing at a rate that exceeded the rate of growth of premiums written.

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Review of Underwriting Results by Business Unit

Personal Insurance

Net premiums written from personal insurance, which represented 34% of our premiums written in the first nine months of 2010, increased by 4% in the first nine months and third quarter of 2010 compared with the same periods in 2009. The increase in the first nine months of 2010 was largely due to the impact of currency fluctuation on business written outside the U.S. Excluding the impact of currency fluctuation, premiums from personal insurance increased slightly in the first nine months of 2010. The increase in the third quarter of 2010, which was only modestly impacted by currency fluctuation, was due to growth in select classes of business written outside the United States. Net premiums written for the classes of business within the personal insurance segment were as follows:

	Nine Months Ended Sept. 30			Quarter Ended Sept. 30		
	2010	2009	% Incr.	2010	2009	% Incr.
	(in millions)			*(in millions)*		
Automobile	$ 474	$ 428	11%	$ 160	$ 150	7%
Homeowners	1,795	1,771	1	631	620	2
Other	593	551	8	189	176	7
Total personal	$ 2,862	$ 2,750	4	$ 980	$ 946	4

Personal automobile premiums increased in the first nine months and third quarter of 2010, driven by growth outside the United States, due to the impact of currency fluctuation and new business. Premiums for automobile business written in the United States decreased due to a highly competitive marketplace. Premium growth in our homeowners business continued to be constrained by the downturn in the United States economy which has resulted in a slowdown in new housing construction as well as lower demand for jewelry and fine arts. Premiums from our other personal business, which includes accident and health, excess liability and yacht coverages, increased in the first nine months and third quarter of 2010 compared with the same periods in 2009, due in large part to growth in the accident and health business written outside the United States, including a benefit from the effect of currency fluctuation in the nine month period.

Our personal insurance business produced profitable underwriting results in the first nine months of 2010 compared with highly profitable results in the same period of 2009. Results were highly profitable in the third quarter of both years, but more so in 2009. Results in the 2010 periods reflected the impact of higher homeowners catastrophe losses. The combined loss and expense ratios for the classes of business within the personal insurance segment were as follows:

	Periods Ended September 30			
	Nine Months		Third Quarter	
	2010	2009	2010	2009
Automobile	91.1%	89.1%	91.7%	87.2%
Homeowners	96.1	81.9	81.0	77.3
Other	90.7	92.8	94.2	90.9
Total personal	94.2	85.2	85.4	81.6

Our personal automobile business produced profitable results in the first nine months and third quarter of 2010 and 2009, but more so in the 2009 periods. Results in all periods benefited from favorable prior year loss development.

Homeowners results were profitable in the first nine months of 2010 compared with highly profitable results in the same period of 2009. Results were highly profitable in the third quarter of both years, but more so in 2009. The less profitable results in the 2010 periods were due to higher catastrophe losses. Catastrophe losses represented 20.3 percentage points of the combined ratio for this class in the first nine months of 2010 compared with 2.1 percentage points in the same period in 2009. Catastrophe losses represented 5.7 percentage points of the combined ratio in the third quarter of 2010. In the third quarter of 2009, the impact of catastrophe losses, which included subrogation recoveries related to the California wildfires of 2007, slightly reduced the combined ratio.

Other personal results were profitable in the first nine months and the third quarter of 2010 and 2009. The increase in profitability in the first nine months of 2010 reflected improved results in the accident and health component of our other personal business. Our accident and health business produced profitable results in the first nine months and third quarter of 2010 compared with unprofitable results in the same periods in 2009. Our excess liability business produced highly profitable results in the first nine months and third quarter of both 2010 and 2009; results were exceptionally profitable in the third quarter of 2009. Our yacht business produced highly profitable results in the first nine months of 2010, but were unprofitable in the third quarter. Yacht results were highly profitable in the comparable periods of 2009. Our other personal business experienced favorable prior year loss development in each period, but more so in the 2010 periods.

Commercial Insurance

Net premiums written from commercial insurance, which represented 42% of our premiums written in the first nine months of 2010, decreased by 1% in the first nine months of 2010 and were flat in the third quarter compared with the same periods a year ago. Net premiums written for the classes of business within the commercial insurance segment were as follows:

	Nine Months Ended Sept. 30		% Incr.	Quarter Ended Sept. 30		% Incr.
	2010	2009	(Decr.)	2010	2009	(Decr.)
	(in millions)			*(in millions)*		
Multiple peril	$ 817	$ 835	(2)%	$ 277	$ 274	1%
Casualty	1,162	1,161		350	346	1
Workers compensation	586	610	(4)	177	186	(5)
Property and marine	969	953	2	278	280	(1)
Total commercial	$ 3,534	$ 3,559	(1)	$ 1,082	$ 1,086	

The decrease in total premiums in our commercial insurance business in the first nine months of 2010 was tempered somewhat by the positive impact of currency fluctuation on business written outside the United States, particularly in the casualty and property and marine lines of business. Excluding the impact of currency fluctuation, premiums in our commercial insurance business decreased modestly in the first nine months of 2010. The impact of currency fluctuation on premium growth in the third quarter of 2010 was not significant. Net premiums written in both periods reflected slightly reduced exposures on renewal business due to the continuing effects of the weak economy, although the decline in renewal exposures has progressively lessened throughout the year. Overall, commercial insurance renewal rates in the United States were flat in the first nine months of 2010. Retention levels of our existing customers remained strong, with modest improvement over those in the first nine months of 2009. New business volume in the first nine months of 2010 was up modestly compared with the same period in 2009. We have continued to maintain our underwriting discipline in the competitive market, renewing business and writing new business only where we believe we are securing acceptable rates and appropriate terms and conditions for the exposures. We expect the competitive conditions in the market will continue for the remainder of this year.

Our commercial insurance business produced profitable underwriting results in the first nine months of 2010 compared with highly profitable results in the same period of 2009. Results were highly profitable in the third quarter of both years, but more so in 2010. The combined loss and expense ratios for the classes of business within the commercial insurance segment were as follows:

	Periods Ended September 30			
	Nine Months		Third Quarter	
	2010	2009	2010	2009
Multiple peril	97.2%	85.5%	84.5%	91.0%
Casualty	91.3	96.4	94.9	93.9
Workers compensation	92.1	91.5	95.0	95.7
Property and marine	88.1	85.0	83.3	83.0
Total commercial	91.9	89.9	89.1	90.5

Results for our commercial insurance business were less profitable in the first nine months of 2010 compared to the same period in 2009 due to a higher impact of catastrophes in both the multiple peril and property and marine classes. The impact of catastrophes represented 6.3 percentage points of the combined ratio for the commercial insurance segment in the first nine months of 2010 compared with 1.6 percentage points in the comparable period in 2009. The higher impact of catastrophe losses in the first nine months of 2010 was offset in part by better results in the casualty class as well as better non-catastrophe loss experience in the property and marine classes. Results for our commercial insurance business were modestly more profitable in the third quarter of 2010 compared to the same period of 2009 due to improved results in our multiple peril business, attributable in part to lower catastrophe losses in that class. Overall, the impact of catastrophes represented 2.0 percentage points of the combined ratio in the third quarter compared with 2.6 percentage points in 2009. Results in both years benefited from disciplined risk selection and appropriate policy terms and conditions in recent years.

Multiple peril results were profitable in the first nine months of 2010 compared with highly profitable results in the same period of 2009. Results were highly profitable in the third quarter of 2010 compared with profitable results in the same period of 2009. The less profitable results in the first nine months of 2010 compared to the same period of 2009 were due to the significant impact of catastrophes. The improved results in the third quarter of 2010 compared to the same period of 2009 were due to better results in both the liability and property components of this business, the latter due to lower catastrophe losses. The impact of catastrophes was 14.9 percentage points of the combined ratio for this class in the first nine months of 2010 and 1.1 percentage points in the third quarter compared with 2.4 and 4.5 percentage points, respectively, in the comparable periods of 2009. Results in the first nine months of 2010 included better current accident year non-catastrophe loss experience in the property component of this business than in 2009. The liability component of this business was profitable in the first nine months and third quarter of 2010 compared to highly profitable results and breakeven results in the first nine months and third quarter, respectively, of 2009. Results in the first nine months of both years for both the property and liability components of this business benefited from favorable prior year loss development.

Our casualty business produced profitable results in the first nine months of both 2010 and 2009, but more so in 2010. Results in the third quarter of both years were also profitable. Results improved in the first nine months of 2010 due to substantial improvement in the excess liability component of this business. The excess liability component produced highly profitable results in the first nine months of 2010 compared with profitable results in the same period in 2009. Results for this component were highly profitable in the third quarter of both years. Results for the excess liability component in the first nine months of 2010 benefited from an increase in the amount of favorable prior year loss development compared with the same period in 2009. Results for the primary liability component were profitable in the first nine months of both years, but more so in 2009. Results for this component were unprofitable in the third quarter of 2010 compared to breakeven results in the same period of 2009 partly due to more large loss activity. The automobile component of this business produced breakeven results in the first nine months of 2010 compared with profitable results in the same period of 2009. Results for this component were near breakeven in the third quarter of 2010 compared with breakeven results in the same period of 2009. Casualty results were adversely affected by incurred losses related to toxic waste claims in the first nine months and third quarter of both years. These losses represented 2.2 and 3.8 percentage points of the combined ratio in the first nine months of 2010 and 2009, respectively, and 2.4 and 2.8 percentage points in the third quarter of 2010 and 2009, respectively.

Workers compensation results were profitable in the first nine months and third quarter of both 2010 and 2009. Results in both years benefited from our disciplined risk selection during the past several years.

Property and marine results were highly profitable in the first nine months of 2010 and 2009, but less so in 2010 due to a higher impact of catastrophe losses. Results in the third quarter of both years were also highly profitable. Catastrophe losses represented 8.5 percentage points of the combined ratio for this class in the first nine months of 2010 and 5.0 percentage points in the third quarter compared with 2.6 and 5.0 percentage points, respectively, in the comparable periods of 2009.

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Specialty Insurance

Net premiums written from specialty insurance, which represented 24% of our premiums written in the first nine months of 2010, increased by 1% in the first nine months of 2010 and were flat in the third quarter compared with the same periods in 2009. Net premiums written for the classes of business within the specialty insurance segment were as follows:

	Nine Months Ended Sept. 30		% Incr.	Quarter Ended Sept. 30		% Incr. (Decr.)
	2010	2009		2010	2009	
	(in millions)			*(in millions)*		
Professional liability	$ 1,735	$ 1,725	1%	$ 582	$ 588	(1)%
Surety	246	243	1	87	81	7
Total specialty	$ 1,981	$ 1,968	1	$ 669	$ 669	

Growth in net premiums written in our professional liability business in the first nine months of 2010 was favorably impacted by currency fluctuation on business written outside the United States. Excluding the impact of currency fluctuation, net premiums written were down slightly in 2010. Currency fluctuation had no effect on premium growth in the third quarter of 2010. Renewal rates in the U.S. decreased slightly overall in the first nine months of 2010 compared with those in the same period of 2009. Retention levels were higher in the first nine months of 2010 compared with those in the same period of 2009, while new business volume was down modestly. We have continued our focus on underwriting discipline, obtaining what we believe are acceptable rates and appropriate terms and conditions on both new business and renewals.

Net premiums written for our surety business increased slightly in the first nine months of 2010. Premium growth for this business in the third quarter of 2010 was attributable, in part, to new business in non-U.S. locations. We expect that surety premium growth will be constrained for the remainder of the year.

Our specialty insurance business produced highly profitable underwriting results in the first nine months and third quarter of 2010 and 2009. The combined loss and expense ratios for the classes of business within the specialty insurance segment were as follows:

	Periods Ended September 30			
	Nine Months		Third Quarter	
	2010	2009	2010	2009
Professional liability	87.5%	90.4%	89.3%	90.0%
Surety	42.5	36.5	40.0	32.5
Total specialty	82.2	84.2	83.3	83.6

Our professional liability business produced highly profitable results in the first nine months and third quarter of 2010 and 2009. Results in the fiduciary liability class were highly profitable in each of the periods. The employment practices liability class produced highly profitable results in the first nine months and third quarter of both years, but more so in the 2009 periods. Results for the fidelity class were highly profitable in the first nine months of both years. Results in the third quarter of both years were profitable, but less so in 2010. Results in the directors and officers liability class were highly profitable in the first nine months and third quarter of 2010 compared with profitable results in the same periods in 2009. Results in the errors and omissions liability class were highly unprofitable in the first nine months and third quarter of both years. The overall results for our professional liability business were more profitable in the 2010 periods due primarily to an improvement in the current accident year loss ratio. The current accident year combined ratio for our professional liability business is modestly below breakeven, lower than that for the 2009 accident year, which was more affected by the financial market crisis. The favorable prior year loss development in the first nine months and third quarter of 2010 was driven mainly by continued positive loss trends related to accident years 2007 and prior.

Surety results were highly profitable in the first nine months and third quarter of both 2010 and 2009. Our surety business tends to be characterized by infrequent but potentially high severity losses.

Reinsurance Assumed

Net premiums written from our reinsurance assumed business, which is in runoff, were not significant in the first nine months and third quarter of 2010 or 2009.

Reinsurance assumed results were profitable in the first nine months and third quarter of 2010 and 2009. Results in the first nine months of both years, but more so in 2009, benefited from favorable prior year loss development.

Loss Reserves

Unpaid losses and loss expenses, also referred to as loss reserves, are the largest liability of our business.

Our loss reserves include case estimates for claims that have been reported and estimates for claims that have been incurred but not reported at the balance sheet date as well as estimates of the expenses associated with processing and settling all reported and unreported claims, less estimates of anticipated salvage and subrogation recoveries. Estimates are based upon past loss experience modified for current trends as well as prevailing economic, legal and social conditions. Our loss reserves are not discounted to present value.

We regularly review our loss reserves using a variety of actuarial techniques. We update the reserve estimates as historical loss experience develops, additional claims are reported and/or settled and new information becomes available. Any changes in estimates are reflected in operating results in the period in which the estimates are changed.

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Our gross case and incurred but not reported (IBNR) loss reserves and related reinsurance recoverable by class of business were as follows:

	Gross Loss Reserves			Reinsurance	Net Loss
	Case	IBNR	Total	Recoverable	Reserves
September 30, 2010			(in millions)		
Personal insurance					
Automobile	$ 248	$ 164	$ 412	$ 13	$ 399
Homeowners	407	329	736	20	716
Other	343	681	1,024	165	859
Total personal	998	1,174	2,172	198	1,974
Commercial insurance					
Multiple peril	600	1,165	1,765	59	1,706
Casualty	1,417	5,017	6,434	352	6,082
Workers compensation	897	1,487	2,384	186	2,198
Property and marine	663	457	1,120	328	792
Total commercial	3,577	8,126	11,703	925	10,778
Specialty insurance					
Professional liability	1,593	6,270	7,863	449	7,414
Surety	20	49	69	8	61
Total specialty	1,613	6,319	7,932	457	7,475
Total insurance	6,188	15,619	21,807	1,580	20,227
Reinsurance assumed	272	676	948	316	632
Total	$ 6,460	$ 16,295	$ 22,755	$ 1,896	$ 20,859

	Gross Loss Reserves			Reinsurance	Net Loss
	Case	IBNR	Total	Recoverable	Reserves
December 31, 2009			(in millions)		
Personal insurance					
Automobile	$ 226	$ 187	$ 413	$ 13	$ 400
Homeowners	395	293	688	23	665
Other	372	660	1,032	160	872

Total personal	993	1,140	2,133	196	1,937
Commercial insurance					
Multiple peril	550	1,091	1,641	26	1,615
Casualty	1,499	4,849	6,348	360	5,988
Workers compensation	887	1,448	2,335	197	2,138
Property and marine	781	426	1,207	449	758
Total commercial	3,717	7,814	11,531	1,032	10,499
Specialty insurance					
Professional liability	1,626	6,379	8,005	453	7,552
Surety	18	48	66	8	58
Total specialty	1,644	6,427	8,071	461	7,610
Total insurance	6,354	15,381	21,735	1,689	20,046
Reinsurance assumed	305	799	1,104	364	740
Total	$ 6,659	$ 16,180	$ 22,839	$ 2,053	$ 20,786

Loss reserves, net of reinsurance recoverable, increased by $73 million during the first nine months of 2010. The increase in loss reserves reflected a decrease of approximately $140 million related to currency fluctuation due to the strength of the U.S. dollar at September 30, 2010 compared to December 31, 2009. Loss reserves related to our insurance business increased by $181 million during the first nine months of 2010 due in large part to catastrophe-related losses. Loss reserves related to our reinsurance assumed business, which is in runoff, decreased by $108 million.

The increase in gross case and IBNR reserves related to our homeowners and commercial multiple peril classes of business during the first nine months of 2010 was due largely to catastrophe losses in the first nine months of 2010 that remained unpaid at September 30. The decrease in gross case and IBNR reserves related to our professional liability classes of business in the first nine months of 2010 was partly due to the impact of currency fluctuation.

In establishing the loss reserves of our property and casualty subsidiaries, we consider facts currently known and the present state of the law and coverage litigation. Based on all information currently available, we believe that the aggregate loss reserves at September 30, 2010 were adequate to cover claims for losses that had occurred as of that date, including both those known to us and those yet to be reported. However, as discussed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2009, there are significant uncertainties inherent in the loss reserving process. It is therefore possible that management s estimate of the ultimate liability for losses that had occurred as of September 30, 2010 may change, which could have a material effect on the Corporation s results of operations and financial condition.

Changes in loss reserve estimates are unavoidable because such estimates are subject to the outcome of future events. Loss trends vary and time is required for changes in trends to be recognized and confirmed. Reserve changes that increase previous estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease previous estimates of ultimate cost are referred to as favorable development or reserve releases.

We estimate that we experienced overall favorable prior year development of about $600 million during the first nine months of 2010 and $200 million in the third quarter compared with favorable prior year development of about $545 million and $205 million in the comparable periods of 2009.

The favorable development in the first nine months of 2010 was primarily in the professional liability classes due to continued favorable loss trends related to accident years 2007 and prior and particularly outside the United States, in the commercial liability classes related mainly to accident years 2007 and prior, and in the personal insurance classes. The favorable development in the first nine months of 2009 was primarily in the professional liability classes due to favorable loss trends related to accident years 2006 and prior, in the commercial property classes largely related to the 2008 accident year, in the commercial casualty classes related to accident years 2006 and prior and in the personal insurance classes.

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Investment Results

Property and casualty investment income before taxes increased by 1% in the first nine months of 2010 and was flat in the third quarter of 2010 compared with the same periods in 2009. The growth in property and casualty investment income for the first nine months included a slight positive impact from the effect of currency fluctuation on the income of our non-U.S. investments. While the average invested assets of the property and casualty subsidiaries were higher during the first nine months of 2010 and the third quarter of 2010 compared with the same periods of 2009, growth in investment income was limited by the continuing impact of the low yield environment on the investment of both new cash and the proceeds of maturing fixed maturity securities.

The effective tax rate on investment income was 19.0% in the first nine months of 2010 compared with 19.1% in the same period of 2009. The effective tax rate fluctuates as a result of our holding a different proportion of our investment portfolio in tax exempt securities during different periods.

On an after-tax basis, property and casualty investment income increased by 1% in the first nine months of 2010 and was flat in the third quarter of 2010 compared with the same periods in 2009. The after-tax annualized yield on the investment portfolio that supports our property and casualty insurance business was 3.28% and 3.40% in the first nine months of 2010 and 2009, respectively.

Corporate and Other

Corporate and other comprises investment income earned on corporate invested assets, interest expense and other expenses not allocated to our operating subsidiaries and the results of our non-insurance subsidiaries.

Corporate and other produced a loss before taxes of $160 million in the first nine months of 2010 compared with a loss of $182 million in the first nine months of 2009. The lower loss in 2010 was due to higher investment income, which included a $20 million special dividend received during the second quarter of 2010 on an equity security investment.

Realized Investment Gains and Losses

Net realized investment gains and losses were as follows:

	Periods Ended September 30			
	Third Quarter		Nine Months	
	2010	2009	2010	2009
	(in millions)			
Net realized gains (losses)				
Fixed maturities	$ 8	$ 17	$ 54	$ 65
Equity securities	18	7	29	78
Other invested assets	28	65	197	(215)
	54	89	280	(72)
Other-than-temporary impairment losses				
Fixed maturities		(3)	(3)	(22)
Equity securities		(17)	(6)	(76)
		(20)	(9)	(98)
Realized investment gains (losses) before tax	$ 54	$ 69	$ 271	$ (170)
Realized investment gains (losses) after tax	$ 35	$ 44	$ 176	$ (111)

The net realized gains and losses of our other invested assets represent primarily the aggregate of distributions to us from the limited partnerships in which we have an interest and changes in our equity in the net assets of those partnerships based on valuations provided to us by the manager of each partnership. Due to the timing of our receipt of valuation data from the investment managers, these investments are generally reported on a one quarter lag.

The net realized gains of the limited partnerships reported in the first nine months of 2010 reflected the strong performance of the equity and high yield investment markets in the fourth quarter of 2009 and the first quarter of 2010. In the first nine months of 2009, the limited partnership losses were largely due to losses on the underlying assets held by the limited partnerships that reflected both the decline in the value of equities and the increase in credit spreads that occurred during late 2008.

We regularly review those invested assets whose fair value is less than cost to determine if an other-than-temporary decline in value has occurred. We have a monitoring process overseen by a committee of investment and accounting professionals that is responsible for identifying those securities to be specifically evaluated for potential other-than-temporary impairment.

The determination of whether a decline in value of any investment is temporary or other than temporary requires the judgment of management. The assessment of other-than-temporary impairment of fixed maturities and equity securities is based on both quantitative criteria and qualitative information and also considers a number of factors including, but not limited to, the length of time and the extent to which the fair value has been less than the cost, the financial condition and near term prospects of the issuer, whether the issuer is current on contractually obligated interest and principal payments, general market conditions and industry or sector specific factors. The decision to recognize a decline in the value of a security carried at fair value as other than temporary rather than temporary has no impact on shareholders equity.

In determining whether fixed maturities are other than temporarily impaired, prior to April 1, 2009, we considered many factors including the intent and ability to hold a security for a period of time sufficient to allow for the recovery of the security s cost. When an impairment was deemed other than temporary, the security was written down to fair value and the entire writedown was included in net income as a realized investment loss. Effective April 1, 2009, the Corporation adopted new guidance which modified the guidance on the recognition and presentation of other-than-temporary impairments of debt securities. Under the new guidance, we are required to recognize an other-than-temporary impairment loss for a fixed maturity when we conclude that we have the intent to sell or it is more likely than not that we will be required to sell an impaired fixed maturity before the security recovers to its amortized cost value or it is likely we will not recover the entire amortized cost value of an impaired debt security. Also under this guidance, if we have the intent to sell or it is more likely than not we will be required to sell an impaired fixed maturity before the security recovers to its amortized cost value, the security is written down to fair value and the entire amount of the writedown is included in net income as a realized investment loss. For all other impaired fixed maturities, the impairment loss is separated into the amount representing the credit loss and the amount representing the loss related to all other factors. The amount of the impairment loss that represents the credit loss is included in net income as a realized investment loss and the amount of the impairment loss that relates to all other factors is included in other comprehensive income.

In determining whether equity securities are other than temporarily impaired, we consider our intent and ability to hold a security for a period of time sufficient to allow us to recover our cost. If a decline in the fair value of an equity security is deemed to be other than temporary, the security is written down to fair value and the amount of the writedown is included in net income as a realized investment loss.

Income Taxes

Net income in the first nine months of 2010 included an income tax charge of $22 million in the first quarter related to a decrease in deferred tax assets as a result of federal health care legislation enacted in March 2010. The legislation eliminated the tax benefit associated with Medicare Part D subsidies we expect to receive for providing qualifying prescription drug coverage to retirees.

Capital Resources and Liquidity

Capital resources and liquidity represent a company s overall financial strength and its ability to generate cash flows, borrow funds at competitive rates and raise new capital to meet operating and growth needs.

Capital Resources

Capital resources provide protection for policyholders, furnish the financial strength to support the business of underwriting insurance risks and facilitate continued business growth. At September 30, 2010, the Corporation had shareholders equity of $16.0 billion and total debt of $4.0 billion.

Management regularly monitors the Corporation s capital resources. In connection with our long term capital strategy, Chubb from time to time contributes capital to its property and casualty subsidiaries. In addition, in order to satisfy capital needs as a result of any rating agency capital adequacy or other future rating issues, or in the event we were to need additional capital to make strategic investments in light of market opportunities, we may take a variety of actions, which could include the issuance of additional debt and/or equity securities. We believe that our strong financial position and current debt level provide us with the flexibility and capacity to obtain funds externally through debt or equity financings on both a short term and long term basis.

In December 2009, the Board of Directors authorized the repurchase of up to 25,000,000 shares of Chubb s common stock. In June 2010, the Board of Directors authorized an increase of 14,000,000 shares to the authorization approved in December 2009. The authorization has no expiration date. During the first nine months of 2010, we repurchased 29,555,869 shares of Chubb s common stock in open market transactions at a cost of $1.5 billion. As of September 30, 2010, 6,604,256 shares remained under the share repurchase authorization. We expect to repurchase all of the shares remaining under the authorization by the end of 2010, subject to market conditions.

Ratings

Chubb and its property and casualty subsidiaries are rated by major rating agencies. These ratings reflect the rating agency s opinion of our financial strength, operating performance, strategic position and ability to meet our obligations to policyholders.

Ratings are an important factor in establishing our competitive position in the insurance markets. There can be no assurance that our ratings will continue for any given period of time or that they will not be changed.

It is possible that one or more of the rating agencies may raise or lower our existing ratings in the future. If our credit ratings were downgraded, we might incur higher borrowing costs and might have more limited means to access capital. A downgrade in our financial strength ratings could adversely affect the competitive position of our insurance operations, including a possible reduction in demand for our products in certain markets.

Liquidity

Liquidity is a measure of a company s ability to generate sufficient cash flows to meet the short and long term cash requirements of its business operations.

The Corporation s liquidity requirements in the past have generally been met by funds from operations and we expect that in the future funds from operations will continue to be sufficient to meet such requirements. Liquidity requirements could also be met by funds received upon the maturity or sale of marketable securities in our investment portfolio. The Corporation also has the ability to borrow under its existing $500 million credit facility and we believe we could issue debt or equity securities.

Our property and casualty operations provide liquidity in that premiums are generally received months or even years before losses are paid under the policies purchased by such premiums. Historically, cash receipts from operations, consisting of insurance premiums and investment income, have provided more than sufficient funds to pay losses, operating expenses and dividends to Chubb. After satisfying our cash requirements, excess cash flows are used to build the investment portfolio and thereby increase future investment income.

Our strong underwriting and investment results continued to generate substantial cash from operations. New cash available for investment by our property and casualty subsidiaries was approximately $275 million in the first nine months of 2010 compared with $1.1 billion in the same period in 2009. New cash available for investment by our property and casualty subsidiaries was lower as a result of $1.6 billion of dividends paid to Chubb by the property and casualty subsidiaries in the first nine months of 2010 compared with $600 million of dividends paid to Chubb in the first nine months of 2009. The impact of lower income tax payments on new cash available for investment was partially offset by higher loss payments in the first nine months of 2010 compared with the same period in 2009.

Our property and casualty subsidiaries maintain substantial investments in highly liquid, short term marketable securities. Accordingly, we do not anticipate selling long term fixed maturity investments to meet any liquidity needs.

Chubb s liquidity requirements primarily include the payment of dividends to shareholders and interest and principal on debt obligations. The declaration and payment of future dividends to Chubb s shareholders will be at the discretion of Chubb s Board of Directors and will depend upon many factors, including our operating results, financial condition, capital requirements and any regulatory constraints.

As a holding company, Chubb s ability to continue to pay dividends to shareholders and to satisfy its debt obligations relies on the availability of liquid assets, which is dependent in large part on the dividend paying ability of its property and casualty subsidiaries. The timing and amount of dividends paid by the property and casualty subsidiaries to Chubb may vary from year to year. Our property and casualty subsidiaries are subject to laws and regulations in the jurisdictions in which they operate that restrict the amount and timing of dividends they may pay within twelve consecutive months without the prior approval of regulatory authorities. The restrictions are generally based on net income and on certain levels of policyholders surplus as determined in accordance with statutory accounting practices. Dividends in excess of such thresholds are considered extraordinary and require prior regulatory approval.

During the first nine months of 2010, the property and casualty subsidiaries paid aggregate dividends of $1.6 billion to Chubb. Included in this amount was $700 million of dividends paid in the second quarter which was deemed to be extraordinary due to the limitation on the amount of dividends that may be paid within twelve consecutive months. As a result, regulatory approval was required and obtained for the payment of this dividend as well as the $600 million of dividends paid in the third quarter. Regulatory approval will be required for the payment by the subsidiaries of any additional dividends during the remainder of the year.

Invested Assets

The main objectives in managing our investment portfolios are to maximize after-tax investment income and total investment returns while minimizing credit and interest rate risks in order to ensure that funds will be available to meet our insurance obligations. Investment strategies are developed based on many factors including underwriting results and our resulting tax position, regulatory requirements, fluctuations in interest rates and consideration of other market risks. Investment decisions are centrally managed by investment professionals based on guidelines established by management and approved by the boards of directors of Chubb and its respective operating companies.

Our investment portfolio primarily comprises high quality bonds, principally tax exempt securities, corporate bonds, mortgage-backed securities and U.S. Treasury securities, as well as foreign government and corporate bonds that support our operations outside the United States. The portfolio also includes equity securities, primarily publicly traded common stocks, and other invested assets, primarily private equity limited partnerships, all of which are held with the primary objective of capital appreciation.

Our objective is to achieve the appropriate mix of taxable and tax exempt securities in our portfolio to balance both investment and tax strategies. At September 30, 2010 and December 31, 2009, 67% of our fixed maturity portfolio which supports our U.S. operations was invested in highly rated tax exempt bonds. Although about 40% of our tax exempt bonds are insured, the effect of insurance on the average credit rating of these bonds is insignificant. The insured tax exempt bonds in our portfolio have been selected based on the quality of the underlying credit and not the value of the credit insurance enhancement.

At September 30, 2010, we held $3.3 billion of highly rated mortgage-backed securities which composed 19% of our taxable bond portfolio. About 45% of these securities are residential mortgage-backed securities, consisting of government agency pass-through securities guaranteed by a government agency or a government sponsored enterprise (GSE), GSE collateralized mortgage obligations (CMOs) and other CMOs, all backed by single family home mortgages. The majority of the CMOs are actively traded in liquid markets. The balance of the mortgage- backed securities are call protected, commercial mortgage-backed securities (CMBS). About 95% of our CMBS are senior securities with the highest level of subordination. The remainder of our CMBS are seasoned securities that were issued in 2004 or earlier.

The net unrealized appreciation before tax of our fixed maturities and equity securities carried at fair value was $2.6 billion at September 30, 2010 compared with net unrealized appreciation before tax of $1.6 billion at December 31, 2009. Such unrealized appreciation is reflected in accumulated other comprehensive income, net of applicable deferred income tax.

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Fair Values of Financial Instruments

Fair values of financial instruments are determined using valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values are generally measured using quoted prices in active markets for identical assets or liabilities or other inputs, such as quoted prices for similar assets or liabilities, that are observable either directly or indirectly. In those instances where observable inputs are not available, fair values are measured using unobservable inputs for the asset or liability. Unobservable inputs reflect our own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. Fair value estimates derived from unobservable inputs are affected by the assumptions used, including the discount rates and the estimated amounts and timing of future cash flows. The derived fair value estimates cannot be substantiated by comparison to independent markets and are not necessarily indicative of the amounts that would be realized in a current market exchange.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure the fair values of our fixed maturities and equity securities into three broad levels as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets.
Level 2	Other inputs that are observable for the asset, either directly or indirectly.
Level 3	Inputs that are unobservable.

The methods and assumptions used to estimate the fair values of financial instruments are as follows:

Fair values for fixed maturities are determined by management, utilizing prices obtained from an independent, nationally recognized pricing service or, in the case of securities for which prices are not provided by a pricing service, from independent brokers. For fixed maturities that have quoted prices in active markets, market quotations are provided. For fixed maturities that do not trade on a daily basis, the pricing service and brokers provide fair value estimates using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads and measures of volatility. Management reviews on an ongoing basis the reasonableness of the methodologies used by the relevant pricing service and brokers. In addition, management, using the prices received for the securities from the pricing service and brokers, determines the aggregate portfolio price performance and reviews it against applicable indices. If management believes that significant discrepancies exist, it will discuss these with the relevant pricing service or broker to resolve the discrepancies.

Fair values of equity securities are based on quoted market prices.

The carrying value of short term investments approximates fair value due to the short maturities of these investments.

Fair values of long term debt issued by Chubb are determined by management, utilizing prices obtained from an independent, nationally recognized pricing service.

A pricing service provides fair value amounts for approximately 99% of our fixed maturities. The prices we obtain from a pricing service and brokers generally are non-binding, but are reflective of current market transactions in the applicable financial instruments.

At September 30, 2010 and December 31, 2009, we did not hold financial instruments in our investment portfolio for which a lack of market liquidity impacted our determination of fair value.

Accounting Pronouncements Not Yet Adopted

In October 2010, the Financial Accounting Standards Board issued new guidance related to the accounting for costs associated with acquiring or renewing insurance contracts. The guidance identifies which costs relating to the successful acquisition of new or renewal insurance contracts shall be capitalized. The guidance is effective for the Corporation beginning January 1, 2012 and is discussed further in Note (3) of the Notes to Consolidated Financial Statements.

Item 4 Controls and Procedures

As of September 30, 2010, an evaluation of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) was performed under the supervision and with the participation of the Corporation s management, including the chief executive officer and chief financial officer. Based on that evaluation, Chubb s chief executive officer and chief financial officer concluded that the Corporation s disclosure controls and procedures were effective as of September 30, 2010.

During the quarter ended September 30, 2010, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Corporation s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1 Legal Proceedings

As reported in Chubb s Annual Report on Form 10-K for the year ended December 31, 2009, in August 2005, Chubb and certain of its subsidiaries were named in a putative class action entitled *In re Insurance Brokerage Antitrust Litigation* in the U.S. District Court for the District of New Jersey (N.J. District Court). This action, brought against several brokers and insurers on behalf of a class of persons who purchased insurance through the broker defendants, asserts claims under the Sherman Act, state law and the Racketeer Influenced and Corrupt Organizations Act (RICO) arising from the alleged unlawful use of contingent commission agreements. On September 28, 2007, the N.J. District Court dismissed the second amended complaint filed by the plaintiffs in its entirety. In so doing, the court dismissed the plaintiffs Sherman Act and RICO claims with prejudice for failure to state a claim, and it dismissed the plaintiffs state law claims without prejudice because it declined to exercise supplemental jurisdiction over them. The plaintiffs appealed the dismissal of their second amended complaint to the U.S. Court of Appeals for the Third Circuit (Third Circuit). On August 13, 2010, the Third Circuit affirmed in part and vacated in part the N.J. District Court decision and remanded the case back to the N.J. District Court for further proceedings. As a result of the Third Circuit s decision, the plaintiffs state law claims and certain of the plaintiffs Sherman Act and RICO claims were reinstated against the Corporation. The Corporation and the other defendants have filed motions to dismiss the reinstated claims and those motions are in the process of being briefed.

In the action described above, the plaintiffs generally allege that the defendants unlawfully used contingent commission agreements and conspired to reduce competition in the insurance markets. The action seeks treble damages, injunctive and declaratory relief, and attorneys fees. The Corporation believes it has substantial defenses to all of the claims alleged in the action and intends to continue to defend the action vigorously.

Item 1A Risk Factors

The Corporation s business is subject to a number of risks, including those identified in Item 1A of Chubb s Annual Report on Form 10-K for the year ended December 31, 2009, that could have a material effect on our business, results of operations, financial condition and/or liquidity and that could cause our operating results to vary significantly from fiscal period to fiscal period. The risks described in the Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could have a material effect on our business, results of operations, financial condition and/or liquidity.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Chubb s stock repurchased each month in the quarter ended September 30, 2010:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (b)
July 2010	1,765,251	$50.94	1,765,251	15,000,056
August 2010	3,391,088	53.48	3,391,088	11,608,968
September 2010	5,004,712	56.71	5,004,712	6,604,256
Total	10,161,051	54.63	10,161,051	

(a) The stated amounts exclude 2,209 shares delivered to Chubb during the month of September 2010 by employees of the Corporation to cover option exercise prices and withholding taxes in connection with the Corporation s stock-based compensation plans.

(b) On December 3, 2009, the Board of Directors authorized the repurchase of up to 25,000,000 shares of common stock. On June 10, 2010, the Board of Directors authorized an increase of 14,000,000 shares to the authorization approved in December 2009. The authorization has no expiration date.

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Item 6 Exhibits

Exhibit Number	Description
	Rule 13a-14(a)/15d-14(a) Certifications
31.1	Certification by John D. Finnegan filed herewith.
31.2	Certification by Richard G. Spiro filed herewith.
	Section 1350 Certifications
32.1	Certification by John D. Finnegan filed herewith.
32.2	Certification by Richard G. Spiro filed herewith.
	Interactive Data File
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Pursuant to applicable securities laws and regulations, the Corporation is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Corporation has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, The Chubb Corporation has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CHUBB CORPORATION
(Registrant)

By: /s/ John J. Kennedy
John J. Kennedy

Senior Vice-President and Chief Accounting
Officer

Date: November 5, 2010