CHUBB CORP
Form DEF 14A
March 28, 2003

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement	[ ]	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X]
Definitive Proxy Statement
[ ]
Definitive Additional Materials
[ ]
Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-2.

The Chubb Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-12.

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

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

(3)

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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THE CHUBB CORPORATION

NOTICE OF 2003 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME	Tuesday, April 29, 2003 at 10:00 a.m. local time
PLACE	Amphitheater The Chubb Corporation 15 Mountain View Road Warren, New Jersey
ITEMS OF BUSINESS	(1) To elect 17 directors to serve until the next annual meeting of shareholders and until their respective successors are elected and qualify. (2) To approve The Chubb Corporation 2003 Producer Stock Incentive Plan. (3) To transact such other business as may be properly brought before the meeting and at any adjournment thereof.
RECORD DATE	You are entitled to vote at the annual meeting and at any adjournment thereof if you were a shareholder of record at the close of business on Monday, March 10, 2003.
VOTING BY PROXY	To assure your representation at the annual meeting, please fill in, sign, date and return the accompanying proxy in the enclosed addressed envelope, or follow the directions accompanying the proxy to vote using a touch-tone telephone or by accessing the Internet. The giving of a proxy will not affect your right to revoke the proxy by appropriate written notice or to vote in person should you later decide to attend the annual meeting.

By order of the Board of Directors

HENRY G. GULICK
Vice President and Secretary

March 28, 2003

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2003 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

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THE CHUBB CORPORATION

15 Mountain View Road, P.O. Box 1615, Warren, New Jersey 07061-1615

PROXY STATEMENT

PROXY AND VOTING INFORMATION

Chubb s board of directors has provided you with these proxy materials in connection with its solicitation of proxies to be voted at the annual meeting of shareholders. We will hold the annual meeting on Tuesday, April 29, 2003 at the Amphitheater at The Chubb Corporation, 15 Mountain View Road, Warren, New Jersey, beginning at 10:00 a.m. local time. Please note that throughout the proxy materials we refer to The Chubb Corporation as Chubb, we, or our. We first began mailing this proxy statement and accompanying proxy to our shareholders on March 28, 2003.

Who Can Vote

Shareholders of record of our common stock at the close of business on March 10, 2003 may vote at the annual meeting.

How Many Shares Can Be Voted

Each shareholder has one vote for each share of common stock owned at the close of business on March 10, 2003, the record date. On the record date, 171,230,396 shares of our common stock were outstanding.

How You Can Vote

Record Holders. If your shares are registered in your name with EquiServe Trust Company, N.A., our dividend agent, transfer agent and registrar, you are considered a shareholder of record, and these proxy materials are being sent directly to you by us. Shareholders of record can vote in person at the annual meeting or give their proxy to be voted at the meeting in any one of the following ways:

over the Internet;

by telephone; or

by completing and mailing the enclosed proxy card.

The Internet and telephone voting procedures have been set up for your convenience. These procedures are designed to authenticate your identity, to allow you to give voting instructions and to confirm that those instructions have been recorded properly. If you are a shareholder of record and you would like to vote by using the Internet or by telephone, please refer to the specific instructions contained in the enclosed proxy card. If you wish to vote using the enclosed proxy card, please sign and return your signed proxy before the annual meeting, and we will vote your shares as you direct.

Chubb Plan Participants. If you are a participant in our Employee Stock Ownership Plan or our Capital Accumulation Plan (our 401(k) plan), your proxy will incorporate all shares allocated to you in the plans (Plan Shares), which you may vote over the Internet, by telephone, by completing and mailing the enclosed proxy card or by voting in person at the meeting. Your proxy will serve as a voting instruction for the trustees of those plans.

Brokerage and Other Account Holders. You are considered to be the beneficial owner of shares held for you in an account by a broker, bank or other nominee. These proxy materials are being forwarded to you with respect to those shares by your broker, bank or nominee who is the shareholder of record. You have the right

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to direct your broker, bank or nominee on how to vote, and you may also attend the annual meeting. Your broker, bank or nominee has enclosed a voting instruction card. Beneficial owners of shares who wish to vote at the meeting must obtain a legal proxy from their broker, bank or nominee and present it at the meeting. The availability of telephone and Internet voting for beneficial owners will depend on the voting processes of your broker, bank or nominee. Please refer to your voting instruction card or contact your broker, bank or nominee.

Voting. Whether you vote over the Internet, by telephone or by mail, you can specify whether your shares should be voted for all, some, or none of the nominees for election as director (Proposal 1 on the proxy card). You can also specify whether you approve or disapprove of, or abstain from, Proposal 2. If you abstain, your vote will not count for or against Proposal 2. If you duly execute the proxy card but do not specify how you want to vote your shares, your shares will be voted as the board of directors recommends, which is For the election of all nominees for director as set forth under Proposal 1 below, and For the approval of The Chubb Corporation 2003 Producer Stock Incentive Plan as described in Proposal 2 below.

Revocation of Proxies

If you are a shareholder of record or a holder of Plan Shares, you may revoke your proxy at any time before it is exercised in any of four ways:

(1) by notifying our Secretary in writing;

(2) by delivering a duly executed proxy bearing a later date;

(3) by properly submitting a new timely and valid proxy via the Internet or by telephone after the date of the revoked proxy; or

(4) by voting in person at the annual meeting.

You will not revoke a proxy merely by attending the annual meeting; to revoke a proxy, you must take one of the actions described above.

If you hold your shares in a brokerage or other account, you may submit new voting instructions by contacting your broker, bank or nominee.

Required Votes

The presence, in person or by proxy, of the holders of a majority of all outstanding shares of our common stock entitled to vote at the annual meeting is necessary to constitute a quorum. For Proposal 1, the election of directors, directors are elected by a plurality of the votes cast at the annual meeting. This means that the 17 nominees receiving the greatest number of votes will be elected as directors. Approval of Proposal 2, The Chubb Corporation 2003 Producer Stock Incentive Plan, requires the affirmative vote of a majority of the votes cast on that proposal at the meeting; provided that the total votes cast on the proposal represent a majority of the outstanding shares entitled to vote on the proposal. Abstentions are counted as shares present at the meeting for purposes of determining a quorum. Similarly, shares which brokers do not have the authority to vote in the absence of timely instructions from beneficial owners (broker non-votes) are also counted as shares present at the meeting for purposes of determining a quorum. Abstentions and broker non-votes are not considered votes cast and will not be counted either for or against these proposals and, accordingly, will have no effect on the outcome of the vote.

Other Matters to be Acted Upon at the Meeting

Our board of directors is presently not aware of any other matters other than those specifically stated in the Notice of Annual Meeting, which are to be presented for action at the annual meeting. If any other matter other than those described in this proxy statement is presented at the annual meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

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Our Annual Report and Form 10-K

A copy of our annual report to shareholders for 2002, which is not a part of the proxy soliciting materials, accompanies this proxy statement and proxy.

Our annual report on Form 10-K, which was filed with the Securities and Exchange Commission, is available on our Internet website at www.chubb.com/investors. The annual report on Form 10-K is also available without charge by sending a written request to The Chubb Corporation to the attention of Henry G. Gulick, Vice President and Secretary, 15 Mountain View Road, P.O. Box 1615, Warren, New Jersey 07061-1615.

PROPOSAL 1

ELECTION OF DIRECTORS

Each nominee for director was previously elected by the shareholders at our 2002 annual meeting, and has served continuously since then, other than John D. Finnegan who was elected as a director by the board effective December 1, 2002 and Daniel E. Somers who was nominated for election as a director by the board on March 24, 2003. If elected, each director will serve until the next annual meeting of shareholders and until his or her successor is duly elected and qualified. The board of directors expects that all of the nominees named in this proxy statement will be available for election, and, if elected, will be willing to serve as a director. If any nominee is not available, then the proxies may vote for a substitute as may be designated by the board, unless the board reduces the number of directors. The board of directors has, in accordance with our by-laws, fixed the number of directors to be elected at 17.

Our Corporate Governance Guidelines provide that no director may be nominated to a new term if the director would be age 72 or older at the time of election. The age limit may be extended for up to one year in an extraordinary circumstance identified by the board, including a transition or proposed transition of management. In light of the retirement of Dean R. O Hare as our chief executive officer, effective December 1, 2002, and our hiring of John D. Finnegan as our new chief executive officer, our Corporate Governance & Nominating Committee recommended extending the age limit for one year for Warren B. Rudman, who will be age 72 at the time of the annual meeting, and our board nominated him for election as a director.

Percy Chubb, III serves as Director Emeritus. Mr. Chubb has been associated with Chubb since 1958. He served as Vice Chairman of Chubb from 1986 to 1997 and as a director from 1978 to 2002. In 2002, Mr. Chubb retired from the board of directors, but, at the request of the board, agreed to serve as Director Emeritus. At the request of the board this year, he has agreed to continue to serve in this capacity until the next annual meeting of shareholders. As Director Emeritus, Mr. Chubb may attend board meetings, but does not have a vote with respect to matters brought before the board.

Information as to each nominee follows. Unless otherwise indicated, each nominee has served for at least five years in the business position currently or most recently held. The age of each director is as of April 29, 2003, the date of the annual meeting.

The board of directors recommends that you vote for each of the following nominees for director.

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NOMINEES FOR DIRECTOR

ZOË BAIRD (Age 50)
Director since 1998

President of the Markle Foundation, a private philanthropy that focuses on using information and communications technologies to address critical public needs, since January 1998. Ms. Baird previously had been Senior Vice President and General Counsel of Aetna, Inc., an international insurance company, from 1990 to 1996. She was Staff Executive of General Electric Co. from 1986 to 1990 and was a partner in the international law firm of O Melveny and Myers from 1981 to 1986. Ms. Baird founded and chairs Lawyers for Children America, which is concerned with the impact of violence on children. Ms. Baird is a member of the Council on Foreign Relations and the American Law Institute, and serves on the boards of Save the Children, the James A. Baker III Institute for Public Policy, the Mexican American Legal Defense and Education Fund, The Brookings Institution, and the Institute for State Studies at Western Governors University.

JOHN C. BECK (Age 71)
Director since 1988

Of Counsel at Beck, Mack & Oliver LLC, an investment counseling firm, since January 2002. Mr. Beck has been associated with Beck, Mack & Oliver since 1958 and first became a partner in 1962. Mr. Beck also serves on the board of Russell Reynolds Associates, Inc.

SHEILA P. BURKE (Age 52)
Director since 1997

Under Secretary for American Museums and National Programs, Smithsonian Institution, since June 2000. Ms. Burke previously had been Executive Dean and Lecturer in Public Policy of the John F. Kennedy School of Government, Harvard University, from November 1996 until June 2000. Ms. Burke is also a Trustee of the American Board of Internal Medicine Foundation, Marymount University and the University of San Francisco and is a member of the Medicare Payment Advisory Commission. Ms. Burke also serves on the boards of Community Health Systems, Wellpoint Health Networks, the Kaiser Family Foundation, the Center for Health Care Strategies Inc., the Kaiser Commission on the Future of Medicaid and Uninsured and The National Advisory Council at the Center for State Health Policy.

JAMES I. CASH, JR. (Age 55)
Director since 1996

The James E. Robison Professor of Business Administration, Harvard University. Professor Cash has been a member of the Harvard Business School faculty since 1976. He also serves on the boards of General Electric Company, Microsoft Corporation and Scientific Atlanta, Inc. Professor Cash is also a Trustee of the Massachusetts General Hospital and Partners Healthcare and an overseer of the Boston Museum of Science.

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JOEL J. COHEN (Age 65)
Director since 1984

Chairman (non-executive) of Chubb s board of directors since December 2002. Mr. Cohen previously was Managing Director and co-head of Global Mergers and Acquisitions at Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), a leading investment and merchant bank that in 2000 was acquired by Credit Suisse First Boston, until his retirement in November 2000. He had been associated with DLJ since October 1989. He had previously served as General Counsel to the Presidential Task Force on Market Mechanisms and as a partner of Davis Polk & Wardwell, attorneys. Mr. Cohen also serves on the boards of Borders Group, Inc. and Maersk, Inc.

JAMES M. CORNELIUS (Age 59)
Director since 1998

Chairman of the Board (non-executive) of Guidant Corporation, which designs and develops cardiovascular medical products. Mr. Cornelius previously had served as executive Chairman of Guidant from 1995 until his retirement as an employee in August 2000. Mr. Cornelius serves on the boards of Guidant Corporation, Hughes Electronics Corporation and Given Imaging, Ltd. Mr. Cornelius also serves as Trustee for DePauw University and Treasurer of the Board of Governors of the Indianapolis Museum of Art.

JOHN D. FINNEGAN (Age 54)
Director since 2002

President and Chief Executive Officer of Chubb since December 2002. Mr. Finnegan previously had been Executive Vice President of General Motors Corporation, which is primarily engaged in the development, manufacture and sale of automotive vehicles, and Chairman and President of General Motors Acceptance Corporation, a finance company and subsidiary of General Motors Corporation, from May 1999 to December 2002. He was Vice President and Group Executive of General Motors and also President of General Motors Acceptance Corporation from November 1997 to April 1999. Mr. Finnegan was associated with General Motors from 1976 to December 2002. Mr. Finnegan also serves on the board of the United Negro College Fund.

DAVID H. HOAG (Age 63)
Director since 1994

Former Chairman, The LTV Corporation, a manufacturer of steel products, from January 1991 until his retirement in February 1999. On December 29, 2000, The LTV Corporation and 48 of its direct and indirect subsidiaries filed voluntary petitions under Chapter 11 of the United States Code in the United States Bankruptcy Court for the Northern District of Ohio, Eastern Division. Mr. Hoag also serves on the boards of Brush Engineered Products, The Lubrizol Corporation, NACCO Industries, Inc. and PolyOne. Mr. Hoag is also a Trustee of Allegheny College and University Hospitals Cleveland.

KLAUS J. MANGOLD (Age 59)
Director since 2001

Chairman and a Member of the Board of Management, DaimlerChrysler Services AG, a provider of financial services and a subsidiary of DaimlerChrysler AG, since 1995. DaimlerChrysler AG is primarily engaged in the development, manufacture, distribution and sale of a wide range of automotive products. Mr. Mangold also serves on the boards of DaimlerChrysler AG, HVB Real Estate Bank AG, Jenoptik AG and Rhodia S.A.

WARREN B. RUDMAN (Age 72)
Director since 1993

Of Counsel to Paul, Weiss, Rifkind, Wharton & Garrison LLP, attorneys, since January 2003. From 1993 to 2002, he was a partner at that law firm. Senator Rudman previously had been a United States Senator from New Hampshire from 1980 to 1993. Senator Rudman is Co-Chairman of the Concord Coalition and serves on the Senior Advisory Board of the Institute of Politics of the John F. Kennedy School of Government at Harvard University. Senator Rudman also serves on the boards of Allied Waste Industries, Inc., Collins & Aikman Corporation, Boston Scientific Corporation and Raytheon Company and several funds in the Dreyfus Family of Mutual Funds.

SIR DAVID G. SCHOLEY, CBE (Age 67)
Director since 1991

Senior Advisor, UBS Warburg and its predecessor firms, a global, integrated investment services firm and bank, since 1995. He is Chairman of the Trustees of the National Portrait Gallery, London, of the International Council of INSEAD and of the Governors of Wellington College. He is also Chairman of Close Brothers Group plc and serves on the boards of Anglo American plc and Vodafone Group plc.

RAYMOND G.H. SEITZ (Age 62)
Director since 1994

Vice Chairman, Lehman Bros. International (Europe), a global investment bank, since April 1995, following his retirement as Ambassador of the United States of America to the Court of St. James. Ambassador Seitz also serves on the boards of Pacific Century CyberWorks and Rio Tinto plc.

LAWRENCE M. SMALL (Age 61)
Director since 1989

Secretary of the Smithsonian Institution since January 2000. The Smithsonian Institution is the world s largest museum and research complex, with 16 museums and galleries, the National Zoo, and several research facilities around the world. Mr. Small previously had been President and Chief Operating Officer of Fannie Mae, a shareholder-owned New York Stock Exchange listed company and the nation s largest source of financing for home mortgages, from 1991 to 2000. Mr. Small also serves on the boards of Marriott International, Inc., New York City s Spanish Repertory Theatre, Mt. Sinai-New York University Medical Center and Health System, the National Gallery of Art, the John F. Kennedy Center for the Performing Arts and the Woodrow Wilson International Center for Scholars.

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DANIEL E. SOMERS (Age 55)
Nominee for Director

Vice Chairman of Blaylock and Partners LP, an investment banking firm, since January 2002. Mr. Somers previously had been President and Chief Executive Officer of AT&T Broadband, a provider of cable and broadband services, from December 1999 to October 2001 and Senior Executive Vice President and Chief Financial Officer at AT&T Corp., a telecommunications company, from May 1997 to December 1999. Mr. Somers serves on the boards of Hyperchip, Inc., The Lubrizol Corporation, Raindance Communications, Inc. and Yotta Yotta, Inc. He is also Vice Chairman of the Board of Trustees of Stonehill College and serves on the board of The Newark Boys Chorus School.

KAREN HASTIE WILLIAMS (Age 58)
Director since 2000

Partner, Crowell & Moring LLP, attorneys, since 1982. Ms. Williams also serves on the boards of Continental Airlines Inc., Gannett Company, Inc., SunTrust Banks, Inc. and Washington Gas Light Holdings, Inc. She is also Trustee, Amherst College, Black Student Fund and NAACP Legal Defense and Education Fund.

JAMES M. ZIMMERMAN (Age 59)
Director since 1998

Chairman of the Board of Federated Department Stores, Inc., operators of full-line department stores in the United States. Mr. Zimmerman previously had been Chairman and Chief Executive Officer of Federated Department Stores, Inc. from May 1997 to February 2003 and President and Chief Operating Officer from March 1988 to May 1997. Mr. Zimmerman also serves on the boards of Federated Department Stores, Inc., H.J. Heinz Company, Goodyear Tire and Rubber Company and Convergys Corporation.

ALFRED W. ZOLLAR (Age 48)
Director since 2001

General Manager, eServer iSeries, IBM Corporation, which manufactures and sells computer services, hardware and software, since January 2003. Mr. Zollar previously had been General Manager, Lotus Software, which designs and develops business software and is a subsidiary of IBM Corporation, from 2000 to January 2003; General Manager, Network Computing Software Division, IBM Corporation, from 1998 to 2000; and General Manager, Network Software, IBM Corporation, from 1996 to 1998. Mr. Zollar also serves on the board of the Executive Leadership Council.

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SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the only person or entity known to us to be the beneficial owner of more than 5% of our outstanding common stock. The information below is as reported by that entity in statements filed with the Securities and Exchange Commission.

Name and Address	Amount and Nature of Beneficial Ownership of Common Stock(1)	Percent of Class(2)
AXA	16,074,307	9.4%

(1) Reflects ownership as of December 31, 2002 as reported on a Schedule 13G filed with the Securities and Exchange Commission jointly by AXA, located at 25, avenue Matignon, 75008 Paris, France; its subsidiary, AXA Financial, Inc., located at 1290 Avenue of the Americas, New York, NY 10104; and the following entities which, as a group, control AXA: AXA Conseil Vie Assurance Mutuelle; AXA Assurances I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle, each located at 370, rue Saint Honore, 75001 Paris, France; and AXA Courtage Assurance Mutuelle, located at 26, rue Louis le Grand, 75002 Paris, France. The voting and investment power of the various holders with respect to these shares is set forth in the Schedule 13G. These holders have certified that these shares of our common stock were acquired in the ordinary course of business and were not acquired for the purpose of, and do not have the effect of changing or influencing the control of Chubb and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

(2) Based upon 171,230,396 shares of our common stock outstanding as of March 10, 2003.

The following table sets forth certain information regarding the beneficial ownership of our common stock and common stock-based holdings by each of our directors and nominees for director, by each of our executive officers named in the Summary Compensation Table in this proxy statement and by our directors and executive officers as a group.

Name and Address(1)	Amount and Nature of Beneficial Ownership of Common Stock(2)	Deferral Plan(3)	Percent of Class(4)
Zoë Baird(5)	16,500	1,589	*
John C. Beck(6)	80,450	18,250	*
Sheila P. Burke(7)	24,265		*
James I. Cash, Jr.(8)	30,000		*
Joel J. Cohen(9)	97,247	14,009	*
James M. Cornelius(10)	31,000	2,277	*
John D. Finnegan	92,887		*
David H. Hoag(11)	36,634	1,594	*
Klaus J. Mangold(12)	4,100		*
Warren B. Rudman(13)	40,200	3,792	*
Sir David G. Scholey, CBE(14)	45,000	3,649	*
Raymond G. H. Seitz(15)	32,200	698	*
Lawrence M. Small(16)	65,634	5,198	*
Daniel E. Somers			*
Karen Hastie Williams(17)	8,100		*
James M. Zimmerman(18)	22,320	1,347	*
Alfred W. Zollar(19)	9,500		*

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Name and Address(1)	Amount and Nature of Beneficial Ownership of Common Stock(2)	Deferral Plan(3)	Percent of Class(4)
John J. Degnan(20)	533,278		*
Paul J. Krump(21)	89,111		*
Thomas F. Motamed(22)	511,540		*
Dean R. O Hare(23)	1,081,706		*
Michael O Reilly(24)	408,389		*
All directors and executive officers as a group(25)	3,602,837	52,403	2.1%

* Less than 1%.

(1) Unless otherwise indicated, the business address of each director and executive officer named in this table is c/o The Chubb Corporation, 15 Mountain View Road, Warren, New Jersey 07061-1615.

(2) Unless otherwise indicated, share amounts are as of March 10, 2003 and each person has sole voting and investment power with respect to the shares listed.

(3) Includes compensation allocated to the Market Value Account of the Deferred Compensation Plan for Directors (see Corporate Governance Directors Compensation in this proxy statement). The value of units allocated to this account is based upon the per share price of our common stock at December 31, 2002 of $52.20. These units are payable in shares of common stock following termination of service or a specified date but do not have current voting or investment power.

(4) Based upon 171,230,396 shares of our common stock outstanding as of March 10, 2003.

(5) Includes 16,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(6) Includes 20,850 shares held in accounts managed by Beck, Mack & Oliver LLC (for which Mr. Beck disclaims beneficial ownership), 1,000 shares held in a trust for Mr. Beck s benefit and 56,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non- Employee Directors.

(7) Includes 24,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(8) Includes 28,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(9) Includes 52,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors and 36,347 shares that may be purchased within 60 days pursuant to an outstanding special stock option grant.

(10) Includes 20,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(11) Includes 32,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors and 3,634 shares that may be purchased within 60 days pursuant to an outstanding special stock option grant.

(12) Includes 4,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(13) Includes 40,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(14) Includes 100 shares owned by a member of Sir David Scholey s family who lives in his home (for which Sir David Scholey disclaims beneficial ownership) and 44,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

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(15) Includes 32,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(16) Includes 52,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors and 3,634 shares that may be purchased within 60 days pursuant to an outstanding special stock option grant.

(17) Includes 8,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(18) Includes 20,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(19) Includes 8,000 shares that may be purchased within 60 days pursuant to The Chubb Corporation Stock Option Plans for Non-Employee Directors.

(20) Includes 471,914 shares which Mr. Degnan has the right to purchase within 60 days under The Chubb Corporation Long-Term Stock Incentive Plans, 3,748 shares in the Corporation Stock Fund of the Capital Accumulation Plan of The Chubb Corporation, Chubb & Son Inc. and Participating Affiliates and 2,627 shares that were allocated to Mr. Degnan pursuant to The Chubb Corporation Employee Stock Ownership Plan (the ESOP).

(21) Includes 67,907 shares which Mr. Krump has the right to purchase within 60 days under The Chubb Corporation Long-Term Stock Incentive Plans and 2,574 shares that were allocated to Mr. Krump pursuant to the ESOP.

(22) Includes 457,074 shares which Mr. Motamed has the right to purchase within 60 days under The Chubb Corporation Long-Term Stock Incentive Plans, 885 shares in the Corporation Stock Fund of the Capital Accumulation Plan of The Chubb Corporation, Chubb & Son Inc. and Participating Affiliates and 2,893 shares that were allocated to Mr. Motamed pursuant to the ESOP.

(23) Includes 708 shares held by members of Mr. O Hare s family who live in his home (for which Mr. O Hare disclaims beneficial ownership), 6,451 shares held by a family limited partnership (for which Mr. O Hare disclaims beneficial ownership), 921,213 shares which Mr. O Hare has the right to purchase within 60 days pursuant to The Chubb Corporation Long-Term Stock Incentive Plans and 2,799 shares that were allocated to Mr. O Hare pursuant to the ESOP.

(24) Includes 328,886 shares which Mr. O Reilly has the right to purchase within 60 days under The Chubb Corporation Long-Term Stock Incentive Plans and 3,560 shares that were allocated to Mr. O Reilly pursuant to the ESOP.

(25) Includes 3,200 shares which executive officers other than those listed in the table above disclaim beneficial ownership, 10,427 shares which were allocated to executive officers other than those listed in the table above pursuant to the ESOP and 224,945 shares which executive officers other than those listed in the table above have the right to purchase within 60 days under The Chubb Corporation Long-Term Stock Incentive Plans.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who beneficially own more than ten percent of our common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission.

Based solely upon a review of copies of such reports or written representations that all such reports were timely filed, we believe that each of our directors, executive officers and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements applicable to them during 2002, with the exception of Michael J. Marchio, an Executive Vice President of Chubb & Son, a division of Federal Insurance Company, who, due to an administrative error, failed to include in his initial Form 3 filed on December 12, 2002 a stock option grant for 2,444 shares of our common stock, which grant was reported on an amended Form 3 on February 3, 2003.

CERTAIN TRANSACTIONS

Transactions with Certain Shareholders

At December 31, 2002, AXA was the beneficial owner of more than 5% of our outstanding common stock. During 2002, our property and casualty insurance subsidiaries assumed reinsurance from a subsidiary of AXA, on which the subsidiaries earned a margin of $8.3 million. Our property and casualty insurance subsidiaries also ceded reinsurance to several AXA insurance subsidiaries during 2002 under various contracts.

Transactions with Directors, Executive Officers and their Associates

UBS AG of Switzerland, through its affiliated companies, provides certain securities transaction services to us and to our subsidiaries. Sir David G. Scholey, CBE is a Senior Advisor to UBS Warburg, the investment banking division of UBS AG of Switzerland. Lehman Brothers, through its affiliated companies, also provides certain securities transaction services to us and to our subsidiaries. Ambassador Raymond G. H. Seitz is a Vice Chairman of Lehman Bros. International (Europe), an affiliate of Lehman Brothers. We believe that our transactions with these firms are effected on terms as favorable to us and to our subsidiaries as could be obtained from other sources in view of the nature of the services rendered.

During 2002, certain of our subsidiaries engaged the services of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP, of which Warren B. Rudman was, through December 31, 2002, a partner, and has become of counsel. We intend to engage the firm for legal services in 2003.

In 2002, we made several donations to charitable organizations with which certain of our directors (or members of their immediate families) were affiliated. These donations are described in greater detail under Corporate Governance Director Independence in this proxy statement.

CORPORATE GOVERNANCE

Our management and board of directors have a strong commitment to effective corporate governance. Our board has reviewed and considered with management the governance-related provisions of the Sarbanes-Oxley Act of 2002, proposed and adopted rules of the Securities and Exchange Commission and proposed amendments to the listing standards of the New York Stock Exchange. In compliance with the rules that have been adopted and in anticipation of the adoption of the proposed rule changes, we amended the charter of our Audit Committee and amended our Corporate Governance Guidelines. We also adopted charters for our Corporate Governance & Nominating Committee and our Organization & Compensation Committee, and we adopted a Code of Ethics for CEO and Senior Financial Officers. We will further amend, if necessary, those documents to incorporate any changes made in the final rules and standards as they are eventually adopted.

A copy of the charter for each of our Audit Committee, Corporate Governance & Nominating Committee and Organization & Compensation Committee and a copy of our Corporate Governance Guidelines and our Code of Ethics for CEO and Senior Financial Officers are available on our Internet website at www.chubb.com/investors by clicking on Corporate Governance. Copies are also available upon request from our Corporate Secretary. Copies of our restated certificate of incorporation, and by-laws are also available on our Internet website and from our Corporate Secretary. Our Audit Committee Charter is attached to this proxy statement as Annex A.

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Director Independence

Our board of directors reviews each director s independence annually in accordance with the standards set forth in our Corporate Governance Guidelines. No member of the board of directors will be considered independent unless the board of directors determines that the director had no material relationship with us that would affect the director s independence.

Further, unless otherwise permitted by the New York Stock Exchange, to be independent, no director, or member of his or her immediate family, can have, in the past five years, been employed by us, been affiliated with or employed by a present or former auditor of Chubb or any of our affiliates or have been part of an interlocking directorate in which one of our executive officers serves on the compensation committee of another corporation that concurrently employs the director.

Because Chubb acts primarily as a holding company, our board believes that it is in the best interests of Chubb and its shareholders for its principal operating subsidiary, Federal Insurance Company, to have a majority of its directors meet the criteria for independence applicable to directors of Chubb, although not required by law or the New York Stock Exchange. As a result, for 2002, Chubb, as the sole shareholder of Federal Insurance Company, elected to its board of directors the members of the Chubb board, and persons who serve as members of committees of the Chubb board were appointed by the board of directors of Federal Insurance Company to serve on the same committees of the board of directors of Federal Insurance Company. The Chubb board believes that such board and committee responsibilities are consistent with the independence requirements applicable to service on the Chubb board and its committees and that simultaneous service on the Chubb board and on the board of directors of Federal Insurance Company and their respective committees enhances the effectiveness of such service.

In determining whether a director has had a material relationship with us, our Corporate Governance Guidelines have established three categorical standards. As long as a director has no relationships with Chubb other than those identified within the categorical standards noted below and other than service on the board and committees of the board of directors of Federal Insurance Company, a director will be considered independent. Relationships which are not within the categorical standards may, in the board s judgment, be deemed not to be material, and the director will be considered independent if, after taking into account all relevant facts and circumstances, the board determines that the existence of the relationship would not impair the director s independence. The three categorical standards are:

- Chubb has made no charitable contributions to any organization with which a director, or any member of a director s immediate family, is affiliated as an officer, director or trustee other than:
  - pursuant to our Matching Gifts Program on terms applicable to employees and directors; or
  - in amounts that do not exceed $25,000 per year.
- Chubb has no commercial relationship with an entity or organization in which a director, or any member of the director s immediate family, is an executive officer, partner, member, principal or holds a similar position, other than an entity or organization that does business with us and the annual sales to, or purchases from, us are less than one percent of our annual revenue and less than one percent of the annual revenue of the other entity or organization.
- Chubb has not issued any insurance or reinsurance policies or entered into other risk transfer arrangements to or with a director, any member of the director s immediate family or to an entity or organization in which a director, or any member of the director s immediate family, is an executive officer, partner, member, principal or holds a similar position, other than in connection with the issuance of insurance or reinsurance policies or other risk transfer arrangements entered into in the ordinary course of business on an arm s length basis.

Our board of directors reviewed director independence in 2002 based on the assessment of the Corporate Governance & Nominating Committee. During this review, the board of directors considered relationships and transactions during the year between each director, or any member of the director s immediate family, and us. As a result of its review, the board determined that none of our directors had any relationships with Chubb other than relationships that were within the categorical standards set by the board, with the exception of Mr. Finnegan, who is an employee, and the following:

a contribution of $40,000 was made to the Folger Shakespeare Library. Ms. Williams is a trustee of the Folger Shakespeare Library.

a contribution of $60,000 was made to the Institute for Civil Justice, a part of RAND Corporation. We have been a long time supporter of the Institute. During 2002, Ambassador Seitz became an advisor to RAND Europe, which is also a subsidiary of RAND.

the third annual installment, in the amount of $80,000, of an $800,000 pledge we made in February 2000 to the Friends of the National Zoo (which pledge is to be paid in ten equal annual installments commencing in 2000). The National Zoo is a part of the Smithsonian Institution. Mr. Small is Secretary of the Smithsonian Institution and Ms. Burke is Under Secretary for American Museums and National Programs of the Smithsonian Institution. Ms. Williams husband is a Regent of the Smithsonian Institution.

The board of directors determined that none of these relationship impaired the independence of any director and that all of the directors, other than Mr. Finnegan, are independent.

Meetings of the Board and Board Committees

In 2002, there were seven meetings of our board of directors. All of the incumbent directors attended at least 75% of the regularly scheduled meetings of the board and meetings of the committees on which he or she served. Taking into account three additional meetings not on the original board and committee schedules, Mr. Mangold attended 71% of the aggregate of all meetings of the board. Mr. Mangold does not serve on any committees.

The board of directors has, among other committees, an Audit Committee, an Organization & Compensation Committee and a Corporate Governance & Nominating Committee. A summary of each of these committee s functions and responsibilities follows.

Audit Committee

The Audit Committee is composed of Messrs. Cohen (Chairman), Cash, Cornelius and Zollar, and Mses. Burke and Williams. Ms. Baird was a member of the Audit Committee until July 1, 2002. In accordance with our Audit Committee Charter and the listing standards of the New York Stock Exchange, each of the Audit Committee members is independent. In addition, the board has designated Mr. Cornelius as the audit committee financial expert (as defined in recently adopted Securities and Exchange Commission rules) on the Audit Committee. In 2002, the Audit Committee met five times.

The Audit Committee is directly responsible for the appointment, compensation and retention (or termination) of the independent auditors. The Audit Committee is also responsible for the oversight of the quality and integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications and independence of our independent auditors, the performance of our internal audit function and independent auditors and other significant financial matters. The Audit Committee Report for 2002 is set forth in this proxy statement.

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Corporate Governance & Nominating Committee

The Corporate Governance & Nominating Committee is composed of Messrs. Hoag (Chairman), Cash, Cohen and Rudman and Ms. Baird, all of whom are independent directors. Ms. Baird became a member of the committee on July 1, 2002. In 2002, the Corporate Governance & Nominating Committee met one time. The committee assists the board in identifying individuals qualified to become members of the board and oversees the annual evaluation of the board and each committee. As provided in the committee s new charter, the committee also makes recommendations to the board on a variety of corporate governance and nominating matters, including recommending standards of independence, director nominees, appointments to committees of the board, designees for chairmen of the committees and corporate governance guidelines.

The committee will consider shareholder recommendations for director nominees, so long as the recommendations are submitted to us in accordance with the applicable requirements and procedures set forth in our by-laws. For additional information on this process, see 2004 Shareholder Proposals and Nominations in this proxy statement. Shareholders can also write to Henry G. Gulick, Vice President and Secretary, The Chubb Corporation, 15 Mountain View Road, P.O. Box 1615, Warren, New Jersey 07061-1615 for further information.

Organization & Compensation Committee

The Organization & Compensation Committee is composed of Messrs. Small (Chairman), Cornelius, Hoag, Rudman and Zimmerman, all of whom are independent directors. No officer of Chubb or any of its subsidiaries may serve on the Organization & Compensation Committee. In 2002, the Organization & Compensation Committee met four times. The committee discharges the board s responsibilities relating to compensation of our executives. The committee s primary responsibilities include establishing our general compensation policies and overseeing the development and implementation of compensation and benefit programs. The committee also evaluates the performance and sets the compensation of our chief executive officer. In addition, the committee determines the form and amount of compensation for the non-management directors of the board, subject to review by the Corporate Governance & Nominating Committee and approval by the board. The committee s duties also include administering several of our incentive compensation and stock option plans. The Organization & Compensation Committee Report for 2002 is set forth in this proxy statement.

Compensation Committee Interlocks and Insider Participation

No member of the Organization & Compensation Committee is a current or former officer or employee of Chubb or any of our subsidiaries. There were no committee interlocks with other companies during 2002 within the meaning of the Securities and Exchange Commission s proxy rules.

Directors Compensation

All of our directors are also directors of our principal insurance company subsidiary, Federal Insurance Company (Federal). It is the practice of our board of directors to hold concurrent meetings with the board of directors of Federal. In 2002, directors received the following cash compensation:

Annual Director Stipend	$35,000
Fee Per Board and Committee Meeting	$ 1,500
Annual Stipend Per Committee	$ 7,500
Audit Committee and Organization & Compensation Committee Chairman s Stipend (in lieu of regular committee stipend)	$15,000

On April 30, 2002, Mr. O Hare announced that he would be retiring as our Chairman, Chief Executive Officer and a director. A search committee of the board of directors was established in connection with a search for a new chief executive officer to replace Mr. O Hare. The search committee was composed of

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Messrs. Hoag (Chairman), Cohen, O Hare, Rudman, Small and Zimmerman and Ms. Burke. The search committee met eight times in 2002. Each search committee member (other than Mr. O Hare) received a fee of $5,000 for each search committee meeting he or she attended. In addition, prior to April 30, 2002, members of the board (other than Mr. Mangold) devoted time to Chubb as a special assignment in connection with the announcement of Mr. O Hare s plan to retire. In consideration of such efforts, the participating directors (other than Mr. O Hare) received payments for their services ranging from $1,500 to $12,000.

In 2002, Mr. O Hare received meeting fees for attendance at directors meetings only and did not receive stipends or fees for committee meetings.

Under our Deferred Compensation Plan for Directors, directors who are not officers or employees of us or any subsidiary may defer receipt of all or a portion of their cash compensation. The amounts are payable at the option of the director either upon the director s termination of service, or at a specified date chosen by the director. This Plan provides that amounts deferred may be invested in:

a cash account which earns interest at the prime rate;

a market value account with units based on the market value of our common stock; or

a shareholder s equity account with units based on the book value of our common stock.

The board of directors has adopted guidelines suggesting that eligible non-employee directors voluntarily defer 50% of all stipends into the market value account. A participant may elect to receive the compensation deferred in either a lump sum or in annual installments. All amounts are paid in cash except for the market value account which is paid in shares of our common stock. At March 10, 2003, deferred compensation accounts were maintained for ten directors, of which eight directors are currently deferring compensation pursuant to this Plan. For 2002, directors deferred an aggregate of $398,500 of compensation.

At December 31, 2002, the aggregate account values reflecting directors deferrals and earnings on such deferrals were as follows:

Cash Account	$ 43,331
Market Value Account	$2,735,407
Shareholder s Equity Account	$ 196,154

During 2002, Messrs. Hoag, Seitz and Small recognized imputed income of $575, $1,613 and $142, respectively, in connection with life insurance policies purchased in prior years under our Estate Enhancement Program. The cost of the life insurance policies to us will not exceed the after-tax cost we expect to incur in connection with the payment of previously deferred amounts under the Deferred Compensation Plan for Directors.

As members of The Chubb Corporation International Advisory Board in 2002, Messrs. O Hare, Scholey, Seitz and Mangold received meeting fees of $5,000 each and Mr. Mangold received an annual stipend of $10,000. In March 2003, the board of directors discontinued the International Advisory Board.

Non-Employee Director Stock Options

The Chubb Corporation Stock Option Plan for Non-Employee Directors was originally adopted by the board of directors and approved by shareholders in 1988. The most recent version of the plan was approved by shareholders in 2001.

The plan is administered by our board of directors. Only eligible directors, as defined in the plan, may receive options under the plan. There are currently 15 eligible directors participating in the plan. Annually, eligible directors are each granted an option to purchase 4,000 shares of our common stock. If, within seven years of grant, a participant exercises his or her options using shares of previously owned common stock, the

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participant will, subject to certain specified conditions (including the requirement that the fair market value of each share be at least 125% of the exercise price of the original option), be granted new options to purchase shares of common stock in an amount equal to the number of shares delivered upon exercise. These replacement options are subject to the same terms and conditions as other options granted under the plan. The exercise price per share of common stock subject to a replacement option is equal to the fair market value per share of common stock on the day the option is granted.

Options granted under the plan are non-statutory options. The options are exercisable in whole or in part at all times beginning on the date of grant until terminated and, with the approval of the board of directors, may be transferred to certain members of the optionee s immediate family. All outstanding options held by an optionee are automatically canceled upon termination of the optionee s service as an eligible director, except for terminations due to retirement and under certain other specified circumstances. In the case of certain mergers, consolidations or combinations of Chubb with or into other corporations, or the sale of all or substantially all of Chubb s assets, or in the event of a change of control, as defined in the plan, the holder of each option will have, unless the board of directors determines otherwise, the right to receive on the date or effective date of such event a cash payment in exchange for their outstanding options.

In recognition of his efforts as lead director and, in particular, activities related to our recent chief executive officer transition, on December 5, 2002, the board granted Mr. Cohen a special stock option to purchase 36,347 shares of common stock. In addition, for their respective work as Chairmen of the CEO Search Committee and of the Organization & Compensation Committee, in connection with the chief executive officer s transition, on December 5, 2002, the board of directors granted to each of Messrs. Hoag and Small a special stock option to purchase 3,634 shares of common stock. These option grants were made outside of the Stock Option Plan for Non-Employee Directors. The terms of the options are the same as options granted under that plan, except the special stock options have a ten year term. In addition, the board reduced the aggregate number of shares available for future issuance under that plan by 43,615, the number of shares issuable upon exercise of the special stock option grants.

Director s Charitable Award Program

Effective January 1, 1992, we established the Director s Charitable Award Program. Under the program, which is administered by the Organization & Compensation Committee, each non-employee director following his or her first election to the board of directors by shareholders may recommend that we direct one or more charitable contributions totaling $500,000 to eligible tax exempt organizations.

Generally, eligible directors are paired, and contributions are made to the organizations selected by a director upon the death of the second paired director. At March 10, 2003, 13 directors were participating in the program. The program may be funded by us through, among other things, the purchase of life insurance policies on the lives of the directors.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following Summary Compensation Table sets forth information on compensation earned by or paid to John D. Finnegan (Chubb s President and Chief Executive Officer commencing December 1, 2002), Dean R. O Hare (Chubb s Chairman and Chief Executive Officer until December 1, 2002) and each of Chubb s four most highly compensated executive officers other than the Chief Executive Officer (with Messrs. Finnegan and O Hare, the named executive officers) during each of the past three fiscal years.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary(1)	Bonus(2)	Other Annual Compensation(3)	Restricted Stock Awards(4)(5)	Securities Underlying Options/ SARs(6)	LTIP Payouts(7)	All Other Compen-sation(8)
John D. Finnegan President and CEO	2002	$ 100,000	$ 125,000		$3,599,973	620,647	$ 0	$ 0
Dean R. O Hare Chairman and CEO	2002	$ 964,001	$1,153,000	$65,712	$ 221,040	257,070	$450,047	$162,263
	2001	1,012,501	0		0	273,758	459,468	182,375
	2000	1,004,751	800,000		0	449,862	0	189,486
Thomas F. Motamed Vice Chairman	2002	$ 512,501	$ 446,000		$1,221,015	110,172	$267,228	$ 43,071
	2001	421,876	0		0	113,414	272,763	84,542
	2000	389,584	400,000		0	180,853	0	84,025
John J. Degnan Vice Chairman	2002	$ 452,501	$ 379,000		$ 720,998	99,156	$253,137	$ 37,275
	2001	408,752	0		0	100,702	258,469	76,885
	2000	395,835	350,000		0	154,004	0	78,611
Michael O Reilly Vice Chairman	2002	$ 442,501	$ 379,000		$ 720,998	91,810	$239,046	$ 36,458
	2001	398,893	0		0	94,836	229,734	75,895
	2000	386,035	350,000		0	136,990	0	74,048
Paul J. Krump Executive Vice President	2002	$ 300,542	$ 335,000		$ 0	7,841	$ 98,455	$ 24,371
	2001	266,667	0		199,350	8,672	77,511	39,767
	2000	222,709	136,000		199,982	10,879	0	36,373

(1) Amount reported for Mr. Finnegan in 2002 represents a pro-rated portion of his annual salary for the one month of 2002 during which he served as President and CEO. Amount reported for Mr. O Hare in 2002 represents a pro-rated portion of his annual salary for the 11 months of 2002 during which he served as Chairman and CEO, and the amounts reported for Mr. O Hare for each of 2002, 2001 and 2000 include director fees of $14,000, $12,500 and $11,000, respectively.

(2) Amounts reported for Messrs. O Hare, Motamed, Degnan, O Reilly and Krump in 2000 and for Mr. O Hare in 2002 were paid under the Annual Incentive Compensation Plan (including certain amounts that were deferred at the election of certain of those executives). Amounts reported for Messrs. Finnegan, Motamed, Degnan, O Reilly and Krump in 2002 were paid outside of the Annual Incentive Compensation Plan (including certain amounts that were deferred at the election of certain of those executives).

(3) Amount reported for Mr. O Hare in 2002 includes costs of $53,702 attributable to his personal use of the corporate jet and costs of other perquisites and personal benefits not exceeding 25% of the total amount of perquisites and personal benefits reported.

(4) The value of the restricted stock awards included in this column are based on the per share price of our common stock on the date of grant. The total number and value (based on the per share price of our

common stock at December 31, 2002 of $52.20) of outstanding nonvested restricted stock award balances as of December 31, 2002 were as follows:

Named Executive Officer	No. of Shares	12/31/02 Market Value
John D. Finnegan	61,617	$3,216,407
Dean R. O Hare	3,000	156,600
Thomas F. Motamed	20,117	1,050,107
John J. Degnan	11,558	603,328
Michael O Reilly	11,558	603,328
Paul J. Krump	7,169	374,222

The restrictions on Mr. Finnegan s restricted stock balance will lapse as to 30,809 shares on December 1, 2003 and as to 30,808 shares on December 1, 2004. The restrictions on the restricted stock balances for each of Messrs. O Hare, Motamed, Degnan and O Reilly lapsed as to 1,000 shares on March 7, 2003 and will lapse as to 1,000 shares on each of March 7, 2004 and 2005, and as to the remaining shares, if any, on November 29, 2007. The restrictions on Mr. Krump s restricted stock balance will lapse on the fifth anniversary of the applicable date of grant. Dividends are paid on restricted stock.

(5) For the purposes of the Securities and Exchange Commission s compensation reporting rules, outstanding performance share awards are treated as equivalent to restricted stock units. Performance share awards that we granted in any given year remain subject to performance-based conditions on vesting for a three-year period; accordingly, the value of such performance share awards is included in the column titled LTIP Payouts upon settlement of such performance shares (see Note 7), rather than in this column when granted. The performance share awards granted in 2000 related to the three-year period ended December 31, 2002, and the value of payments made in settlement of such awards are listed in the LTIP Payouts column for 2002. The performance share awards granted in 2001 and 2002 relate to the three-year periods ending December 31, 2003 and December 31, 2004, respectively, and the value of such awards will be included in the LTIP Payouts column if and when such awards vest and payment is made in respect thereof. The total number and value (based on the per share price of our common stock at December 31, 2002 of $52.20) of performance shares outstanding for the three-year periods ending December 31, 2003 and December 31, 2004 are as follows:

Named Executive Officer	No. of Shares	12/31/02 Market Value
John D. Finnegan	0	$ 0
Dean R. O Hare	55,372	2,890,418
Thomas F. Motamed	22,148	1,156,126
John J. Degnan	19,732	1,030,010
Michael O Reilly	18,688	975,514
Paul J. Krump	5,863	306,049

(6) Amounts reported include options granted in such years (including restoration options) under the Long-Term Stock Incentive Plans. See Options/ SAR Grants table below for more information on the 2002 grants.

(7) Amounts reported represent payments made in settlement of performance share awards for Messrs. O Hare, Motamed, Degnan, O Reilly and Krump for the three-year periods ended December 31, 2000, 2001 and 2002. The Organization & Compensation Committee administers the grant and settlement of performance share awards. For the three-year performance periods ended December 31, 2001 and 2002, the Committee eliminated the effect of after-tax costs related to the September 11, 2001 terrorist attack in calculating whether the performance target was met. For the three-year performance period ended December 31, 2001, the Committee also lowered the performance threshold necessary to

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provide such awards and proportionately lowered the values of payments made in settlement of such awards. For the three-year performance period ended December 31, 2002, the Committee excluded a pre-tax charge relating to an increase in asbestos reserves taken in 2002 in calculating whether the performance target was met. For additional information about the payments made in settlement of performance share awards for the three-year period ended December 31, 2002, see the Organization & Compensation Committee Report in this proxy statement.

(8) Amounts reported include allocations for 2002, 2001 and 2000 under the qualified Capital Accumulation Plan and the Capital Accumulation Excess Benefit Plan of: $37,667, $72,000 and $71,750 for Mr. O Hare; $20,500, $32,875 and $31,583 for Mr. Motamed; $17,467, $30,350 and $29,833 for Mr. Degnan; $17,100, $29,956 and $28,041 for Mr. O Reilly; and $11,464, $16,107 and $13,344 for Mr. Krump. Amounts reported also include allocations for 2002, 2001 and 2000 under the ESOP qualified plan and the ESOP excess plan of: $43,166, $110,375 and $117,736 for Mr. O Hare; $22,451, $50,423 and $51,377 for Mr. Motamed; $19,808, $46,535 and $48,778 for Mr. Degnan; $19,358, $45,939 and $46,007 for Mr. O Reilly; and $12,907, $23,660 and $23,029 for Mr. Krump. Amounts reported for Mr. O Hare in 2002 include $64,613 of vacation pay and $16,817 of consulting fees earned under his consulting arrangement with us. Amounts reported for Mr. Motamed in 2002, 2001 and 2000 include allocations of $120, $1,244 and $1,065, respectively, which represent amounts imputed as income in connection with our payment in 1999 of a premium on a life insurance policy on the lives of Mr. Motamed and his spouse in exchange for the relinquishing by Mr. Motamed of the right to receive under the Pension Program a lump sum amount equal to $300,000 plus interest in accordance with his participation in our Estate Enhancement Program.

Option/ SAR Grants in 2002

The following table is a summary of all Chubb stock options and stock appreciation rights granted to the named executive officers during 2002. Individual grants are listed separately for each named executive officer. In addition, this table shows the potential gain that could be realized if the fair market value of our common stock were to appreciate at either a five or ten percent annual rate over the period of the option term.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
Name	Number of Securities Underlying Options/SARs Granted(1)	% of Total Options/SARs Granted to Employees in Fiscal Year(2)	Exercise or Base Price Per Share	Expiration Date	5%	10%
John D. Finnegan	384,538	8.8%	$58.43	December 2, 2012	$14,129,145	$35,806,026
	236,109*	5.4%	73.03	December 2, 2007	362,534	4,973,104
Dean R. O Hare(4)	128,535	2.9%	73.68	March 7, 2012	5,955,921	15,093,472
	128,535*	2.9%	92.10	March 7, 2007	248,898	3,414,195
Thomas F. Motamed	55,086	1.3%	73.68	March 7, 2012	2,552,518	6,468,581
	55,086*	1.3%	92.10	March 7, 2007	106,670	1,463,215
John J. Degnan	49,578	1.1%	73.68	March 7, 2012	2,297,294	5,821,793
	49,578*	1.1%	92.10	March 7, 2007	96,004	1,316,910
Michael O Reilly	45,905	1.1%	73.68	March 7, 2012	2,127,098	5,390,484
	45,905*	1.1%	92.10	March 7, 2007	88,892	1,219,346
Paul J. Krump	7,841	0.2%	73.68	March 7, 2012	363,328	920,745

* Premium-priced options

(1) The number of shares for each person represents a stock option granted under the Long-Term Stock Incentive Plan without a related stock appreciation right. Mr. Finnegan s stock options will vest and become exercisable as follows: (a) of the options that expire on December 2, 2012, options to purchase 250,920 shares will vest and become exercisable in three equal annual installments of 83,640 shares on

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December 2, 2003, December 2, 2004 and December 1, 2005, respectively; and (b) all other options will vest and become exercisable in two equal annual installments with 50% vesting on December 2, 2003 and the remaining 50% vesting on December 2, 2004. For each of the other named executive officers, 50% of their options vested and became exercisable on March 7, 2003 and the remaining 50% will vest and become exercisable on March 7, 2004. The exercise price for each stock option expiring on March 7, 2012 and December 2, 2012 is equal to the fair market value of our common stock on the date of grant. The per share exercise price for each stock option expiring March 7, 2007 and December 2, 2007 is 25% higher than the fair market value per share of common stock on the date of grant. After they become exercisable, all options are transferable to certain members of the optionee s immediate family. There is an option restoration feature with each option expiring March 7, 2012 and December 2, 2012, which provides that the optionee can receive a separate option grant when previously owned shares are exchanged in a stock-for-stock exercise on or before March 7, 2009 and December 2, 2009, respectively, if the market price on date of exercise is at least 25% higher than the exercise price. The restoration option will be a non-statutory option, the number of option shares will equal the number of exchanged shares used to exercise the original option, the exercise price will be the fair market value on the grant date of the restoration option, the term will be for the length of time remaining in the original option and the restoration option will be immediately exercisable. The restoration feature does not apply to options transferred by the optionee.

(2) Based on total grants in 2002 of options to purchase 4,358,040 shares.

(3) The assumed 5% and 10% annual rates of stock price appreciation used in the table are prescribed by the proxy rules and are not intended to forecast possible future appreciation in the price of our common stock.

(4) Effective March 6, 2003, all of the options granted to Mr. O Hare in 2002 were extinguished in accordance with the terms of his retirement agreement. For a description of Mr. O Hare s retirement agreement, see Executive Compensation Employment and Change in Control Agreements in this proxy statement.

Aggregated Option/ SAR Exercises in 2002 and Option/ SAR Values on December 31, 2002

The following table shows Chubb stock options and stock appreciation rights that were exercised during 2002 and the number of shares and the value of grants outstanding as of December 31, 2002 for each named executive officer.

			Number of Securities Underlying Unexercised Options/SARs at FY-End	Value of Unexercised In-the-Money Options/SARs at FY-End(1)
Name	Shares Acquired on Exercise	Value Realized	Exercisable/ Unexercisable	Exercisable/ Unexercisable
John D. Finnegan			0/620,647	$ 0/$0
Dean R. O Hare	357,730	$ 10,261,463	921,213/257,070(2)	235,208/ 0
Thomas F. Motamed	1,914	62,375	345,280/166,880	395,368/ 0
John J. Degnan	13,056	483,607	371,984/149,508	540,658/ 0
Michael O Reilly	112,479	3,416,352	235,564/139,228	99,839/ 0
Paul J. Krump			59,651/16,037	123,743/ 0

(1) Based on the per share price of our common stock at December 31, 2002 of $52.20.

(2) Effective March 6, 2003, all unexercisable options for Mr. O Hare were extinguished in accordance with the terms of his retirement agreement. For a description of Mr. O Hare s retirement agreement, see Executive Compensation Employment and Change in Control Agreements in this proxy statement.

Long-Term Executive Incentive Plan Awards in 2002

Name	Number of Shares, Units or other Rights(1)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans (Units)		
			Threshold	Target	Maximum
John D. Finnegan					
Dean R. O Hare	27,144	2002-2004	13,572	27,144	40,716
Thomas F. Motamed	10,857	2002-2004	5,429	10,857	16,286
John J. Degnan	9,500	2002-2004	4,750	9,500	14,250
Michael O Reilly	9,161	2002-2004	4,581	9,161	13,742
Paul J. Krump	3,393	2002-2004	1,697	3,393	5,090

(1) Amounts reported represent performance share awards granted under our Long-Term Stock Incentive Plan in 2002 with respect to the three-year performance cycle ending December 31, 2004. The number of shares earned is dependent on the achievement of a specified earnings per share target established by the Organization & Compensation Committee for the three-year period. Settlement of the awards may be in shares or cash or a combination of both at the discretion of the Organization & Compensation Committee.

Pension Program

Our eligible employees and certain eligible employees of our subsidiaries participate in the Pension Plan of The Chubb Corporation, Chubb & Son Inc. and Participating Affiliates. As in effect during 2002, the Pension Plan provides to each eligible employee annual retirement income beginning at age 65 equal to the product of (x) the total number of years of participation in the Pension Plan and (y) the difference between (i) 1 3/4% of average compensation for the five years in the last ten years of participation prior to retirement during which the employee was most highly paid (final average earnings) and (ii) an amount related to the employee s primary social security benefit.

Effective January 1, 2001, a cash balance benefit was added to the Pension Plan. Participants who participated in the Pension Plan prior to January 1, 2001 (including Messrs. O Hare, Motamed, Degnan, O Reilly and Krump) will receive a benefit under the Pension Plan equal to the greater of the pension benefit described in the preceding paragraph or the amount calculated under the cash balance formula. Because the amount of the pension benefit described in the preceding paragraph will be greater than the amount calculated under the cash balance formula for Messrs. O Hare, Motamed, Degnan, O Reilly and Krump for the foreseeable future, it is likely that none of these individuals will receive a benefit under the Pension Plan based on the cash balance formula.

The Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code, impose maximum limitations on the annual amount of a pension which may be paid under a funded defined benefit plan such as the Pension Plan. The Pension Plan complies with these limitations. The board of directors adopted, effective as of January 1, 1976, an unfunded benefit equalization plan of the type permitted by ERISA, which will provide annual payments to persons who are participants under the Pension Plan and their beneficiaries. Such payments will be equal to the difference between (a) the benefits which would be payable to such persons under the Pension Plan, without taking into consideration the limitations imposed by ERISA and the Internal Revenue Code, and (b) the maximum annual benefits to which those persons are entitled under the Pension Plan by reason of such limitations.

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The following table shows the estimated annual benefits payable upon retirement to persons in specified remuneration and years-of-service classifications under the Pension Plan and the unfunded benefit equalization plan (referred to collectively as the Pension Program).

Estimated Annual Retirement Benefits Payable at Age 65

Straight Life Annuity Basis

	Years of Credited Service						
Final Average Earnings	**5**	**10**	**20**	**30**	**35**	**40**	**45**
$ 100,000	$ 8,750	$ 17,500	$ 35,000	$ 52,500	$ 61,250	$ 70,000	$ 78,750
200,000	17,500	35,000	70,000	105,000	122,500	140,000	157,500
400,000	35,000	70,000	140,000	210,000	245,000	280,000	315,000
600,000	52,500	105,000	210,000	315,000	367,500	420,000	472,500
800,000	70,000	140,000	280,000	420,000	490,000	560,000	630,000
1,000,000	87,500	175,000	350,000	525,000	612,500	700,000	787,500
1,300,000	113,750	227,500	455,000	682,500	796,250	910,000	1,023,750
1,600,000	140,000	280,000	560,000	840,000	980,000	1,120,000	1,260,000
1,800,000	157,500	315,000	630,000	945,000	1,102,500	1,260,000	1,417,500
2,000,000	175,000	350,000	700,000	1,050,000	1,225,000	1,400,000	1,575,000
2,200,000	192,500	385,000	770,000	1,155,000	1,347,500	1,540,000	1,732,500
2,400,000	210,000	420,000	840,000	1,260,000	1,470,000	1,680,000	1,890,000
2,600,000	227,500	455,000	910,000	1,365,000	1,592,500	1,820,000	2,047,500
2,800,000	245,000	490,000	980,000	1,470,000	1,715,000	1,960,000	2,205,000
3,000,000	262,500	525,000	1,050,000	1,575,000	1,837,500	2,100,000	2,362,500

Remuneration covered by the Pension Program includes salary (including salary contributed to the Capital Accumulation Plan of The Chubb Corporation, Chubb & Son Inc. and Participating Affiliates), overtime and awards under The Chubb Corporation Annual Incentive Compensation Plans, the Investment Department Incentive Plan and the Profit Sharing Plan (1987) in the year paid rather than the year earned.

The retirement benefits shown assume retirement as of December 31, 2002 at age 65 and computed on the basis of straight life annuity benefits. The benefits shown in the table are subject to an offset of an amount related to the primary social security benefits in an amount approved by the Internal Revenue Service in effect at the time of retirement.

Messrs. Degnan, Motamed, O Reilly and Krump have, for the purposes of the Pension Program, 11, 24.5, 32 and 19.5 years of credited service, respectively, and their 2002 remuneration for purposes of the Pension Program was $452,501, $512,501, $442,501 and $300,542, respectively. In 1999, Mr. Motamed relinquished the right to receive under the Pension Program a lump sum amount equal to $300,000 plus interest in accordance with his participation in our Estate Enhancement Program.

When Mr. O Hare retired in 2002, he had 38.5 years of credited service under the Pension Program, and his 2002 remuneration for purposes of the Pension Program was $950,001. Under his retirement agreement, Mr. O Hare s pension was calculated by adding five years to (1) his years of credited service (thereby increasing it to 43.5), and (2) his age for purposes of determining the early retirement reduction under the Pension Program. This pension enhancement was approved by the board of directors in recognition of Mr. O Hare s many years of valued service to us. In connection with receiving the pension enhancement, Mr. O Hare forfeited his rights to options to purchase 257,070 shares of our common stock in accordance with the terms of his retirement agreement. For a description of Mr. O Hare s retirement agreement, see Executive Compensation Employment and Change in Control Agreements in this proxy statement.

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Mr. Finnegan commenced his employment with us in 2002 and, therefore, does not yet have any accrued years of service for purposes of the Pension Program. Mr. Finnegan s estimated pension payable at age 65, reflecting his annual base salary of $1,200,000 and target awards under The Chubb Corporation Annual Incentive Compensation Plans, is $1,620,000 per year. Mr. Finnegan is also entitled to receive supplemental pension benefits under his employment agreement.

Employment and Change in Control Agreements

Mr. Finnegan

Mr. Finnegan entered into an employment agreement with us, effective December 1, 2002. The agreement has an initial term of three years. The agreement provides Mr. Finnegan with an annual base salary of $1,200,000, subject to annual increases as we determine. He is also eligible to receive annual cash bonuses of between 125% and 250% of his annual base salary based upon performance targets established by our Organization & Compensation Committee. He will receive an annual supplemental pension benefit equal to 6% of his final average compensation for each year of employment up to a maximum of 60% of his final average compensation, subject to certain offsets. He is also eligible to participate in all retirement plans and health and welfare, perquisite, fringe benefit and other arrangements generally available to other senior executives.

Mr. Finnegan received payments in the form of cash, stock options and restricted stock grants, as described in the Organization & Compensation Committee Report in this proxy statement, to compensate him for the loss of cash and stock incentive payouts forfeited as a result of leaving his previous employer.

Mr. Finnegan received stock option grants as part of the target compensation established for our chief executive officer as described in the Organization & Compensation Committee Report in this proxy statement. He will also be eligible to receive in 2003 at the same time as other senior executives receive grants for the 2003-2005 performance cycle, a performance share award with respect to shares of our common stock having a target value of $1,800,000 at the date of grant.

If Mr. Finnegan s employment is terminated by us, except for cause, death or disability, or if he resigns for a good reason (as defined in his agreement), or if we do not renew his employment agreement beyond its initial three year term, he would be eligible to receive: (1) a cash payment equal to the sum of his annual base salary and any accrued vacation pay through the date of termination, outstanding reimbursable business expenses and the annual cash bonus for the previous year (if not previously paid); (2) a pro-rated annual cash bonus for the year of his termination; and (3) an additional payment equal to up to 2.5 times (that multiple being subject to reduction under certain circumstances) the sum of his annual base salary and the average of his annual cash bonuses paid in the preceding three years. In addition, any stock options, restricted stock, performance shares and any other stock-based long term incentive compensation awards held by Mr. Finnegan would vest and his stock options would continue to be exercisable until the earlier of the fifth anniversary of the date of termination of employment or the expiration of the option term.

If Mr. Finnegan s employment is terminated for cause or if he resigns other than for good reason or provides us with a notice that he does not wish to renew his employment agreement, we will have no other obligations to him except to provide a cash payment equal to his annual base salary and any accrued vacation pay through the date of termination, any benefits or amounts which he is eligible to receive under our retirement and benefit plans up to the date of termination and, if termination occurs after December 1, 2005, retiree health benefits. If Mr. Finnegan s employment terminates because of his death or disability, we will have no other obligations except to provide his beneficiaries with the same compensation as if his employment was terminated for cause, plus a cash payment consisting of the prior year s annual cash bonus (if not previously paid) and a pro-rata annual cash bonus for the year in which his employment was terminated.

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Additionally, the employment agreement provides Mr. Finnegan with indemnification under our restated certificate of incorporation and by-laws and coverage under directors and officers insurance policies, and also addresses other matters such as confidentiality, non-competition and non-solicitation.

The employment agreement provides that Mr. Finnegan will receive the change in control benefits provided to our senior executives generally and an additional payment to compensate him for any excise tax assessed against his change in control payments. However, Mr. Finnegan will not receive severance pay or benefits under his employment agreement if those payments and benefits are paid under the change in control agreement he has with us. The change in control agreement is described below.

Mr. Finnegan s change in control agreement provides generally that his terms and conditions of employment (including position, location, and benefits) would not be adversely changed during the three-year period after a change in control. If a change in control occurs and we terminate Mr. Finnegan s employment (other than for cause, death or disability) or if Mr. Finnegan resigns for good reason during the three-year period following a change in control (or upon his termination as a result of certain events in connection with or in anticipation of a change in control), Mr. Finnegan would be generally entitled to receive: (1) a cash payment equal to the sum of his annual base salary and any accrued vacation pay through the date of termination, outstanding reimbursable business expenses and the annual cash bonus for the previous year (if not previously paid); (2) a pro rata bonus through the date of termination for the year in which the termination of employment occurs; (3) three times his annual base salary and highest annual bonus (as defined in the agreement); and (4) continued benefits under our welfare benefit plans and programs for three years and the value of benefits he would have accrued under our qualified and supplemental pension plans if he had continued to be employed for an additional three years. In addition, any stock options, restricted stock, performance shares and any other stock-based long term incentive compensation awards held by Mr. Finnegan would vest and his stock options would continue to be exercisable until the earlier of the fifth anniversary of the date of termination of his employment or the expiration of the option term.

In general, a change in control is one or more of the following events: (1) certain changes are made to the composition of the board; (2) any person acquires 20% or more of our outstanding common stock; (3) a merger, sale of all or substantially all of our assets or similar transaction; or (4) if we are completely liquidated or dissolved.

The change in control agreement provides for confidentiality, non-competition and non-solicitation on the part of Mr. Finnegan.

Mr. O Hare

In connection with his retirement effective December 1, 2002, we entered into a retirement agreement with Mr. O Hare. Under the agreement, Mr. O Hare is eligible to receive: (1) an annual cash bonus for 2002 equal to the average percentage of target bonuses paid to those executive officers named in the Summary Compensation Table in this proxy statement who reported to Mr. O Hare in 2002, but pro-rated to reflect Mr. O Hare s actual period of employment during 2002; (2) a supplementary pension payment equal to the lump sum actuarial equivalent of adding five additional years of service and age to the pension program s benefit formula; (3) his vested benefits and amounts under retirement and benefit plans in which he participated in accordance with the plans terms; (4) annual financial counseling benefits not to exceed $10,500 during the three years following retirement; and (5) continued directors and officers insurance coverage and indemnification for events that occurred while he served as a one of our directors or officers. In addition, Mr. O Hare can participate in any retiree medical and group life insurance plans maintained generally for employees and in which he is eligible to participate.

The agreement also provides that his stock options (subject to certain offsets), restricted shares and performance share awards continue to vest, remain exercisable and/or settle, as applicable according to the terms of each respective agreement as if he remained employed by us. Effective March 6, 2003, in accordance with the terms of the agreement, all of Mr. O Hare s stock options which were not vested on

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December 1, 2002 were extinguished because the value of his supplementary pension benefit (as determined by an independent consulting firm) exceeded the value of his unvested stock options (as determined using the Black-Scholes formula).

The agreement also includes a consulting arrangement with Mr. O Hare, which extends for five years following his retirement at an annual fee of $201,800, together with the provision of administrative support and expense reimbursement. The agreement also contains provisions relating to confidentiality, non-solicitation of employees and customers, non-competition and non-disparagement.

Messrs. Motamed, Degnan and O Reilly

We have severance agreements with Messrs. Motamed, Degnan and O Reilly. These agreements become operative only upon a change in control that occurs when the officer is in our employ. In general, a change in control is one or more of the following events: (1) certain changes are made to the composition of the board; or (2) any person acquires more than 25% of our outstanding common stock. These agreements have an initial term of two years and are automatically extended for successive two-year periods unless we give one year s prior notice that we are terminating the agreement at the end of the then current two-year period.

If a change in control occurs and the executive officer s employment with us terminates within two years thereafter (other than by reason of death, disability, retirement at normal retirement age, discharge for cause, or voluntary termination by the executive officer except for good reason), the executive officer becomes entitled to the severance benefits described below.

For Messrs. Motamed, Degnan and O Reilly, the severance benefits would equal twice the sum of (1) one year s salary at the annual rate in effect at the time of the change in control and (2) the average of their annual awards under the corporation s cash incentive compensation plans for the three years preceding such change in control. Also, we must maintain in force the insurance and disability benefits available immediately prior to the change in control, or their equivalents, until the earlier of two years after termination or the commencement of new, full-time employment. Messrs. Motamed, Degnan and O Reilly are not required to mitigate the amount of any payments by seeking other employment, and we must pay all legal fees and expenses incurred by such executive officer as a result of such termination, including any expenses incurred in seeking to enforce the severance agreement.

ORGANIZATION & COMPENSATION COMMITTEE REPORT

The Organization & Compensation Committee establishes and administers our executive compensation program. The Committee furnished the following report for the year 2002.

Executive Compensation Policies

Our executive compensation program is designed to align shareholder interests with our business strategy, values and management initiatives based on the following principles:

- a substantial portion of executive compensation should depend on our overall financial performance;
- executives should be encouraged to own our stock;
- we should attract and retain superior executives by providing them with the opportunity to earn total compensation packages that are among the most competitive in the industry;
- we should reward individual results by recognizing performance through salary, annual cash incentives and long-term incentives; and
- we should manage compensation based on the level of skill, knowledge, effort and responsibility needed to perform the job successfully.

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Executive Compensation Program Review

In 2002, the Committee engaged a nationally recognized executive compensation consultant to provide a comprehensive update of our executive officer compensation strategy and our competitive position. Based on this review, the Committee concluded that our compensation program is appropriate and the Committee endorsed the following:

- for measuring financial results, the Committee would compare our results to a peer group consisting of six property and casualty insurance organizations; and

- for measuring the competitive position of compensation available to executive officers named in the Summary Compensation Table, the Committee would use a second peer group of eleven companies both in the insurance and financial services industries.

The Committee generally uses industry surveys which include, among others, companies in the property and casualty peer group noted above, to determine compensation of executive officers other than those named in the Summary Compensation Table.

Deductibility of Compensation in Excess of $1 Million

The Committee s general policy is that executive compensation should qualify to be tax deductible to us for federal income tax purposes. Under Section 162(m) of the Internal Revenue Code, compensation paid to senior executives in excess of $1 million per year is not deductible by the employer unless the compensation is performance based as described in the regulations under Section 162(m). Compensation is generally performance based if it is determined using pre-established objective formulas and criteria approved by shareholders. The Committee believes, however, that mathematical formulas cannot always anticipate and fairly address every situation that might arise. The Committee therefore retains the authority to adjust compensation in the case of extraordinary, unusual or non-recurring events, even if this results in the payment of non-deductible compensation.

Components of Executive Compensation

The primary components of the executive compensation program are:

- base salary;

- annual cash incentive awards;

- long-term incentive awards; and

- benefits.

Other than base salary and benefits, all of these components of our executive compensation program vary with both corporate and individual performance.

Base Salary

Amounts paid as base salary, including merit salary increases, are determined by:

- the executive officer s individual performance;

- salary level within the established pay range for the executive officer s position; and

- salaries offered in the industry for comparable positions.

The Committee monitors the factors described above and periodically approves changes in base salary for executive officers.

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Annual Cash Incentive Awards

Cash incentive awards are ordinarily made under the Annual Cash Incentive Plan (2001). The Committee sets and approves formulas to determine amounts available for annual cash incentive awards to executive officers. Each year, the Committee sets pre-established targets for the year based on selected measures and goals related to financial performance. The Committee also establishes target awards for the year by payband and establishes a target award pool which is the sum of the target awards for all participants. In order to slow the growth of base salaries, the Committee has placed a greater emphasis on the use of annual incentive awards linked to individual performance and our overall results.

Cash Incentive Awards for 2002

For 2002, cash incentive awards for most executives were made under the Annual Incentive Compensation Plan (2001). The financial measures for the awards in 2002 were based on the combined ratio, operating income and operating income return on equity for the year.

The Committee determined the total annual incentive pool available for payments by weighting the measures, and then comparing our results with our combined ratio and operating income goals and comparing our combined ratio and operating income return on equity to our six company industry peer group. The Committee then developed a final cash award pool by applying a percentage to the target dollar award pool for each payband. This pool can range from 0% to 200% of the target dollar award for all participants covered by the plan.

Amounts actually paid to executive officers were based on his or her individual performance. The Committee approved awards for executive officers other than the Chief Executive Officer based on the recommendations made by management after the end of the year.

In determining annual cash incentive awards for 2002, the Committee decided to substantially exclude from the calculation of our financial measures the effect of the $700 million pre-tax charges relating to the increase in asbestos reserves taken in the third and fourth quarters of 2002. The Committee believed that our current employees should be rewarded for the substantial premium growth and improvement in the book of business written in 2002. It is the Committee s position that incentive compensation should not be materially affected by the need to substantially increase asbestos reserves as a result of unforeseen and adverse recent developments in asbestos cases which has caused us and the rest of the industry to re-assess estimates of ultimate asbestos liabilities.

Consequently, cash incentive awards were made in 2002 based on a calculation of an 81% target award pool. To the extent that the Annual Incentive Compensation Plan did not permit this type of adjustment for certain senior executives, the Committee approved the separate payment of incentive cash awards to participants generally consistent with the adjustment.

Certain executive officers participated in other cash incentive plans, including the Investment Department Incentive Plan and the Profit Sharing Plan.

The Investment Department Incentive Plan provides both annual and long-term cash awards to employees who work in the investment area intended to be competitive with those provided by other property and casualty insurance companies and financial institutions. Awards are generally based on results of our investment professionals measured against market indices by asset class used by investment analysts to gauge performance. The Committee approved cash awards in 2002 under this plan.

The Profit Sharing Plan provides employees with cash awards on a scale of 0% to 4% of compensation based on the consolidated return on premiums earned by our property and casualty subsidiaries. No payments were made for 2002 under this plan.

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Long-Term Incentive Awards

Long-term incentive awards are made under the Long-Term Stock Incentive Plan, which the Committee administers. The Long-Term Stock Incentive Plan provides stock-based awards to eligible employees, including most levels of management and executive officers. Awards granted to executive officers can include:

- stock options;
- premium-priced stock options;
- performance share awards; and
- restricted stock.

These awards are based on guidelines that provide for larger awards commensurate with payband levels reflecting competitive long-term incentive practices within a broad peer group of eleven companies in the insurance and financial services industries with which we compare ourselves. This comparison group is used for this purpose, rather than our peer group of six companies, because we compete for senior executive talent within the broader financial services industry. For awards to participants other than executive officers named in the Summary Compensation Table, the Committee generally uses industry surveys which include members of our six company property and casualty insurance peer group.

Performance Share Awards

Performance share awards are generally granted annually and are based on earnings per share targets or other corporate financial goals selected by the Committee for three-year performance periods. As with options, the number of performance shares granted is based on payband level, an assessment of the executive s most recent level of performance and anticipated future contributions to our success. Payment values are dependent on our stock price after the end of the performance period, thus linking executives interests directly with shareholders, as well as the achievement of selected corporate financial goals. The number of performance shares actually earned and paid out for each three-year performance period can vary from 0% to 150% of the original target award based on the attainment of these corporate goals. In 2002, the Committee established a performance goal for the three-year performance period ending in 2004 based on a cumulative operating earnings per share target for such period.

As mentioned above, we reported pre-tax charges to earnings from an increase in asbestos reserves in the third and fourth quarters of 2002. If the Committee had included those costs in the determination of whether the performance goal was met, no payments could have been made to executive officers and others who participate in performance share awards for the three-year performance period beginning in 2000 and ending in 2002. As with the annual cash incentive awards calculation, the Committee believed that current performance share participants contributed to producing an acceptable earnings per share in 2002, excluding the charges for increasing the asbestos reserves. Therefore, the Committee decided to exclude the pre-tax earnings charge in determining awards for the 2000 to 2002 performance cycle. Further, as for 2001, the Committee also excluded after-tax costs of $420 million related to the September 11, 2001 terrorist attack in calculating cumulative operating earnings per share for the performance period.

Stock Options

In 2002, the Committee granted premium-priced options, having a five-year term, to Messrs. Finnegan, O Hare, Motamed, Degnan and O Reilly. The premium-priced options provide for an exercise price 25% over the fair market value of a share of our common stock on the date of grant with one-half of each option grant exercisable one year after the date of grant and the second half exercisable two years after the date of grant. The Committee also granted traditional stock options having a ten-year term and an exercise price equal to the fair market value of a share of our common stock on the date of grant to all of the executive officers named in the Summary Compensation Table. Our performance ultimately determines compensation from stock options, since gains from stock option exercises are entirely dependent on appreciation in our stock price.

Restricted Stock

The Committee generally grants restricted stock awards to a limited number of executive officers in positions requiring specialized skills and knowledge that do not entail the broad management responsibilities more appropriately tied to performance share grants. The Committee also grants the awards, if determined to be appropriate under the circumstances, to attract and retain other selected employees, including executive officers. In 2002, the Committee granted shares of restricted stock to selected executive officers including officers named in the Summary Compensation Table. The restricted stock awards vest over specified time periods provided the executive remains employed by us for those time periods, except in the case of death, disability, attainment of normal retirement or otherwise as the Committee may determine.

Benefits

Executive officers also participate in those benefit arrangements which are available to most of our employees including health and welfare benefit plans, pension plans and an employee stock ownership plan.

CEO Compensation

Mr. O Hare

Mr. O Hare, until his retirement effective December 1, 2002, was a participant in all of the foregoing features of the executive compensation program. The value of his compensation, as determined by the Committee, was a direct reflection of both his individual performance and our overall performance. Approximately 90% of Mr. O Hare s compensation opportunity was in the form of variable pay.

The Committee agreed at its meeting on March 7, 2002 to increase Mr. O Hare s base salary by $50,000, which represented a 5% increase, to a new salary of $1,050,000 effective April 1, 2002. His previous increase was effective on March 16, 2000. The Committee s decision in 2002 to increase Mr. O Hare s base salary was in recognition of his continuing and outstanding corporate and industry leadership, including his management of our response to the effects of the September 11th terrorist attack.

Mr. O Hare received an annual cash incentive award of $1,153,000 for 2002. That amount reflected a proration of his award through his date of retirement.

In March 2002, the Committee granted Mr. O Hare 27,144 performance shares for the three-year performance period ending December 31, 2004 and stock options to purchase 257,070 shares of common stock in order to achieve a total targeted level of long-term incentive opportunity that was competitive within our peer group of eleven companies in the insurance and financial services industries. One-half of the stock options were premium-priced options having a five-year term with an exercise price 25% over the fair market value of a share of our common stock on the grant date ($92.10), and the other half were traditional options having a ten-year term and an exercise price equal to the fair market value of a share of our common stock on the grant date ($73.68).

We have a retirement agreement with Mr. O Hare, effective December 1, 2002, the date of his retirement from all positions he held with us. The terms of the retirement agreement are summarized in this proxy statement under Executive Compensation Employment and Change in Control Agreements. We entered into the retirement agreement with Mr. O Hare in recognition of his long and valued service to us and in consideration of Mr. O Hare agreeing to perform his covenants in the retirement agreement. In considering the retirement agreement, we reviewed with an independent consultant retirement arrangements made by other companies with their retiring chief executive officers. Based on our review with the independent consultant, we concluded that the terms of the retirement agreement were not inconsistent with similar arrangements made by other companies with their retiring chief executive officers.

The retirement agreement provides that Mr. O Hare s stock options will remain exercisable in accordance with their terms following his retirement. However, stock options held by Mr. O Hare that were not vested on his retirement date will vest only to the extent that the Black-Scholes value of the options exceed the lump sum actuarial value of the supplementary pension payment payable to Mr. O Hare under the agreement. Effective March 6, 2003, in accordance with the terms of the agreement, all of Mr. O Hare s stock options which were not vested on December 1, 2002 (options to purchase 257,070 shares) were extinguished because the value of the supplementary pension benefit (as determined by an independent consulting firm) exceeded the value of the options (as determined by using the Black-Scholes formula). The performance shares will be settled in cash or shares of common stock, as determined by the Committee, at the time performance shares are generally settled in accordance with their terms, as if Mr. O Hare had remained employed by us.

With respect to performance shares granted in March 2000 for the three-year performance period which ended December 31, 2002, the cumulative operating earnings per share calculated for this performance period (adjusted to exclude the effect of the increase in asbestos reserves and the September 11, 2001 terrorist attack as discussed above) were below the target established by the Committee in 2000. Consequently, Mr. O Hare earned 58.6% of the target performance share award originally granted to him for this period having a value of $450,047.

In March 2002, Mr. O Hare was granted 3,000 shares of restricted stock. The shares vest one-third each year commencing one year after the date of grant. The retirement agreement provides that the restricted shares will continue to vest in accordance with their terms, as if Mr. O Hare had remained employed by us.

Mr. O Hare has also agreed to perform consulting services for us for a period of five years following his retirement for an annual consulting fee of $201,800 and administrative support and expense reimbursement.

Mr. Finnegan

Mr. Finnegan was employed as our President and Chief Executive Officer effective December 1, 2002. We entered into an employment agreement with Mr. Finnegan effective as of that date. The terms of the employment agreement are summarized in this proxy statement under the caption Executive Compensation Employment and Change in Control Agreements.

Under the terms of the employment agreement, Mr. Finnegan will receive an annual base salary of not less than $1,200,000, subject to increase at our determination. Mr. Finnegan is also eligible for annual cash bonuses based upon performance targets established by the Committee. For 2002, Mr. Finnegan received a salary of $100,000 representing one-twelfth of his annual salary and a cash bonus of $125,000, representing one-twelfth of his target bonus. In order to induce Mr. Finnegan to leave his previous employer, the Committee endeavored to make whole Mr. Finnegan for the value of cash and stock incentives he forfeited at his former employer to become our President and Chief Executive Officer.

In recognition of specified incentive compensation that Mr. Finnegan forfeited upon leaving his prior employer, we agreed to pay to him a cash payment, not to exceed $3,000,000, equal to the value of those forfeited incentives as and when substantiated. In February 2003, we determined that value to be $2,160,789 and paid Mr. Finnegan that amount.

As compensation for Mr. Finnegan having forfeited options to purchase his previous employer s stock, the Committee agreed to grant Mr. Finnegan stock options under our Long-Term Stock Incentive Plan having a Black-Scholes value equal to the Black-Scholes value of his forfeited options. Accordingly, on December 2, 2002, the Committee granted Mr. Finnegan options to purchase 250,920 shares of our common stock at an exercise price of $58.43, the average of the high and low sales prices of our common stock on the date of grant. The options have a ten year term and vest in three equal installments each year, on December 2, 2003, December 2, 2004 and December 1, 2005, provided Mr. Finnegan remains employed by us through each vesting date.

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The Committee also granted to Mr. Finnegan on December 2, 2002, 61,617 shares of restricted stock having a fair market value as the date of grant of $3,600,000 as compensation for his having forfeited performance awards from his previous employer. The restrictions will lapse as to 30,809 shares on December 1, 2003 and as to 30,808 shares on December 1, 2004, provided that Mr. Finnegan remains employed by us.

As part of the target compensation established for our chief executive officer, on December 2, 2002, the Committee granted to Mr. Finnegan a five year option to purchase 236,109 shares of our common stock at an exercise price of $73.03, 125% of the fair market value on the date of grant, and a ten year option to purchase 133,618 shares of common stock at an exercise price of $58.43, the fair market value on the date of grant. One-half of each of the options vest on the first anniversary of the date of grant and the second half vest on the second anniversary of the date of grant.

In determining Mr. Finnegan s compensation under his employment agreement, the Committee considered the compensation paid to the chief executive officers of our eleven company peer group in the insurance and financial services industries, the target compensation that the committee has established for the chief executive officer and compensation and benefits which the committee believed should be paid or provided to him as a result of compensation and benefits that he forfeited from his prior employment in order to join Chubb.

The foregoing report has been furnished by the following members of the board of directors of Chubb who comprised the Organization & Compensation Committee:

Lawrence M. Small (Chairman)	Warren B. Rudman
James M. Cornelius	James M. Zimmerman
David H. Hoag	

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STOCK PERFORMANCE GRAPH

The following performance graph compares the performance of our common stock during the five-year period from December 31, 1997 through December 31, 2002 with the performance of the Standard & Poor s 500 Stock Index and the Standard & Poor s Property and Casualty Insurance Index. The graph plots the changes in value of an initial $100 investment over the indicated time periods, assuming all dividends are reinvested.

COMPARISON OF CUMULATIVE TOTAL RETURN

December 31, 1997 to December 31, 2002
Chubb vs. Published Indices

	Dec-97	Dec-98	Dec-99	Dec-00	Dec-01	Dec-02
Chubb Corp.	$100	$ 87.08	$ 77.38	$121.25	$ 98.68	$76.31
S&P 500®	$100	$128.58	$155.63	$141.45	$124.64	$97.09
S&P® Insurance (Property-Casualty) Index	$100	$ 93.37	$ 69.56	$108.41	$ 99.72	$88.73

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that may incorporate future filings, including this proxy statement, in whole or in part, the foregoing Stock Performance Graph, the Organization & Compensation Committee Report and the Audit Committee Report shall not be incorporated by reference into any such filings.

AUDIT COMMITTEE REPORT

In accordance with the written Charter that was adopted by the board of directors in 2000 and was effective to March 2003, during 2002, the Audit Committee assisted the board in monitoring (1) the integrity of Chubb s financial statements, (2) Chubb s compliance with legal and regulatory requirements, (3) the independence and performance of Chubb s independent auditors, and (4) the performance of Chubb s internal auditors. Chubb s management has the responsibility for the preparation of the financial statements, and the independent auditors have the responsibility for the examination of those statements. In 2002, the Committee met five times.

The Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2002 with management and the independent auditors. The independent auditors are also responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles. The Committee discussed with the independent auditors their judgments as to the quality, and not just the acceptability, of Chubb s accounting principles and other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, including any matters required to be discussed by *Statement on Auditing Standards No. 61 (Communication with Audit Committees)*. In addition, the Committee received the written disclosures and the letter from the independent auditors required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)* and discussed with the independent auditors the auditors independence from management and Chubb, including the matters required by the Independence Standards Board and considered the compatibility of non-audit services with the auditors independence.

The Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of Chubb s internal controls and the organization, responsibilities, budget and staffing of Chubb s internal audit function. The Committee reviewed with both independent auditors and the internal auditors, their audit plans, audit scope and identification of audit risks. The Committee reviewed the annual report of Chubb s loss reserves and met with management and Chubb s outside reserve advisors to discuss the adequacy of the loss reserves and adjustment to the reserves. The Committee met with management to review Chubb s major business risk exposures and Chubb s procedures for monitoring and managing business risk and its policies and procedures regarding compliance with applicable laws and regulations and our code of business conduct.

In addition to the four regularly scheduled meetings in 2002, we held a meeting in October 2002 to review our earnings release and Quarterly Report on Form 10-Q for the quarter ended September 30, 2002. At that meeting, the Committee also reviewed the analysis of our asbestos related liabilities prepared by our actuaries and outside actuarial consultants and further reviewed the increase in net loss reserves taken in that quarter for asbestos related exposures. The Committee also, from and after August 2002, has approved all non-audit services performed for Chubb by our independent auditors.

At two of its meetings during 2002, the Committee met with members of senior management and the independent auditors to review the certifications provided by our chief executive officer and chief financial officer under the Sarbanes-Oxley Act of 2002, the rules and regulations of the Securities and Exchange Commission and the overall certification process. At these meetings, company officers reviewed each of the Sarbanes-Oxley certification requirements concerning internal controls and procedures.

Based on the foregoing reviews and discussions with management and the independent auditors, internal auditors and outside reserve advisors, as well as other reviews and discussions by the Committee, the Committee recommended to the board that the audited financial statements be included in its Annual Report

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on Form 10-K for the fiscal year ended December 31, 2002 for filing with the Securities and Exchange Commission. The Committee also reappointed Ernst & Young LLP as the independent auditors, and the board concurred with their reappointment.

This report was furnished by the following members of the board of directors who, along with Ms. Baird who served on the Committee until July 1, 2002, comprise the Audit Committee:

Joel J. Cohen (Chairman)	James M. Cornelius
Sheila P. Burke	Karen Hastie Williams
James I. Cash, Jr.	Alfred W. Zollar

INDEPENDENT AUDITORS

The Audit Committee, acting pursuant to the authority granted to it in its charter, has retained Ernst & Young LLP as Chubb s independent auditors for 2003. Ernst & Young has acted as our independent auditors for many years. The following summarizes the fees billed to us by Ernst & Young for professional services rendered in 2002 and 2001:

	2002	2001
Audit Fees(1)	$2,850,000	$2,400,000
Audit-Related Fees(2)	$ 250,000	$ 500,000
Tax Fees(3)	$1,225,000	$1,300,000
All Other Fees(4)	$ 525,000	$ 700,000

(1) Audit Fees consist primarily of fees for the audit of our annual financial statements, review of our financial statements included in our quarterly reports on Form 10-Q, statutory audits for our insurance subsidiaries and review of Securities and Exchange Commission registration statements.

(2) Audit-Related Fees consist primarily of fees for employee benefit plan audits and certain non-insurance related statutory audits. In 2001, Audit-Related Fees also included fees for accounting consultations and risk management assessments.

(3) Tax Fees consist primarily of fees for tax compliance, tax advice and tax planning.

(4) All Other Fees consist of fees for other services not described in notes (1), (2), and (3) above, including fees of $267,300 in 2002 and $639,700 in 2001 for forensic accounting review work related to a lawsuit brought by one of our insurance subsidiaries. This lawsuit was settled in February 2003.

The Audit Committee has considered whether the provision of these services is compatible with maintaining Ernst & Young s independence.

From and after August 2002, the Audit Committee has approved all non-audit services performed for us by Ernst & Young.

Representatives of Ernst & Young are expected to be present at the annual meeting and to have the opportunity to make a statement should they desire to do so and to be available to respond to appropriate questions.

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PROPOSAL 2

APPROVAL OF THE CHUBB CORPORATION

2003 PRODUCER STOCK INCENTIVE PLAN

Introduction

Our board of directors adopted The Chubb Corporation 2003 Producer Stock Incentive Plan on March 7, 2003, subject to shareholder approval. The plan is intended to motivate our insurance subsidiaries independent insurance agencies and brokerages by providing them with incentives to achieve performance goals and by offering them the opportunity to purchase shares of our common stock. The plan allows agencies and brokerages that meet incentive compensation goals and are selected by us to purchase shares of our common stock using commissions earned under our cash incentive award arrangements. If approved by shareholders, the plan will replace a similar program, The Chubb Corporation Producer Stock Incentive Program (1998), adopted by the board in 1998. Under the 1998 program, 870,190 shares of common stock have been issued to eligible agencies and brokerages and a total of 129,810 shares of common stock remain available for issuance. If the 2003 plan is approved by shareholders, we will discontinue the 1998 program and not issue any of the remaining shares thereunder.

The board of directors has authorized a maximum of 1,000,000 shares of our common stock for issuance under the 2003 plan.

Summary of the Plan

The following summary of the 2003 plan is qualified in its entirety by reference to the plan, a copy of which is attached to this proxy statement as Annex B.

Establishment of Terms and Conditions

The plan will be implemented and interpreted by a committee appointed by our Chief Executive Officer. The committee will have the sole authority to interpret the terms and provisions of the plan. The committee will have the sole discretion to select those agencies and brokerages that have earned cash commissions for participation in the plan. The committee will establish the terms and conditions of each offer and purchase of shares of our common stock under the plan, including the purchase price, purchase dates and restrictions or limitations on the transferability of the shares, if any. The committee will have broad discretion to establish terms and conditions of any restrictions or limitations on transfer.

Eligibility

Each independent agency and brokerage that has an incentive cash commission arrangement directly with one of our insurance subsidiaries will be eligible to purchase shares on a purchase date if it has: (1) earned incentive cash compensation for the calendar year preceding that purchase date in an amount equal to or greater than the minimum level of earned incentive cash compensation established by the committee for that calendar year and (2) has also been selected for participation on that purchase date by the committee.

Eligible agencies and brokerages will be under no obligation to participate in the plan. If an eligible agency chooses not to participate, it will receive its incentive cash compensation in cash. The plan is for the benefit of participating independent insurance agencies and brokerages only, and no individual employees or principals of the participating agencies or brokerages may participate in the plan. As of March 1, 2003, approximately 2,500 agencies and brokerages had incentive cash commission arrangements with us. Since an agency or brokerage first must meet the eligibility requirements to participate in the plan for any given year and, once met, participation is on a voluntary basis, the number of shares to be issued under the plan in any year is not determinable.

Terms of Purchase

The committee will establish purchase dates under the plan. We anticipate that a purchase date will occur once a year under the plan, but the committee is not limited in establishing purchase dates. The committee will establish the purchase price for a share of common stock which will be the average of the high and low price of a share of our common stock as quoted on the New York Stock Exchange on each purchase date, less any discount as may be determined by the committee. The discount for shares available for purchase on a purchase date cannot exceed 20%. The number of shares acquired on a purchase date will equal the dollar amount of incentive cash compensation used to purchase shares divided by the applicable purchase price on the purchase date. A participant will have no rights with respect to any shares until the date the shares are purchased in accordance with the plan. If the committee establishes restrictions on transfer of the shares, then during the restricted period, the shares will be registered in the name of the participant and held by the transfer agent for our common stock. The participant may vote the shares and receive any dividends declared and paid during the restricted period and may participate in our dividend reinvestment program in the same manner as our shareholders if it chooses to do so. Any shares received as a result of a stock split will be subject to the same restrictions on transfers as the shares purchased under the plan. Any shares received in the form of a stock dividend or purchased under our dividend reinvestment program will not be subject to any transfer restriction. During any period of time when the transfer of shares is restricted, the participant will bear the risk of loss and realize the benefits of any gain from fluctuations in the market price of our common stock for the shares purchased under the plan. The shares will not be subject to any risk of forfeiture during the restricted period.

We will pay all administrative costs of the plan. Participants can purchase shares without paying any brokerage commissions or other charges in purchasing shares under the plan. Participants will pay applicable brokerage commissions and other charges when they sell the shares.

Shares Subject to the Plan

The maximum number of shares of our common stock issuable under the plan is 1,000,000. The shares may be made available from our authorized but unissued shares or from treasury stock, including shares purchased by us in the open market. Subject to any required action by shareholders, the number of shares of common stock that may be issued under the plan, and the price per share thereof, will be adjusted, as may be deemed appropriate by the committee, to reflect any stock dividend, stock split, spin-off, share combination, exchange of shares, recapitalization, reorganization, merger or similar change in our capitalization.

The market value of a share of our common stock on March 10, 2003, as reflected by the closing price on the New York Stock Exchange, was $45.08.

Administration

The committee will select an administrator to administer the plan. In the event the administrator becomes unwilling or unable to serve or the committee believes it should replace the plan administrator, the committee will select a new plan administrator or make other arrangements as it deems appropriate.

Amendment and Termination of the Plan

Our board of directors or the committee can amend, suspend or terminate the plan at any time and for any reason, but the number of shares available for issuance under the plan and the maximum discount of 20% for the purchase price for shares cannot be increased without the approval of the board of directors and the shareholders. The plan does not have a termination date.

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Federal Income Tax Consequences

Under present Federal income tax laws, a purchase of shares under the plan would have the following tax consequences:

The difference between the fair market value of the total number of shares of common stock acquired on the date of purchase and the amount paid by a participant for those shares constitutes ordinary income to the participant and will be recognized by the participant at the time of purchase. We believe that no income tax consequences will arise to the participants as a result of our payment of the costs of administration of the plan. We or any of our affiliates will be allowed a deduction, equal to the amount of ordinary income recognized by the participant, in the tax year in which the participant includes the income. In some circumstances, backup tax withholding will be required.

The tax basis of any shares acquired under the plan will be the fair market value on the date the shares were purchased and the holding period applicable to the shares will commence on the day following the purchase date.

A participant will recognize dividend income upon the receipt of any dividends, whether or not reinvested through our dividend reinvestment plan. A participant will recognize gain or loss upon that participant s sale or exchange of the shares. The amount of the gain or loss will be equal to the difference between the sale price of the shares and the participant s tax basis in the shares.

The plan is not qualified under Section 401(a) of the U.S. Internal Revenue Code and is not subject to ERISA.

The foregoing discussion summarizes the Federal income tax consequences of the plan based on current provisions of the Internal Revenue Code, which are subject to change, as are their interpretations, and their application may vary in individual circumstances. This summary does not cover any state or local tax consequences.

The affirmative vote of a majority of the votes cast on the proposal by shareholders entitled to vote at the annual meeting is required for approval of the proposal to adopt The Chubb Corporation 2003 Producer Stock Incentive Plan, provided that the total votes cast on the proposal represent a majority of the outstanding shares entitled to vote on the proposal.

The board of directors recommends that you vote for the adoption of The Chubb Corporation 2003 Producer Stock Incentive Plan.

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EQUITY COMPENSATION PLAN INFORMATION

The following table shows certain information with respect to our equity compensation plans as of December 31, 2002.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	22,222,561(2)	$63.34(4)	11,668,668(6)(7)
Equity compensation plans not approved by security holders(1)	230,431(3)	$57.78(5)	282,757(1)
Total	22,452,992	$63.33(5)	11,951,425

(1) These plans are The Chubb Corporation Producer Stock Incentive Program (1998) (the 1998 Producer Program), The Chubb Corporation Defined Contribution Excess Benefit Plan (the Excess Benefit Plan) and the Deferred Compensation Plan for Directors (the Deferred Compensation Plan), under which 129,810 shares of common stock, 5,349 shares of common stock and 147,598 shares of common stock, respectively, are available for future issuance. The terms of the 1998 Producer Program are substantially the same as the 2003 Producer Stock Incentive Plan summarized under Proposal 2, Approval of The Chubb Corporation 2003 Producer Stock Incentive Plan in this proxy statement.

The Excess Benefit Plan is a non-qualified, defined contribution plan and covers those participants in the Capital Accumulation Plan of The Chubb Corporation (our 401(k) plan) and The Chubb Corporation Employee Stock Ownership Plan whose total benefits under those plans are limited by certain provisions of the Internal Revenue Code. A participant in the Excess Benefit Plan is entitled to a benefit equaling the difference between the participant s benefits under the Capital Accumulation Plan of The Chubb Corporation and The Chubb Corporation Employee Stock Ownership Plan, without considering the applicable Internal Revenue Code limitations and the participant s actual benefits under such plans. A participant s excess Employee Stock Ownership Plan benefit is expressed as shares of Chubb common stock. Payments under the Excess Benefit Plan are generally made: (1) for excess benefits related to the Capital Accumulation Plan of The Chubb Corporation, in cash annually as soon as practical after the amount of excess benefit can be determined; and (2) for excess benefits related to The Chubb Corporation Employee Stock Ownership Plan, in common stock as soon as practicable after the earlier of the participant s 65th birthday or termination of employment.

The material terms of the Deferred Compensation Plan are described in this proxy statement under Corporate Governance Directors Compensation.

(2) Includes 615,555 shares issuable under outstanding performance share awards.

(3) Includes an aggregate of 43,615 shares issuable upon exercise of the special option grants awarded to three independent directors in 2002 as individual compensation arrangements as described in this proxy statement under Corporate Governance Directors Compensation.

(4) Weighted average exercise price excludes shares issuable under outstanding performance share awards.

(5) Weighted average exercise price consists of exercise price of special option grants described in note (3) above, and excludes shares issuable in connection with the Excess Benefit Plan and Deferred Compensation Plan.

(6) Reflects a reduction in the aggregate number of shares available for future issuance under the Stock Option Plan for Non-Employee Directors equal to 43,615, the number of shares issuable upon exercise of the special option grants described in note (3) above.

(7)

Includes 6,334,884 shares available for issuance under the Global Employee Stock Purchase Plan (2001). Includes also 5,037,399 shares available for issuance under our 2000 Long Term Stock Incentive Plan, of which 569,318 shares remain available for restricted stock awards.

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SOLICITATION OF PROXIES

We will pay the cost of this solicitation of proxies. In addition to the solicitation of proxies by use of the mails, we may use the services of one or more of our directors, officers or other regular employees (who will receive no additional compensation for their services in such solicitation) to solicit proxies personally or by telephone or by other electronic means. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of shares held on the record date by such persons and we will reimburse them for reasonable expenses actually incurred by them in so doing. In addition, we have retained Georgeson Shareholder Communications Inc., New York, New York, to aid in the solicitation of proxies by mail, in person and by telephone for a fee, which is estimated not to exceed $12,500 plus out-of-pocket expenses.

2004 SHAREHOLDER PROPOSALS AND NOMINATIONS

Any proposal that a shareholder intends to be included in our proxy statement and form of proxy for presentation at our annual meeting of shareholders in the year 2004 must be in writing and be received by the Vice President and Secretary of Chubb, Henry G. Gulick, The Chubb Corporation, 15 Mountain View Road, P.O. Box 1615, Warren, New Jersey 07061-1615 no later than November 29, 2003, and must otherwise comply with the rules promulgated by the Securities and Exchange Commission in order to be eligible for inclusion in our proxy material for the 2004 annual meeting.

Under our by-laws, if a shareholder desires to bring a matter before the annual meeting or if a shareholder wants to nominate a person for election to our board of directors, the shareholder must follow the procedures outlined in our by-laws. A copy of Article I, Section 10, of our by-laws, which covers those matters, is available without charge to shareholders of record upon written request to our Secretary. These procedures are separate from the Securities and Exchange Commission s requirements that a shareholder must meet in order to have a shareholder proposal included in our proxy statement.

One of the procedural requirements in the by-laws is timely notice in writing of the business the shareholder proposes to bring before the meeting and/or the nomination the shareholder proposes to make at the meeting. Notice of business proposed to be brought before the 2004 annual meeting and/or director nominations proposed to be made at the 2004 annual meeting must be received by our Secretary no earlier than December 31, 2003 and no later than January 30, 2004.

The notice for business that the shareholder proposes to bring before the meeting must be a proper matter for shareholder action and must describe:

- the business proposed to be brought before the meeting;
- the reasons for conducting the business at the meeting;
- any material interest of the shareholder in the business;
- the beneficial owner, if any, on whose behalf the proposal is made;
- the name and address of the shareholder giving the notice, as they appear on our books, and of the beneficial owner of those shares; and
- the class and number of shares which are owned beneficially and of record by the shareholder and the beneficial owner.

The notice for a nomination the shareholder proposes to make at the meeting must describe:

- all information relating to each person whom the shareholder proposes to nominate for election as a director as would be required to be disclosed in a solicitation of proxies for the election of such person as a director pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended

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(including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if so elected);

the name and address of the shareholder giving the notice, as they appear on our books, and of the beneficial owner of those shares; and

the class and number of shares which are owned beneficially and of record by the shareholder and the beneficial owner.

By order of the Board of Directors
Henry G. Gulick
Vice President and Secretary
March 28, 2003

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As Revised

Previously

Reported

Adjustment

As Revised

Net income

$82,466 $(1,600

)

$80,866 $99,418 $(1,318

)

$98,100

Accrued taxes

(1,043

)

1,600 557 (549

)

1,318 769

Net cash provided by operating activities

165,826 — 165,826 153,141 — 153,141

A reconciliation of the effects of the adjustments to the previously reported statements of equity for the years ended January 2, 2016 and December 27, 2014 follows ($ in thousands):

	Year Ended January 2, 2016			Year Ended December 27, 2014		
	Previously Reported	Adjustment	As Revised	Previously Reported	Adjustment	As Revised
Net income	$82,466	$ (1,600)	$80,866	$99,418	$ (1,318)	$98,100
Comprehensive income	57,921	(1,600)	56,321	57,875	(1,318)	56,557
Retained earnings	562,717	(4,946)	557,771	523,302	(3,346)	519,956
Total shareholders' equity	744,198	(4,946)	739,252	727,665	(3,346)	724,319

A reconciliation of the effects of the adjustments to the previously reported statement of equity at December 28, 2013 follows ($ in thousands):

	December 28, 2013		
	Previously Reported	Adjustment	As Revised
Retained earnings	$445,059	$ (2,028)	$443,031
Total shareholders' equity	686,916	(2,028)	684,888

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3. Reclassifications

Certain amounts presented in the 2015 financial statements have been reclassified to conform to the 2016 presentation. In April 2015, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amended guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amended guidance is to be applied on a retrospective basis. The company adopted the new guidance on January 3, 2016 and has made the corresponding reclassification on its balance sheet for the fiscal year ended January 2, 2016. The adoption of the new guidance had no effect on the company’s net income, cash flows or shareholders’ equity. Additionally, the company has reclassified a portion of its current tax position at January 2, 2016 to more accurately reflect its prepaid/liability position at a jurisdictional level.

4. Acquisition of Businesses

TVS Diode/Thyristor/IGBT business

On August 29, 2016, the company acquired certain assets of select businesses (the “TVS Diode/Thyristor/IGBT business”) of ON Semiconductor Corporation for $104.0 million. The company funded the acquisition with available cash and proceeds from its credit facility. The acquired business, which is included in the Electronics segment, consists of a product portfolio that includes transient voltage suppression (TVS) diodes, switching thyristors and insulated gate bipolar transistors (IGBT) for automotive ignition applications. The acquisition expands the company’s offerings in power semiconductor applications as well as increases its presence in the automotive electronics market. The TVS Diode/Thyristor/IGBT business products have strong synergies with the company’s existing circuit protection business, will strengthen its channel partnerships and customer engagement, and expand its power semiconductor portfolio.

The following table represents the preliminary allocation of the total consideration to assets acquired and liabilities assumed in the acquisition of the TVS Diode/Thyristor/IGBT business based on the company’s preliminary estimate of their respective fair values at the acquisition date (in thousands):

Total purchase consideration:	
Cash	$104,000
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Current assets, net	4,616

Customer relationships	31,650
Patented and unpatented technologies	10,250
Non-compete agreement	2,500
Goodwill	54,984
	$104,000

All the TVS Diode/Thyristor/IGBT business goodwill and other assets were recorded in the Electronics segment and are reflected in the Americas and Europe geographic areas. The customer relationships are preliminarily being amortized over 13.5 years. The patented and unpatented technologies are preliminarily being amortized over 6-8.5 years. The non-compete agreement is preliminarily being amortized over 4 years. The goodwill resulting from this acquisition consists largely of the company's expected future product sales and synergies from combining the TVS Diode/Thyristor/IGBT business products with the company's existing power semiconductor product portfolio. A portion of goodwill for the above acquisition is expected to be deductible for tax purposes.

As required by purchase accounting rules, the company recorded a $0.5 million step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. $0.3 million of the step-up was amortized as a non-cash charge to cost of goods sold during the third quarter of 2016, as the acquired inventory was sold, and reflected as other non-segment costs.

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Included in the company’s consolidated statements of net income for the three and nine months ended October 1, 2016 are net sales of approximately $5.6 million and $5.6 million, respectively, since the August 29, 2016 acquisition of the TVS Diode/Thyristor/IGBT business.

Menber’s

On April 4, 2016, the company completed the acquisition of Menber’s S.p.A. (“Menber’s”) headquartered in Legnago, Italy for $19.2 million, net of acquired cash and after settlement of a working capital adjustment. At October 1, 2016, $18.9 million of the $19.2 million purchase price has been paid and financed through a mixture of cash on hand and borrowings under the company’s revolving credit facility, with the remaining consideration expected to be paid out in the remainder of 2016. The acquired business is part of the company's commercial vehicle product business within the Automotive segment and specializes in the design, manufacturing and selling of manual and electrical high current switches and trailer connectors for commercial vehicles.

The following table represents the preliminary allocation of the total consideration to assets acquired and liabilities assumed in the acquisition of Menber’s based on the company’s preliminary estimate of their respective fair values at the acquisition date (in thousands):

Total purchase consideration:	
Cash, net of acquired cash	$18,909
Additional consideration payable	253
Total purchase consideration	$19,162
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Current assets, net	$13,560
Property, plant and equipment	1,693
Customer relationships	3,050
Patented and unpatented technologies	224
Trademarks and tradenames	1,849
Goodwill	7,651
Current liabilities	(7,421)
Other non-current liabilities	(1,444)
	$19,162

All Menber’s goodwill and other assets and liabilities were recorded in the Automotive segment and reflected in the Europe geographic area. The customer relationships are being amortized over 10 years. The patented and unpatented technologies are being amortized over 5 years. The trademarks and tradenames are being amortized over 10 years. The goodwill resulting from this acquisition consists largely of the company’s expected future product sales and synergies from combining Menber’s products with the company’s existing automotive product portfolio. Goodwill for the above acquisition is not expected to be deductible for tax purposes.

As required by purchase accounting rules, the company recorded a $0.2 million step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. The step-up was amortized as a non-cash charge to cost of goods sold during the third quarter of 2016 with the charge reflected as other non-segment costs.

Included in the company’s consolidated statements of net income for the three and nine months ended October 1, 2016 are net sales of approximately $5.3 million and $12.0 million, respectively, since the April 4, 2016 acquisition of Menber’s.

PolySwitch

On March 25, 2016, the company acquired 100% of the circuit protection business ("PolySwitch") of TE Connectivity Ltd. for $348.0 million, net of acquired cash and after settlement of certain post-closing adjustments. At October 1, 2016, $342.3 million of the $348.0 million purchase price has been paid and financed through a mixture of cash on hand and borrowings under the company's revolving credit facility, with the remaining consideration expected to be paid by the 2nd quarter of 2017. The PolySwitch business, which is split between the Automotive and Electronics segments, has a leading position in polymer based resettable circuit protection devices, with a strong global presence in the automotive, battery, industrial, communications and mobile computing markets. PolySwitch has operations in Menlo Park, California and manufacturing facilities in Shanghai and Kunshan, China and Tsukuba, Japan. The acquisition allows the company to strengthen its global circuit protection product portfolio, as well as strengthen its presence in the automotive electronics and battery end markets. The acquisition also significantly increases the company's presence in Japan. The company funded the acquisition with available cash and proceeds from a new credit facility.

The following table represents the preliminary allocation of the total consideration to assets acquired and liabilities assumed in the acquisition of PolySwitch based on the company's preliminary estimate of their respective fair values at the acquisition date (in thousands):

Total purchase consideration:	
Original consideration	$350,000
Post closing consideration adjustment received	(2,029)
Acquired cash	(5,719)
Acquired cash to be returned to seller	5,719
Total purchase consideration	$347,971
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Current assets, net	$59,751
Property, plant and equipment	52,025
Land lease	4,290
Patented and unpatented technologies	56,425
Customer relationships	39,720
Goodwill	163,635
Other long-term assets	10,711
Current liabilities	(37,068)
Other non-current liabilities	(1,518)
	$347,971

All PolySwitch goodwill and other assets and liabilities were recorded in the Automotive and Electronics segments and reflected in all geographic areas. The customer relationships are being amortized over 15 years. The patented and unpatented technologies are being amortized over 10 years. The goodwill resulting from this acquisition consists largely of the company's expected future product sales and synergies from combining PolySwitch products with the company’s existing automotive and electronics product portfolio. A portion of the goodwill for the above acquisition is expected to be deductible for tax purposes.

As required by purchase accounting rules, the company recorded a $6.9 million step-up of inventory to its fair value as of the acquisition date based on the preliminary valuation. The step-up was amortized as a non-cash charge to cost of goods sold during the second quarter of 2016, as the acquired inventory was sold, and reflected as other non-segment costs.

Included in the company’s consolidated statements of net income for the three and nine months ended October 1, 2016 are net sales of approximately $47.9 million and $84.4 million, respectively, since the March 25, 2016 acquisition of PolySwitch.

Sigmar S.r.l

On October 1, 2015, the company acquired 100% of Sigmar S.r.l. (“Sigmar”). The total purchase price for Sigmar is expected to be $6.7 million, net of cash acquired and including: (1) additional consideration of $1.0 million paid in the first nine months of 2016 relating to certain working capital related adjustments and an earn-out clause payment; and (2) estimated additional net payments of up to $0.9 million, a portion of which is subject to the achievement of certain milestones.

Located in Ozegna, Italy, Sigmar is a leading global manufacturer of water-in-fuel sensors and also manufactures selective catalytic reduction (SCR) quality sensors and diesel fuel heaters for automotive and commercial vehicle applications. The acquisition further expanded the company’s automotive sensor product line offerings within its Automotive segment. The company funded the acquisition with available cash.

The following table sets forth the preliminary purchase price allocation for Sigmar acquisition-date net assets, in accordance with the purchase method of accounting with adjustments to record the acquired net assets at their estimated fair values (in thousands):

Total purchase consideration:	
Cash	$5,788
Estimated additional consideration payable	901
Total purchase consideration	$6,689
Preliminary allocation of consideration to assets acquired and liabilities assumed:	
Cash	$230
Current assets, net	4,011
Property, plant and equipment	1,097
Goodwill	2,552
Patents	2,845
Current liabilities	(1,478)
Other non-current liabilities	(2,568)
	$6,689

All Sigmar goodwill and other assets and liabilities were recorded in the Automotive segment and reflected in the Europe geographic area. The patents are being amortized over 10 years. The goodwill resulting from this acquisition consists largely of the company’s expected future product sales and synergies from combining Sigmar’s products with the company’s existing automotive product offerings. Goodwill for the above acquisition is not expected to be deductible for tax purposes.

Pro Forma Results

The following table summarizes, on a pro forma basis, the combined results of operations of the company and the acquired PolySwitch and the TVS Diode/Thyristor/IGBT businesses as though the acquisitions had occurred as of December 28, 2014. The company has not provided pro forma results of operations for Menber's or Sigmar as these results were not material to the company. The pro forma amounts presented are not necessarily indicative of either the actual consolidated results had the PolySwitch or TVS Diode/Thyristor/IGBT acquisitions occurred as of December 28, 2014 or of future consolidated operating results.

(in thousands, except per share amounts)	**For the Three Months Ended**		**For the Nine Months Ended**	
	October 1, 2016	**September 26, 2015**	**October 1, 2016**	**September 26, 2015**
Net sales	$290,377	$ 278,093	$846,127	$ 834,372
Income before income taxes	32,728	17,823	110,853	88,124
Net income	33,086	6,324	96,713	69,110
Net income per share — basic	1.47	0.28	4.30	3.05
Net income per share — diluted	1.46	0.28	4.26	3.04

Pro forma results presented above primarily reflect: (1) incremental depreciation relating to fair value adjustments to property, plant and equipment; (2) amortization adjustments relating to fair value estimates of intangible assets; (3) incremental interest expense on assumed indebtedness; and (4) additional cost of goods sold relating to the capitalization of gross profit as part of purchase accounting recognized for purposes of the pro forma as if it was recognized during the company’s first quarter of 2015. Pro forma adjustments described above have been tax affected using the company's effective rate during the respective periods.

The historical PolySwitch and TVS Diode/Thyristor/IGBT business results for the three and nine months ended October 1, 2016 and September 26, 2015 do not include a provision for income taxes. Income tax expense for the historical PolySwitch business was only provided at the end of the business’s fiscal year ended September 25, 2015. Income tax expense for the historical TVS Diode/Thyristor/IGBT business was not provided on a standalone basis.

5. Impairment of Goodwill and Intangible Assets

The company annually tests goodwill for impairment during its fiscal fourth quarter or at an interim date if there is an event or change in circumstances that indicates the asset may be impaired. As of the most recent annual test conducted, the company concluded the fair value of its custom products reporting unit exceeded its carrying value of invested capital by 12% and therefore, no potential goodwill impairment existed in 2015.

Due to recent negative events in the potash market subsequent to the company’s 2016 second quarter end, the company conducted a step one goodwill impairment analysis for the custom products reporting unit to determine if goodwill was impaired as of July 2, 2016. The fair value of this reporting unit at this date exceeded its carrying value by less than 10%. Since then, the potash market has continued to see a decline in market pricing in the potash mining industry. Due to this continuing decline in potash pricing, management revisited its long term projections during the company’s third quarter 2016 and conducted another step one goodwill impairment analysis. The custom products reporting unit failed the step one test and management conducted a step two analysis with the revised projections. The fair value of the unit was estimated using the expected present value of future cash flows over a seven year forecast period and appraisal of certain assets. This analysis required a write down of the reporting unit’s carrying value of $14.8 million. A goodwill impairment loss of $8.8 million and intangible assets impairments aggregating $6.0 million were recognized during the third quarter, including a $3.8 million reduction of the custom products trade names to a $0.7 million remaining value and a $2.2 million reduction of the reporting unit’s customer relationships to zero value.

6. Inventories

The components of inventories at October 1, 2016 and January 2, 2016 are as follows (in thousands):

	October 1, 2016	January 2, 2016
Raw material	**$35,450**	$33,599
Work in process	**24,703**	16,479
Finished goods	**61,463**	48,551
Total inventories	**$121,616**	$98,629

7. Investments

The company's investments represent shares of Polytronics Technology Corporation Ltd. ("Polytronics"), a Taiwanese company, and shares of Monolith Semiconductor, Inc. ("Monolith"), a Texas-based start-up company.

Polytronics

The Polytronics investment was acquired as part of the Littelfuse GmbH acquisition. The fair value of the Polytronics investment was €10.2 million (approximately $11.5 million) at October 1, 2016 and €10.7 million (approximately $11.7 million) at January 2, 2016. Included in 2016 other comprehensive income is an unrealized loss of $0.6 million, due to the decrease in fair market value of the Polytronics investment. The remaining change in the recorded value was due to the impact of changes in exchange rates.

Monolith

In December 2015, the company invested $3.5 million in the preferred stock of Monolith, a U.S. start-up company developing silicon carbide technology, which represents approximately 12% of the common stock of Monolith on an as-converted basis. The company accounts for its investment in Monolith under the cost method. The carrying value of the Monolith investment was $3.5 million at October 1, 2016 and January 2, 2016.

8. Debt

The carrying amounts of debt at October 1, 2016 and January 2, 2016 are as follows (in thousands):

	October 1, 2016	January 2, 2016
Revolving credit facility	**$315,500**	$77,000
Term loan	**121,875**	85,000
Entrusted loan	**5,173**	9,474
Unamortized debt issuance costs	**(2,092)**	(721)
Total debt	**440,456**	170,753
Less: Current maturities	**(6,250)**	(87,000)
Total long-term debt	**$434,206**	**$83,753**

Revolving Credit Facility / Term Loan

On March 4, 2016, the company entered into a new credit agreement with Bank of America, as agent, for up to $700.0 million which consists of an unsecured revolving credit facility of $575.0 million and an unsecured term loan credit facility of up to $125.0 million. The new credit agreement is for a five year period. The new credit agreement replaced the company's previous credit agreement dated May 31, 2013, which was terminated on March 4, 2016. As of October 1, 2016, the company had $0.1 million outstanding in letters of credit and had available $259.4 million of borrowing capacity under the revolving credit facility at an interest rate of LIBOR plus 1.5% (2.03% as of October 1, 2016). At October 1, 2016, the company was in compliance with all covenants under the credit agreement.

Entrusted Loan

During 2014, the company entered into an entrusted loan arrangement ("Entrusted Loan") of RMB 110.0 million (approximately $17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the "lender") and Suzhou Littelfuse OVS Ltd. (the "borrower"), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities was strictly forbidden at the time under China's regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company's Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income will be recorded between the lender and borrower with no net impact on the company's Consolidated Statements of Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019. The balance of the Entrusted Loan was RMB 34.5 million (approximately $5.2 million) at October 1, 2016.

Debt Issuance Costs

The company incurred debt issuance costs of $1.7 million in relation to the new credit agreement which, along with the remaining balance of debt issuance costs of the previous credit facility, are being amortized over the life of the new credit agreement. This new credit agreement was determined to be a modification under ASC 470-50 of the previous credit agreement.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The company adopted this guidance in the first quarter of 2016, on a retrospective basis, and has reclassified the unamortized debt issuance costs into long-term debt as shown in the table above.

9. Fair Value of Assets and Liabilities

In determining fair value, the company uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Applicable accounting literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Applicable accounting literature defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2—Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Investments

The company holds an investment in the equity securities of Polytronics as described in Note 7. Equity securities listed on a national market or exchange, such as Polytronics securities, are valued at the last sales price. Such securities are classified within Level 1 of the valuation hierarchy. The company also holds an investment in Monolith as described in Note 7 for which the value of the $3.5 million represents the cost of the investment.

There were no changes during the quarter ended October 1, 2016 to the company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of October 1, 2016 and January 2, 2016, the company held no non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of October 1, 2016 (in thousands):

	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investment in Polytronics	$11,474	$ —	$ —	$11,474
Total	$11,474	$ —	$ —	$11,474

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The following table presents assets measured at fair value by classification within the fair value hierarchy as of January 2, 2016 (in thousands):

	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Investment in Polytronics	$11,697	$ —	$ —	$11,697
Total	$11,697	$ —	$ —	$11,697

The company's other financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt. The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and debt approximate their fair values. The company's debt fair value approximates book value at October 1, 2016 and January 2, 2016, respectively, as the variable interest rates fluctuate along with market interest rates.

10. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the periods ending October 1, 2016 and September 26, 2015 (in thousands, except per share amounts):

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2016	September 26, 2015	**October 1, 2016**	September 26, 2015

Net income	**$30.802**	$ 11,324	**$77,243**	$ 60,003
Average shares outstanding - Basic	**22,578**	22,581	**22,515**	22,623
Net effect of dilutive stock options and restricted share units	**156**	112	**160**	148
Average shares - Diluted	**22,734**	22,693	**22,675**	22,771
Net income per share:				
Basic	**$1.36**	$ 0.50	**$3.43**	$ 2.65
Diluted	**$1.35**	$ 0.50	**$3.41**	$ 2.64

Potential shares of common stock relating to stock options excluded from the earnings per share calculation because their effect would be anti-dilutive were 76,845 and 144,031 for the three months ended October 1, 2016 and September 26, 2015, respectively, and 45,591 and 108,193 for the nine months ended October 1, 2016 and September 26, 2015, respectively.

11. Income Taxes

The effective tax rate for the third quarter of 2016 was negative 1.2% compared to an effective tax rate of 10.4% in the third quarter of 2015. The effective tax rate for the nine months ended October 1, 2016 was 15.6% compared to an effective tax rate of 21.8% for the nine months ended September 26, 2015. The effective tax rates for the periods presented are lower than the U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions and, with respect to the 2016 periods, a one-time deduction with respect to the stock of one of the company's affiliates partially offset by the impact of the impairment of goodwill for which no tax benefit was recorded, and, with respect to the 2015 periods, the impact of a pension settlement partially offset by the impact from the restructuring of the legal ownership of the company's Mexican manufacturing operations.

12. Pensions

The components of net periodic benefit cost for the three and nine months ended October 1, 2016, compared with the three and nine months ended September 26, 2015, were (in thousands):

	U.S. Pension Benefits				Foreign Plans			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	October 1, 2016	September 26, 2015	**October 1, 2016**	September 26, 2015	**October 1, 2016**	September 26, 2015	**October 1, 2016**	September 26, 2015
Service cost	**$-**	$ 250	**$-**	$ 750	**$332**	$ 314	**$997**	$ 944
Interest cost	**-**	1,032	**-**	3,094	**496**	512	**1,489**	1,538
Expected return on plan assets	**-**	(917)	**-**	(2,749)	**(520)**	(599)	**(1,560)**	(1,800)
Amortization of net loss	**-**	290	**-**	870	**74**	62	**220**	185
Total cost (credit) of the plan	**-**	655	**-**	1,965	**382**	289	**1,146**	867
Expected plan participants' contribution	**-**	-	**-**	-	**-**	-	**-**	-
Net periodic benefit cost (credit)	**-**	655	**-**	1,965	**382**	289	**1,146**	867
Settlement charge	**-**	30,194	**-**	30,194	**-**	-	**-**	-
Total pension cost (credit)	**$-**	$ 30,849	**$-**	$ 32,159	**$382**	$ 289	**$1,146**	$ 867

* The U.S. pension plan was terminated effective July 30, 2014 and, following receipt of a favorable Letter of Determination from the IRS (dated April 14, 2015), all liabilities of the plan were settled during the third quarter of fiscal 2015.

The expected rate of return assumption on U.S. pension assets was 3.90% in 2015. The expected return on foreign pension assets is 4.95% and 5.39% in 2016 and 2015, respectively.

13. Segment and Geographic Information

The company and its subsidiaries design, manufacture and sell components and modules for circuit protection, power control and sensing throughout the world. The company reports its operations by the following segments: Electronics, Automotive, and Industrial. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources. The

CODM is the company's President and Chief Executive Officer ("CEO"). The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss) before interest and taxes, but does not evaluate the operating segments using discrete balance sheet information.

Sales, marketing and research and development expenses are charged directly into each operating segment. Manufacturing, purchasing, logistics, customer service, finance, information technology and human resources are shared functions that are allocated back to the three operating segments. The company does not report inter-segment revenue because the operating segments do not record it. Certain expenses, determined by the CODM to be strategic in nature and not directly related to segments current results, are not allocated but identified as "Other". Additionally, the company does not allocate interest and other income, interest expense, or taxes to operating segments. These costs are not allocated to the segments, as management excludes such costs when assessing the performance of the segments. Although the CODM uses operating income (loss) to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for the company as a whole.

Segment information for the three and nine months ended October 1, 2016 and September 26, 2015 are summarized as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2016	September 26, 2015	**October 1, 2016**	September 26, 2015
Net sales				
Electronics	**$147,730**	$102,616	**$378,696**	$307,549
Automotive	**106,341**	81,475	**309,644**	251,464
Industrial	**26,260**	31,419	**83,301**	88,831
Total net sales	**$280,331**	$215,510	**$771,641**	$647,844
Depreciation and amortization				
Electronics	**$7,694**	$5,811	**$20,783**	$17,384
Automotive	**4,627**	3,244	**12,881**	9,883
Industrial	**1,733**	1,260	**4,561**	3,839
Other(1)	**(937)**	-	-	-
Total depreciation and amortization	**$13,117**	$10,315	**$38,225**	$31,106
Operating income (loss)				
Electronics	**$34,571**	$20,923	**$82,246**	$61,755
Automotive	**15,032**	15,253	**48,997**	39,123
Industrial	**57**	5,781	**3,758**	13,220
Other(2)	**(22,134)**	(33,373)	**(45,345)**	(39,795)
Total operating income	**27,526**	8,584	**89,656**	74,303
Interest expense	**2,571**	922	**6,286**	3,021
Foreign exchange (gain) loss	**(4,700)**	(3,549)	**(7,114)**	(1,724)
Other (income) expense, net	**(778)**	(1,430)	**(1,040)**	(3,758)
Income before income taxes	**$30,433**	$12,641	**$91,524**	$76,764

(1) Consists of intangible impairments related to its loss on sale of product line now reflected in selling, general and administrative expenses for the nine months ended October 1, 2016. (See Note 15).

(2) Included in "Other" Operating income (loss) for the 2016 third quarter is $14.8 million (14.8 million year-to-date) of charges related to the impairment of the custom products reporting unit, $5.9 million ($18.2 million year-to-date) of acquisition and integration costs associated with the company's 2016 acquisitions, primarily PolySwitch, $0.6 million ($7.5 million year-to-date) of non-cash inventory charges relating to the company's 2016 acquisitions, primarily PolySwitch, as described in Note 4, $1.9 million year-to-date in charges related to the closure of the company's manufacturing facility in Denmark, $1.7 million year-to-date related to the company's transfer of its reed sensor manufacturing operations from the U.S. and China to the Philippines and $0.9 million ($1.3 million year-to-date) related to internal legal restructuring costs.

Included in “Other” Operating income (loss) for the 2015 third quarter is $2.1 million ($6.8 million year-to-date) related to internal legal restructuring, $0.3 million ($0.7 million year-to-date) related to acquisition costs and $30.9 million ($32.2 million year-to-date) of expense related to the planned termination of the U.S. pension as described in Note 12.

The company’s significant net sales by country for the three and nine months ended October 1, 2016 and September 26, 2015 are summarized as follows (in thousands):

	For the Three Months Ended[(a)]		For the Nine Months Ended[(a)]	
	October 1, 2016	September 26, 2015	**October 1, 2016**	September 26, 2015
United States	**$92,475**	$85,049	**$270,659**	$258,030
China	**70,215**	49,345	**181,134**	143,694
Other countries	**117,641**	81,116	**319,848**	246,120
Total	**$280,331**	$215,510	**$771,641**	$647,844

(a) Sales by country represent sales to customer or distributor locations.

The company's significant long-lived assets by country as of October 1, 2016 and January 2, 2016 are summarized as follows (in thousands):

	Long-lived assets[(b)]	
	October 1, 2016	January 2, 2016
United States	**$24,578**	$23,965
China	**67,003**	37,241
Mexico	**51,988**	47,130
Philippines	**34,511**	33,525
Other countries	**45,773**	20,707
Total	**$223,853**	$162,568

(b) Long-lived assets consist of net property, plant and equipment.

14. Accumulated Other Comprehensive Income (Loss) (AOCI)

The following table sets forth the changes in the components of AOCI by component (in thousands):

AOCI component	Balance at January 2, 2016	Other comprehensive income (loss) activity	Reclassification adjustment for expense included in net income	**Balance at October 1, 2016**
Pension and post employment liability and reclassification adjustments[(a)]	$(8,722)	$ (183)	$ 212	**$(8,693)**
Unrealized gain on investments[(b)]	11,584	(559)	—	**11,025**
Foreign currency translation adjustment	(48,533)	(8,951)	—	**(57,484)**
AOCI (loss) income	$(45,671)	$ (9,693)	$ 212	**$(55,152)**

(a) Balances are net of tax of $661 and $1,056 for January 2, 2016 and October 1, 2016, respectively.

(b) Balances are net of tax of $0 and $0 for January 2, 2016 and October 1, 2016, respectively.

15. Product Line Sale

During the first quarter of 2016, the company sold its tangible and intangible assets relating to a marine product line that it acquired as part of its acquisition of Selco A/S in 2011. In connection with this sale, the company recorded a loss on sale of the product line of $1.4 million reflected within selling, general and administrative expenses for the nine months ended October 1, 2016. This loss was recognized as an “other” charge for segment reporting purposes.

16. Recently issued accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers, which amends guidance for revenue recognition. Under the new standard, revenue will be recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The standard creates a five-step model that will generally require companies to use more judgment and make more estimates than under current guidance when considering the terms of contracts along with all relevant facts and circumstances. These include the identification of customer contracts and separating performance obligations, the determination of transaction price that potentially includes an estimate of variable consideration, allocating the transaction price to each separate performance obligation, and recognizing revenue in line with the pattern of transfer. In August 2015, the FASB issued an No. 2015-14, "Deferral of Effective Date" (Topic 606) to defer the effective date for all entities by one year. The new standard will become effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. Companies have the option of using either a full or modified retrospective approach in applying this standard. In March 2016, the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" (Topic 606). ASU 2016-08 provides clarification for the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, ASU No. 2016-11, and ASU 2016-12, all of which provide additional clarification of the original revenue standard. The company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11 ("ASU 2015-11"), Simplifying the Measurement of Inventory. ASU 2015-11 clarifies that inventory should be held at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price, less the estimated costs to complete, dispose and transport such inventory. ASU 2015-11 will be effective for fiscal years and interim periods beginning after December 15, 2016. ASU 2015-11 is required to be applied prospectively and early adoption is permitted. The company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (“ASU 2016-02”), Leases (Topic 842). ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for capital leases and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 ("ASU 2016-09"), Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 will directly impact the tax administration of equity plans. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted and any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

17. Subsequent Event

On October 14, 2016, the Company completed the sale of its portable electrical house (e-house) business, located in Winnipeg, Manitoba, Canada. This business was included in the company's custom products reporting unit within the Industrial segment, and mainly served mining and utility markets. Neither the sale nor the historical results of operation of the sold business are material to the company's financial results.

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

Cautionary Statement Regarding Forward-Looking Statements Under the Private Securities Litigation Reform Act of 1995 ("PSLRA").

Certain statements in this section and other parts of this Quarterly Report on Form 10-Q may constitute "forward-looking statements" within the meaning of the federal securities laws and are entitled to the safe-harbor provisions of the PSLRA. These statements include statements regarding the company's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future. Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy, although not all forward-looking statements contain such terms. The company cautions that forward-looking statements, which speak only as of the date they are made, are subject to risks, uncertainties and other factors, and actual results and outcomes may differ materially from those indicated or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, risks relating to product demand and market acceptance, economic conditions, the impact of competitive products and pricing, product quality problems or product recalls, capacity and supply difficulties or constraints, coal mining exposures reserves, failure of an indemnification for environmental liability, exchange rate fluctuations, commodity price fluctuations, the effect of the company's accounting policies, labor disputes, restructuring costs in excess of expectations, pension plan asset returns less than assumed, integration of acquisitions and other risks which may be detailed in the company's other Securities and Exchange Commission filings, including those set forth under Item 1A. "Risk Factors" of the company's Annual Report on Form 10-K for the year ended January 2, 2016. The company does not undertake any obligation to update or revise any forward-looking statements to reflect future events or circumstances, new information or otherwise.

This report, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, should be read in conjunction with information provided in the financial statements and the related Notes thereto appearing in the company's Annual Report on Form 10-K for the year ended January 2, 2016.

Littelfuse Overview

Littelfuse, Inc. and its subsidiaries (the "company" or "Littelfuse") is the worldwide leader in circuit protection offering the industry's broadest and deepest portfolio of circuit protection products and solutions. The company's devices protect products in virtually every market that uses electrical energy, from consumer electronics to automobiles to industrial equipment. The company's worldwide revenue in 2015 was $867.9 million and net earnings were $82.5 million. The company conducts its business through three reportable segments, which are defined by markets and consist of Electronics, Automotive, and Industrial. The company's customer base includes original equipment manufacturers, tier one automotive suppliers and distributors.

In addition to protecting and growing its core circuit protection business, Littelfuse has been expanding its portfolio in power control and sensing technologies. These platforms, combined with the company's strong balance sheet and operating cash flow, provide opportunities for increased organic and acquisition growth. In 2012, the company set a five-year strategic plan to grow annual sales at 15% per year; 5% organically and 10% through acquisitions.

To maximize shareholder value, the company's primary strategic goals are to:

- Grow organically faster than its markets;
- Double the pace of acquisitions;
- Sustain high-teens operating margins;
- Improve return on investment; and
- Return excess cash to shareholders.

The company serves markets that are directly impacted by global economic trends with significant exposures to the consumer electronics, automotive, industrial and mining end markets. The company's results will be impacted positively or negatively by changes in these end markets.

Electronics Segment

The Electronics segment sells passive and semiconductor components and modules as well as sensors primarily into the global consumer electronics, general industrial and telecommunications markets. The core electronics markets are characterized by significant Asia-Pacific competition and price erosion. As a result the company is focusing additional efforts on higher growth, less price sensitive niche markets (such as LED lighting) and higher-power industrial applications. The PolySwitch business acquisition in 2016 has expanded the company's product offering used in a wide variety of electronic products and utilizes many of the same distribution channels as the company's legacy electronics products. On August 29, 2016, the company completed the acquisition of the TVS Diode/Thyristor/IGBT business from ON Semiconductor Corporation. This business is complimentary to and will further expand the semiconductor markets that the segment serves.

Automotive Segment

The Automotive segment is comprised of passenger vehicle circuit protection, commercial vehicle products and sensors. The primary growth drivers for these businesses are increasing global demand for passenger and commercial vehicles and increasing content per vehicle for both circuit protection and sensing products. The move away from internal combustion engines to hybrid and electric drive systems that require more circuit protection continues to be an additional growth driver. The PolySwitch business acquisition in 2016 has added to the company's strong global presence in the automotive market. The acquisition of Menber's further strengthens the company's position in electrical high current switches and connectors for the commercial vehicle market.

Industrial Segment

The Industrial segment derives its revenues from power fuses, protection relays and custom products selling primarily into the industrial, mining, solar and oil and gas markets. Protection relay sales have declined due to the general slowdown in the global mining and oil and gas markets. Custom products sales have declined significantly over the past two years due to continued end market softness in the potash mining market. The potash market has recently experienced a steep decline in market pricing and consolidation. Due to negative events in the potash market subsequent to the company's 2016 second quarter end, the company conducted a step one goodwill impairment analysis for the custom products reporting unit to determine if goodwill was impaired as of July 2, 2016. The fair value of this reporting unit at this date exceeded its carrying value by less than 10%. Since then, the potash market has continued to see a decline in market pricing in the potash mining industry. Due to this continuing decline in potash pricing, management revisited its long term projections during the company's third quarter 2016 and conducted another step one goodwill impairment analysis. Based on the revised projections, the custom products reporting unit failed. As required by GAAP, management conducted a step two analysis which indicated a write down of the reporting unit's carrying value by $14.8 million, with $8.8 million from goodwill and $6.0 million from intangible assets.

The following table is a summary of the company's net sales by business unit and geography:

Net Sales by Business Unit and Geography (in thousands, unaudited)

	Third Quarter			First Nine Months		
	2016	2015	% Change	**2016**	2015	% Change
Business Unit						
Electronics	**$147,730**	$102,616	44 %	**$378,696**	$307,549	23 %
Automotive	**106,341**	81,475	31 %	**309,644**	251,464	23 %
Industrial	**26,260**	31,419	(16%)	**83,301**	88,831	(6%)
Total	**$280,331**	$215,510	30 %	**$771,641**	$647,844	19 %
Geography[(a)]						
Americas	**$106,112**	$98,974	7 %	**$313,231**	$299,061	5 %
Europe	**52,200**	37,520	39 %	**149,417**	115,613	29 %
Asia-Pacific	**122,019**	79,016	54 %	**308,993**	233,170	33 %
Total	**$280,331**	$215,510	**30 %**	**$771,641**	$647,844	19 %

(a) Sales by geography represent sales to customer or distributor locations.

The following table summarizes the company's consolidated results of operations for the periods presented. The quarter of 2016 includes approximately $22.1 million ($45.3 million year-to-date) of other non-segment charges. These included $14.8 million (14.8 million year-to-date) of charges related to the impairment of the custom products reporting unit, $5.9 million ($18.2 million year-to-date) of acquisition and integration costs associated with the company's 2016 acquisitions, primarily PolySwitch, $0.6 million ($7.5 million year-to-date) of non-cash inventory charges relating to the company's 2016 acquisitions, primarily PolySwitch, as described in Note 4, $1.9 million year-to-date in charges related to the closure of the company's manufacturing facility in Denmark, $1.7 million year-to-date related to the company's transfer of its reed sensor manufacturing operations from the U.S. and China to the Philippines and $0.9 million ($1.3 million year-to-date) related to internal legal restructuring costs.

The third quarter of 2015 includes approximately $33.4 million ($39.8 million year-to-date) of other non-segment charges. These included $2.1 million ($6.8 million year-to-date) related to internal legal restructuring, $0.3 million ($0.7 million year-to-date) related to acquisition costs and $30.9 million ($32.2 million year-to-date) of expense related to the planned termination of the U.S. pension as described in Note 12.

(In thousands, unaudited)	Third Quarter			First Nine Months		
	2016	2015	% Change	**2016**	2015	% Change
Sales	**$280,331**	$215,510	30 %	**$771,641**	$647,844	19 %
Gross profit	**113,759**	86,182	32 %	**298,780**	247,793	21 %
Operating expense	**86,233**	77,598	11 %	**209,124**	173,490	21 %
Operating income	**27,526**	8,584	221 %	**89,656**	74,303	21 %
Interest expense	**2,571**	922	179 %	**6,286**	3,021	108 %
Foreign exchange (gain) loss	**(4,700)**	(3,549)	32 %	**(7,114)**	(1,724)	313 %
Other (income) expense, net	**(778)**	(1,430)	(46%)	**(1,040)**	(3,758)	(72%)
Income before income taxes	**30,433**	12,641	141 %	**91,524**	76,764	19 %
Net income	**$30,802**	$11,324	172 %	**$77,243**	$60,003	29 %

Results of Operations – Third Quarter, 2016 compared to 2015

Consolidated net sales of $280.3 for the third quarter of 2016 increased $64.8 million, or 30%, compared to the prior year quarter, reflecting $59.6 million of revenues from businesses acquired over the previous twelve months as well as strong organic growth in the Automotive segment, partially offset by lower sales from the Industrial segment due to weaker end markets.

Electronics sales of $147.7 million for the third quarter of 2016 increased $45.1 million, or 44%, compared to the prior year quarter, reflecting $40.5 million of revenues from businesses acquired over the previous twelve months as well as organic growth in sensor, passive and semiconductor products. This segment continues to leverage the company's technology expertise to design its products into a broad variety of end markets and market segments.

Automotive sales of $106.3 million for the third quarter of 2016 increased $24.9 million, or 31%, compared to the prior year quarter, reflecting. reflecting $19.1 million of revenues from businesses acquired over the previous twelve months as well as strong organic growth in passenger car products in North America and China, partially offset by lower sales of legacy commercial vehicle products, reflecting weakness in the North American heavy truck, construction and agricultural end markets.

Industrial sales of $26.3 million of the third quarter of 2016 decreased $5.2 million, or 16%, to $26.3 million in the third quarter of 2016 compared to $31.4 million in the third quarter of 2015 primarily reflecting lower relay, fuse and custom product sales due to weakness in the solar, oil and gas and mining markets. The company's fuse business has benefited from a strong U.S. solar market for a number of years, however this market slowed in the second half of 2016. As the U.S. Congress extended solar energy related tax credits late in 2015, many solar original equipment manufacturers delayed projects to focus on scale and efficiencies. Sales in both the protection relay and custom products businesses continued to be impacted by weakness in the heavy industrial markets, particularly mining, and oil and gas, as those customers restrict their capital spending. In the custom products business, the potash market has continued to see a decline in market pricing in the potash mining industry. As a result, the company has taken an impairment charge of $14.8 million with $8.8 million in goodwill and $6.0 million in intangible assets related to the custom business in this segment.

On a geographic basis, sales in the Americas increased $7.1 million, or 7%, to $106.1 million in the third quarter of 2016 compared to $99.0 million in the third quarter of 2015 primarily reflecting the addition of the PolySwitch and the TVS Diode/Thyristor/IGBT businesses in the current year and, to a lesser extent, increased Automotive segment sales, partially offset by lower Industrial segment sales.

Europe sales increased $14.7 million, or 39%, to $52.2 million in the third quarter of 2016 compared to $37.5 million in the third quarter of 2015 primarily due to strong sales of automotive sensor products, the addition of the businesses acquired in the previous twelve months, increased organic electronic sales and $0.1 million in favorable currency effects primarily from sales denominated in euro. Excluding currency effects, Europe sales increased $14.6 million, or 39%, year-over-year.

Asia-Pacific sales increased $43.0 million, or 54%, to $122.0 million in the third quarter of 2016 compared to $79.0 million in the third quarter of 2015 primarily reflecting the addition of the PolySwitch and the TVS Diode/Thyristor/IGBT businesses in the current year and increased demand for electronics and automotive products, partially offset by unfavorable currency effects of $0.9 million. Excluding currency effects, Asia-Pacific sales increased $43.9 million, or 56%, year-over-year.

Gross profit was $113.8 million, or 41% of net sales, for the third quarter of 2016 compared to $86.2 million, or 40% of net sales, in the same quarter last year. Gross profit for 2016 includes a $0.6 million inventory adjustment relating to the Menber’s and TVS Diode/Thyristor/IGBT business acquisitions and $0.2 million in charges related to restructuring in the relay business. Gross profit for 2015 included $1.2 million of charges related to the reed switch production transfer. Excluding the impact of these charges, gross profit was $114.2 million, or 41% of net sales, for the third quarter of 2016 compared to $87.4 million, or 41% of net sales, in the third quarter of 2015.

Total operating expense was $86.2 million, or 31% of net sales, for the third quarter of 2016 compared to $77.6 million, or 36% of net sales, for the same quarter in 2015. Operating expense in 2016 included $5.9 million of acquisition and integration costs associated with the company's 2016 acquisitions, primarily PolySwitch, $0.4 million related to restructuring in the relay and custom businesses, $14.8 million in charges related to the goodwill and intangible assets impairments in the custom business and $0.4 million in charges related to the Selco site closure. Operating expense in 2015 included $30.2 million related to settlement of the company's U.S. pension plan. Excluding these charges, total operating expense was $64.7 million, or 23% of net sales, for 2016 compared to $47.4 million, or 22% of net sales, in 2015.

Due to the reasons noted above, operating income for the third quarter of 2016 was approximately $27.5 million compared to operating income of $8.6 million for the same quarter in 2015.

Interest expense was $2.6 million in the third quarter of 2016 as compared to $0.9 million in the third quarter of 2015, primarily reflecting higher borrowings relating to the March 2016 acquisition of the PolySwitch business.

Foreign exchange (gain) loss, reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately $4.7 million of income for the third quarter of 2016 and $3.5 million of income for the third quarter of 2015 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar and the euro against the Japanese yen.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately $0.8 million of income for the third quarter of 2016 and $1.4 million of income for the third quarter of 2015. The quarter over quarter decline primarily reflects lower interest income in the current year quarter due to cash used for the acquisition of the PolySwitch business in March 2016.

Income before income taxes was $30.4 million for the third quarter of 2016 compared to $12.6 million for the third quarter of 2015. Income tax benefit was $0.4 million with an effective tax rate of negative 1.2% for the third quarter of 2016 compared to income tax expense of $1.3 million with an effective tax rate of 10.4% in the third quarter of 2015. The effective tax rates for these quarterly periods are lower than the U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions and, with respect to the 2016 period, a one-time deduction with respect to the stock of one of the company's affiliates partially offset by the impact of the impairment of goodwill for which no tax benefit was recorded, and, with respect to the 2015 period, the impact of a pension settlement partially offset by the impact from the restructuring of the legal ownership of the company's Mexican manufacturing operations.

Net income for the third quarter of 2016 was $30.8 million or $1.35 per diluted share compared to net income of $11.3 million or $0.50 per diluted share for the same quarter of 2015.

Results of Operations – Nine Months, 2016 compared to 2015

Consolidated net sales for the first nine months of 2016 of $771.6 million increased $123.8 million, or 19%, compared to the prior year period, reflecting $106.5 million of revenues from businesses acquired over the previous twelve months as well as strong organic growth in the Automotive segment and to a lesser extent organic growth in the Electronics segment.

Electronics sales of $378.7 million for the first nine months of 2016 increased $71.2 million, or 23%, compared to the prior year period, reflecting $64.7 million of revenues from businesses acquired over the previous twelve months as well as organic growth in sensor products and to a lesser extent passive and semiconductor products. The Electronics segment experienced $1.8 million in unfavorable currency effects in the first nine months of 2016 primarily from sales denominated in the renminbi and, to a lesser extent, sales denominated in the Korean won. Excluding currency effects, net sales excluding PolySwitch and TVS Diode/Thyristor/IGBT business, increased $8.2 million, or 3%, year-over-year.

Automotive sales of $309.6 million for the first nine months of 2016 increased $58.2 million, or 23%, compared to the prior year period, reflecting. reflecting $41.8 million of revenues from businesses acquired over the previous twelve months as well as organic growth in sensor and passenger car products. These increases in sales were partially offset by lower sales of legacy commercial vehicle products, reflecting weakness in the North American heavy truck, construction and agricultural end markets. The Automotive segment experienced $2.5 million in unfavorable currency effects in the first nine months of 2016 primarily from sales denominated in the renminbi. Excluding currency effects, net sales increased $35.5 million, or 14%, year-over-year.

Industrial sales of $83.3 million for the first nine months of 2016 decreased $5.5 million, or 6%, to $83.3 million in the first nine months of 2016 compared to $88.8 million in the first nine months of 2015 primarily reflecting lower sales of relay and custom products. The company's fuse business has benefited from a strong U.S. solar market for a number of years, however this market slowed in the second half of 2016. As the U.S. Congress extended solar energy related tax credits late in 2015, many solar original equipment manufacturers pushed out projects to focus on scale and efficiencies. Sales in both the protection relay and custom products businesses continued to be impacted by weakness in the heavy industrial markets, particularly mining, and oil and gas, as those customers restrict their capital spending. In the custom products business, the company continues to see a decline in its potash market, which has resulted in the aforementioned impairment charge.

On a geographic basis, sales in the Americas increased $14.2 million, or 5%, to $313.2 million in the first nine months of 2016 compared to $299.1 million in the first nine months of 2015 primarily reflecting the addition of the PolySwitch and TVS Diode/Thyristor/IGBT businesses in the current year and increased Electronics and Automotive segment sales, partially offset by lower Industrial segment sales.

Europe sales increased $33.8 million, or 29%, to $149.4 million in the first nine months of 2016 compared to $115.6 million in the first nine months of 2015 primarily reflecting the addition of the businesses acquired in the previous twelve months and increased automotive and electronic segment sales, partially offset by lower Industrial segment sales.

Asia-Pacific sales increased $75.8 million, or 33%, to $309.0 million in the first nine months of 2016 compared to $233.2 million in the first nine months of 2015 primarily reflecting the addition of the PolySwitch and the TVS Diode/Thyristor/IGBT businesses in the current year and increased demand for electronics and automotive products, partially offset by unfavorable currency effects of $3.9 million. Excluding currency effects, Asia-Pacific sales increased $79.8 million, or 34%, year-over-year.

Gross profit was $298.8 million, or 39% of net sales, for the first nine months of 2016 compared to $247.8 million, or 38% of net sales, in the same period last year. Gross profit for 2016 includes $7.5 million of non-cash inventory charges relating primarily to the PolySwitch acquisition and to a lesser extent the Menber's and TVS Diode/Thyristor/IGBT business acquisitions, $1.5 million related to the transfer of the company's reed switch production from the U.S. and China to the Philippines, $0.9 million of acquisition-related costs primarily related to integration costs associated with the company's acquisition of the PolySwitch business, $0.1 million in charges related to the closure of the company's manufacturing facility in Denmark and $0.1 million related to internal legal restructuring costs. Gross profit for 2015 included $3.1 million related to the reed switch production transfer. Excluding the impact of these charges, gross profit was $309.1 million, or 40% of net sales, for the first nine months of 2016 compared to $250.9 million, or 39% of net sales, in the first nine months of 2015.

Total operating expense was $209.1 million, or 27% of net sales, for the first nine months of 2016 compared to $173.5 million, or 27% of net sales, for the same period in 2015. Operating expense in 2016 included $17.3 million of acquisition and integration costs associated with the company's 2016 acquisitions, primarily PolySwitch, $14.8 million in charges related to the goodwill and intangible asset impairments in the custom business, $0.4 million in charges related to the restructuring in the relay and custom businesses, the $1.8 million in charges related to the closure of the company's manufacturing facility in Denmark, $0.3 million related to internal legal restructuring costs and $0.2 million related to the transfer of the company's reed switch production from the U.S. and China to the Philippines. Operating expense in 2015 included $30.2 million related to the settlement of the company's U.S. pension plan. Excluding these charges, total operating expense was $174.1 million, or 23% of net sales, for 2016 compared to $143.3 million, or 22% of net sales, in 2015, partially reflecting increased research and development expenses in the current year quarter as compared to the prior year quarter and incremental amortization of intangible assets associated with recent acquisitions.

Operating income for the first nine months of 2016 was approximately $89.7 million compared to operating income of $74.3 million for the same period in 2015.

Interest expense was $6.3 million in the first nine months of 2016 as compared to $3.0 million in the first nine months of 2015, primarily reflecting higher borrowings relating to the March 2016 acquisition of the PolySwitch business.

Foreign exchange (gain) loss, reflecting net gains and losses resulting from the effect of exchange rate changes on various foreign currency transactions worldwide, was approximately $7.1 million of income for the first nine months of 2016 and $1.7 million of income for the first nine months of 2015 and primarily reflects fluctuations in the euro and Philippine peso against the U.S. dollar and the euro against the Japanese yen.

Other (income) expense, net, consisting of interest income, royalties and non-operating income items was approximately $1.0 million of income for first nine months of 2016 and $3.8 million of income for the first nine months of 2015. The period over period decline primarily reflects lower interest income in the current year period due to cash used for the acquisition of the PolySwitch business in March 2016.

Income before income taxes was $91.5 million for the first nine months of 2016 compared to $76.8 million for the first nine months of 2015. Income tax expense was $14.3 million with an effective tax rate of 15.6% for the first nine months of 2016 compared to income tax expense of $16.8 million with an effective tax rate of 21.8% in the first nine months of 2015. The effective tax rates for these nine month periods are lower than the U.S. statutory tax rate primarily due to income earned in lower tax jurisdictions and, with respect to the 2016 period, a one-time deduction with respect to the stock of one of the company’s affiliates partially offset by the impact of the impairment of goodwill for which no tax benefit was recorded, and, with respect to the 2015 period, the impact of a pension settlement partially offset by the impact from the restructuring of the legal ownership of the company’s Mexican manufacturing operations.

Net income for the first nine months of 2016 was $77.2 million or $3.41 per diluted share compared to net income of $60.0 million or $2.64 per diluted share for the same period of 2015.

Liquidity and Capital Resources

As of October 1, 2016, $182.1 million of the $194.5 million of the company’s cash and cash equivalents was held by foreign subsidiaries. Of the $182.1 million held by foreign subsidiaries, approximately $19.7 million could be repatriated with minimal tax consequences. The company expects to maintain its foreign cash balances (other than the aforementioned $19.7 million) for local operating requirements, to provide funds for future capital expenditures and for potential acquisitions. The company does not expect to repatriate these funds to the U.S.

The company historically has financed capital expenditures through cash flows from operations. Management expects that cash flows from operations and available lines of credit will be sufficient to support both the company's operations and its debt obligations for the foreseeable future.

Revolving Credit Facility/Term Loan

On March 4, 2016, the company entered into a new credit agreement with Bank of America, as agent, for up to $700.0 million which consists of an unsecured revolving credit facility of $575.0 million and an unsecured term loan credit facility of up to $125.0 million. The new credit agreement is for a five year period. The new credit agreement replaced the company's previous credit agreement dated May 31, 2013, which was terminated on March 4, 2016. As of October 1, 2016, the company had available $259.4 million of borrowing capacity under the revolving credit facility at an interest rate of LIBOR plus 1.5% (2.03% as of October 1, 2016).

The company incurred debt issuance costs of $1.7 million in relation to the new credit agreement which along with the remaining balance of debt issuance costs of the previous credit facility, are being amortized over the life of the new credit agreement. This new credit agreement was determined to be a modification under ASC 470-50 of the previous credit agreement.

This arrangement contains covenants that, among other matters, impose limitations on the incurrence of additional indebtedness, future mergers, sales of assets, payment of dividends, and changes in control, as defined in the agreement. In addition, the company is required to satisfy certain financial covenants and tests relating to, among other matters, interest coverage and leverage. At October 1, 2016, the company was in compliance with all covenants under the credit agreement.

The company also had $0.1 million outstanding in letters of credit at October 1, 2016. No amounts were drawn under these letters of credit at October 1, 2016.

Entrusted Loan

During the fourth quarter of 2014, the company entered into an entrusted loan arrangement ("Entrusted Loan") of RMB 110.0 million (approximately $17.9 million) between two of its China legal entities, Littelfuse Semiconductor (Wuxi) Company (the "lender") and Suzhou Littelfuse OVS Ltd. (the "borrower"), utilizing Bank of America, N.A., Shanghai Branch as agent. Direct borrowing and lending between two commonly owned commercial entities was strictly forbidden at the time under China's regulations requiring the use of a third party agent to enable loans between Chinese legal entities. As a result, the Entrusted Loan is reflected as both a long-term asset and long-term debt on the company's Consolidated Balance Sheets and is reflected in the investing and financing activities in its Consolidated Statements of Cash Flows. Interest expense and interest income is recorded between the lender and borrower with no net impact on the company's Consolidated Statements of Net Income since the amounts will be offsetting. The loan interest rate per annum is 5.25%. The Entrusted Loan is used to finance the operation and working capital needs of the borrower and matures in November 2019. The balance of the Entrusted Loan was RMB 34.5 million (approximately $5.2 million) at October 1, 2016.

Stock Repurchase Program

The company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the company's common stock under a program for the period May 1, 2016 to April 30, 2017. The company's prior share repurchase authorization of 1,000,000 shares expired on April 30, 2016 with 650,000 shares remaining in the program. The company did not repurchase any shares of its common stock during the first nine months of fiscal 2016 under the stock repurchase program.

Cash Flow

The company started 2016 with $328.8 million of cash and cash equivalents. Net cash provided by operating activities was approximately $100.0 million for the first nine months of 2016 reflecting $77.2 million in net income and $69.2 million in non-cash adjustments (primarily $38.2 million in depreciation and amortization) offset by uses of $46.4 million to various operating assets and liabilities.

Changes in operating assets and liabilities for the first nine months of 2016 (including short-term and long-term items) that impacted cash flows negatively consisted of uses from accounts receivable ($24.9 million), accrued taxes ($23.6 million) and prepaid expenses and other ($18.2 million), partially offset by sources from accrued expenses ($6.5 million), accounts payable ($7.8 million), inventories ($4.5 million) and accrued payroll and severance ($1.4 million). The increase in prepaid and other was due primarily to the revaluation of inter-company loans. The increase in accounts receivable was due to increased sales in the third quarter. The increase in accrued payroll and severance was due primarily to more payroll from acquisitions.

Net cash used in investing activities for the first nine months of 2016 was approximately $498.5 million and primarily related to the acquisition of the PolySwitch business ($342.3 million, net of cash acquired), the acquisition of the TVS Diode/Thyristor/IGBT business ($104.0 million), the acquisition of Menber’s ($18.9 million) and capital expenditures ($34.5 million).

Net cash provided by financing activities for the first nine months of 2016 was approximately $262.4 million and included $271.3 million in net proceeds on borrowings offset by dividends paid of $20.4 million and debt issuance costs related to the new credit agreement of $1.7 million, partially offset by $16.9 million from the exercise of stock options including tax benefits. The effects of exchange rate changes increased cash and cash equivalents by approximately $1.8 million. The net cash provided by operating activities combined with the effects of exchange rate changes less net cash used in investing and financing activities resulted in a $134.3 million decrease in cash, which left the company with a cash and cash equivalents balance of $194.5 million at October 1, 2016.

The ratio of current assets to current liabilities was 3.0 to 1 at the end of the third quarter of 2016 compared to 2.8 to 1 at year-end 2015 and 2.7 to 1 at the end of the third quarter of 2015. Days sales outstanding in accounts receivable was approximately 67 days at the end of the third quarter of 2016 compared to 62 days at the end of the third quarter of 2015 and 59 days at year-end 2015. Days inventory outstanding was approximately 66 days at the end of the third quarter of 2016, 65 days at the year-end 2015 and 70 days at the end of the third quarter of 2015.

Outlook

Sales in the 4th quarter of 2016 are expected to be in the range of $270 million to $280 million. This represents approximately 24% revenue growth at the midpoint from the prior year quarter. Excluding acquisitions, the effects of the e-house business sale and the 2015 “extra week”, this represents approximately 3% revenue growth at the midpoint.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The company is exposed to market risk from changes in interest rates, foreign exchange rates and commodity prices.

Interest Rates

The company had $437.4 million in debt outstanding at October 1, 2016 related to the unsecured revolving credit facility and term loan. Because 100% of this debt has variable interest rates, the company is subject to future interest rate fluctuations in relation to these borrowings which could potentially have a negative impact on cash flows of the company. A prospective increase of 100 basis points in the interest rate applicable to the Company’s outstanding borrowings under its credit facility would result in an increase of approximately $4.4 million in annual interest expense. The Company is not party to any currency exchange or interest rate protection agreements as of October 1, 2016.

Foreign Exchange Rates

The majority of the company's operations consist of manufacturing and sales activities in foreign countries. The company has manufacturing facilities in the U.S., Mexico, Canada, China, Italy, Lithuania, Japan and the Philippines. During the first nine months of 2016, sales to customers outside the U.S. were approximately 65% of total net sales. Substantially all sales in Europe are denominated in euros and substantially all sales in the Asia-Pacific region are denominated in U.S. dollars, Japanese yen, Korean won, Chinese yuan or Taiwanese dollars.

The company's foreign exchange exposures result primarily from sale of products in foreign currencies, foreign currency denominated purchases, inter-company loans, employee-related and other costs of running operations in foreign countries and translation of balance sheet accounts denominated in foreign currencies. The company's most significant net long exposure is to the euro. The company's most significant net short exposures are to the Chinese yuan, Mexican peso and Philippine peso. Changes in foreign exchange rates could affect the company's sales, costs, balance sheet values and earnings. The company uses netting and offsetting intercompany account management techniques to reduce known foreign currency exposures where possible.

Commodity Prices

The company uses various metals in the manufacturing of its products, including copper, zinc, tin, gold and silver. Prices of these commodities can and do fluctuate significantly, which can impact the company's earnings. The most significant of these exposures is to copper, zinc, silver and gold where at current prices and volumes, a 10% price change would affect annual pre-tax profit by approximately $3.2 million for copper, $0.9 million for zinc, $0.7 million for silver and $0.2 million for gold. From time to time, the company has utilized derivative instruments to hedge certain commodity exposures.

Item 4. Controls and Procedures.

Each of our Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures are effective.

There have been no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended) during the quarter ended October 1, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors.

There have been no material changes from risk factors previously disclosed in our Annual Report on Form 10-K for the year ended January 2, 2016 in response to Item 1A to Part 1 of Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about shares of common stock the Company acquired during the three months ended October 1, 2016:

Issuer Purchases of Equity Securities

	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 (or approximate dollar value) of shares that may yet be purchased under the plans or programs (b)
July 3, 2016 to July 30, 2016	—	—	—	1,000,000
July 31, 2016 to August 27, 2016	2,574	$123.72	—	1,000,000

August 28, 2016 to October 1, 2016	—	—	—	1,000,000
Total	2,574	$123.72	—	1,000,000

(a) Represents shares withheld to satisfy certain tax withholding obligations in connection with vesting of restricted stock units.

(b) The company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the company's common stock under a program for the period May 1, 2016 to April 30, 2017. The company's prior share repurchase authorization of 1,000,000 shares expired on April 30, 2016 with 650,000 shares remaining in the program. The company did not repurchase any shares of its common stock during the first nine months of fiscal 2016.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit	Description
10.1†	Form of Restricted Stock Unit Award Agreement (Tier 1) under Littelfuse, Inc. Long-Term Incentive Plan (filed as Exhibit 10.1 to the company's Current Report on Form 8-K dated July 20, 2016).
31.1*	Certification of Gordon Hunter, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Meenal A. Sethna, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

† Indicates management contract or compensatory arrangement.
* Filed herewith.
** Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended October 1, 2016, to be signed on its behalf by the undersigned thereunto duly authorized.

	Littelfuse, Inc.	
Date: November 4, 2016	By:	/s/ Meenal A. Sethna Meenal A. Sethna Executive Vice President and Chief Financial Officer (As duly authorized officer and as the principal financial and accounting officer)

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