

# Chubb Custom Insurance Company

GLOBAL RETURN

THIS IS AN AC COMPANY  
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UNDER THE INSURANCE  
ACT 1982

AC1748

**Annual FSA Insurance Returns for the year ended  
31st December 2001**



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Returns under the Accounts and Statements Rules

(Appendices 9.1 , 9.2 (Modified) and 9.6 )

**Statement of solvency**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**

R9	Company registration number FC19045	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2001	
		As at the end of this financial year	As at the end of the previous year		Source	
		1	2		Form	Line
					Column	

**GENERAL INSURANCE BUSINESS****Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11	23989	24257	See instructions 1 and 2
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**Required minimum margin**

Required minimum margin for general insurance business	12	9044	8959	12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13	14945	15298	

**LONG TERM INSURANCE BUSINESS****Available assets**

Long term insurance business admissible assets	21			10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22			See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23			See instruction 4
Other insurance and non-insurance liabilities	24			See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25			

**Implicit Items admitted under Rule 2.10(5) as modified**

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34			
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**Required minimum margin**

Required minimum margin for long term insurance business	41			60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42			
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43			
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44			

**CONTINGENT LIABILITIES**

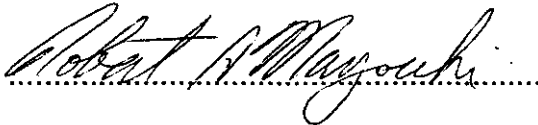
Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6

**Covering sheet to Form 9**

Name of insurer **Chubb Custom Insurance Company**

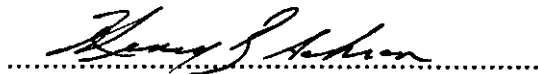
Global business

Financial year ended **31st December 2001**



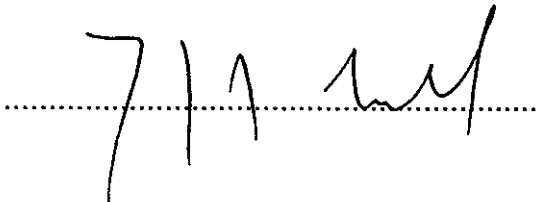
**Robert A Marzocchi**

**Director**



**Henry B Schram**

**Director**



**Henry G Gulick**

**Secretary**



**General insurance business : Calculation of required margin of solvency - first method**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**

			Company registration number	GL/UK/CM	Period ended			Units	
			R11	FC19045	GL	31	12	2001	£000
						This financial year			Previous year
						1			2
Gross premiums receivable			11	112273			111262		
Premium taxes and levies (included in line 11)			12						
Sub-total A (11-12)			13	112273			111262		
Adjusted Sub-total A if financial year is not a 12 month period to produce an annual figure			14						
Division of Sub-total A (or adjusted Sub-total A if appropriate)	Other than health insurance	Up to and including sterling equivalent of 10M EURO x 18/100	15	1118			1046		
		Excess (if any) over 10M EURO x 16/100	16	16970			16872		
	Health insurance	Up to and including sterling equivalent of 10M EURO x 6/100	17						
		Excess (if any) over 10M EURO x 16/300	18						
Sub-total B (15+16+17+18)			19	18088			17918		
Claims paid			21	58686			45876		
Claims outstanding carried forward at the end of the financial year		For insurance business accounted for on an underwriting year basis	22						
		For insurance business accounted for on an accident year basis	23	165587			139881		
Claims outstanding brought forward at the beginning of the financial year		For insurance business accounted for on an underwriting year basis	24						
		For insurance business accounted for on an accident year basis	25	143027			112486		
Sub-total C (21+22+23-(24+25))			29	81246			73271		
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			30	67118			64625		
Sub-total D (29-30)			39	14128			8646		
First result Sub-total B x Sub-total D (or, if ½ is a greater fraction, x ½) Sub-total C			41	9044			8959		

**General insurance business : Calculation of required margin of solvency - second method, and statement of required minimum margin**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**

Financial year ended 31st December 2001

		Company registration number	GL/UK/CM	Period ended			Units	
		R12	FC19045	GL	31	12	2001	£000
				This financial year	Previous year		Source	
				1	2		Form	Line
								Column
Reference period (No. of financial years) Insert "0" if there is no reference period otherwise insert "3" or "7"		3	11				See Instruction 1	
Claims paid in reference period		21	173343	138798				
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22						
	For insurance business accounted for on an accident year basis	23	165587	139881				
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24						
	For insurance business accounted for on an accident year basis	25	124966	132960				
Sub-total E (21+22+23-(24+25))		29	213964	145719				
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31	71321	48573				
Division of Sub-total F	Other than health insurance	Up to and including sterling equivalent of 7M EURO x 26/100	32	1131	1057			
		Excess (if any) over 7M EURO x 23/100	33	15404	10237			
	Health insurance	Up to and including sterling equivalent of 7M EURO x 26/300	34					
		Excess (if any) over 7M EURO x 23/300	35					
Sub-total G (32 to 35)		39	16535	11294				
Second result Sub-total G x Sub-total D (or, if ½ is a greater fraction, x ½)		41	8268	5647				

First result	42	9044	8959	11	41
Required margin of solvency (the higher of lines 41 and 42)	43	9044	8959		

Minimum guarantee fund	44	249	232		
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Required minimum margin (the higher of lines 43 and 44)	49	9044	8959		
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**Analysis of admissible assets**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	FC19045	GL	31	12	2001	£000	1
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11				
Investments in group undertakings and participating interests	UK insurance business dependants	Shares			21				
		Debt securities issued by, and loans to, dependants			22				
	Other insurance dependants	Shares			23				
		Debt securities issued by, and loans to, dependants			24				
	Non-insurance dependants	Shares			25				
		Debt securities issued by, and loans to, dependants			26				
	Other group undertakings and participating interests	Shares			27				
		Debt securities issued by, and loans to, group undertakings			28				
		Participating interests			29				
Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest			30						
Total sheet 1 (11 to 30)					39				

**Analysis of admissible assets**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	FC19045	GL	31 day	12 month	2001 year	£000	1
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities					As at the end of this financial year 1		As at the end of the previous year 2		
Other financial investments	Equity shares			41	721		670		
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	21343		17204		
			Other	46	41583		46925		
		Variable interest	Approved securities	47					
			Other	48					
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52					
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	252		292		
		Withdrawal subject to a time restriction of more than one month		55	8235		1113		
	Other			56					
Deposits with ceding undertakings			57						
Assets held to match linked liabilities	Index linked		58						
	Property linked		59						
Reinsurers' share of technical provisions	Provision for unearned premiums		60	56313		45921			
	Claims outstanding		61	138921		116785			
	Provision for unexpired risks		62						
	Other		63						
Total sheet 2 (41 to 63)			69	267368		228910			



**Analysis of admissible assets**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**Category of assets **Total other than long term business assets**

Category of assets		Company registration number	GL/UK/CM	Period ended			Units	Category of assets
				day	month	year		
R13		FC19045	GL	31	12	2001	£000	1
Debtors				As at the end of this financial year 1			As at the end of the previous year 2	
Other assets								
Debtors arising out of direct insurance operations	Policyholders			71				
	Intermediaries			72	13847		2755	
Salvage and subrogation recoveries				73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74				
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75	128		105	
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76				
		Due more than 12 months after the end of the financial year		77				
	Other	Due in 12 months or less after the end of the financial year		78	2168		844	
		Due more than 12 months after the end of the financial year		79				
Tangible assets				80				
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81				
	Cash in hand			82				
Other assets (particulars to be specified by way of supplementary note)				83				
Prepayments and accrued income	Accrued interest and rent			84	1095		1093	
	Deferred acquisition costs			85				
	Other prepayments and accrued income			86				
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88	17238		4797	
Grand total of admissible assets (39+69+88)				89	284606		233707	
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets (as per line 89 above)				91	284606		233707	
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92				
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				93				
Other differences in the valuation of assets (other than for assets not valued above)				94	5086			
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95				
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99	289692		233707	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100				

**Liabilities (other than long term insurance business)**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**

		Company registration number	GL/UK/CM	Period ended			Units	
		R15	FC19045	GL	31 day	12 month	2001 year	£000
				As at the end of this financial year 1		As at the end of the previous year 2		
Technical provisions (gross amount)	Provision for unearned premiums		11	67920		57190		
	Claims outstanding		12	173549		147448		
	Provision for unexpired risks		13					
	Equalisation provisions	Credit business	14					
		Other than credit business	15					
	Other		16					
	Total (11 to 16)		19	241469		204638		
Provisions for other risks and charges	Taxation		21					
	Other		22					
Deposits received from reinsurers			31					
Creditors	Arising out of insurance operations	Direct insurance business	41					
		Reinsurance accepted	42					
		Reinsurance ceded	43	15369		271		
	Debenture loans	Secured	44					
		Unsecured	45					
	Amounts owed to credit institutions		46					
	Other creditors	Taxation	47	170		629		
		Recommended dividend	48	252		262		
		Other	49	3357		3650		
Accruals and deferred income			51					
Total (19 to 51)			59	260617		209450		
Provision for adverse changes (calculated in accordance with rule 5.3) [Regulation 61 of the Insurance Companies Regulations 1994]			61					
Cumulative preference share capital			62					
Subordinated loan capital			63					
Total (59 to 63)			69	260617		209450		
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance			71	2643		2687		

**Profit and loss account (non-technical account)**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**

		Company registration number		GL/UK/CM	Period ended			Units
		R16	FC19045	GL	31	12	2001	£000
		This financial year		Previous year		Source		
		1		2		Form	Line	Column
Transfer (to)/from the general insurance business technical account	From Form 20	11	(2781)	901		20 . 59		
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13				40 . 26		
Investment income	Income	14	4490	4379				
	Value re-adjustments on investments	15	718					
	Gains on the realisation of investments	16	28	71				
Investment charges	Investment management charges, including interest	17	51					
	Value re-adjustments on investments	18	1782	235				
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general insurance business technical account		20				20 . 51		
Other income and charges (particulars to be specified by way of supplementary note)		21	1723	(47)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	2345	5069				
Tax on profit or loss on ordinary activities		31	(2026)	1409				
Profit or loss on ordinary activities after tax (29-31)		39	4371	3660				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	4371	3660				
Dividends (paid and proposed)		51	99					
Profit or loss retained for the financial year (49-51)		59	4272	3660				

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Chubb Custom Insurance Company**

Global business

Financial year ended **31st December 2001**Accounting class **Summary**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary		
		R20	FC19045	GL	31	12	2001	£000	99	
				This financial year		Previous year		Source		
				1		2		Form	Line	Column
Items to be shown net of reinsurance										
This year's underwriting (accident year accounting)	Earned premium			11	21403		18400		21 . 19 . 5	
	Claims incurred			12	5319		10529		22 . 17 . 4	
	Claims management costs			13	1374		2820		22 . 18 . 4	
	Adjustment for discounting			14					22 . 52 . 4	
	Increase in provision for unexpired risks			15			(219)		22 . 19 . 4	
	Other technical income or charges (particulars to be specified by way of supplementary note)			16						
	Net operating expenses			17	6935		6586		22 . 42 . 4	
	Balance of year's underwriting (11-12-13+14-15+16-17)			19	7775		(1316)			
Adjustment for prior years' underwriting (accident year accounting)	Earned premium			21					21 . 11 . 5	
	Claims incurred			22	8808		(1470)		22 . 13 . 4	
	Claims management costs			23	1748		(747)		22 . 14 . 4	
	Adjustment for discounting			24					22 . 51 . 4	
	Other technical income or charges (particulars to be specified by way of supplementary note)			25						
	Net operating expenses			26					22 . 41 . 4	
	Balance (21-22-23+24+25-26)			29	(10556)		2217			
Balance from underwriting year accounting	Per Form 24			31					24 . 69. 99-99	
	Other technical income and charges (particulars to be specified by way of supplementary note)			32						
	Total			39						
Balance of all years' underwriting (19+29+39)				49	(2781)		901			
Allocated investment return				51						
Transfer to non-technical account (49+51)				59	(2781)		901			

## Returns under the Accounts and Statements Rules

### CHUBB CUSTOM INSURANCE COMPANY

#### Global Business

Financial Year Ended: 31 December 2001

## SUPPLEMENTARY NOTES TO THE RETURN

### 0901 Modification to the Return

In February 2002, the Financial Services Authority gave a waiver the effect of which was to modify the provisions of Chapter 9 of IPRU INS so that, in respect of its global business, the documents required to be deposited by paragraph 9.6 are forms 9 to 20 (summary account only). In addition this is to be accompanied by a copy of the Annual Statement that is required to be deposited with the insurance regulatory authority of the Company's State of domicile.

### 1002 Other Movements

The entry at Line 65 relates to the following:

	2001 £000	2000 £000
Currency differences	489	2,613
	<u>489</u>	<u>2,613</u>

### 1304 Debtors and Creditors

Certain amounts shown on Form 13 and 15 have been calculated by netting amounts due to any one person against amounts due from that person to the extent permitted by generally accepted accounting principles.

### 1305 Counterparty Exposure

The Company's investment guidelines state that no more than 5% of the total portfolio may be invested in an issue and no more than 10% in any one name. Where the small size of a portfolio makes it impractical to apply these limits in the marketplace, then the guidelines state that the investments made must be rated at least AA- by Standard and Poor's and AA3 by Moody's. There has been no breach of these guidelines in the year.

## Returns under the Accounts and Statements Rules

### CHUBB CUSTOM INSURANCE COMPANY

#### Global Business

Financial Year Ended: 31 December 2001

#### SUPPLEMENTARY NOTES TO THE RETURN - continued

##### **1501 Provision for Adverse Changes**

The Company has no involvement in stock lending or derivative contracts and as such no provision is required.

##### **1502 Contingent Liabilities**

No provision has been made for any actual or potential liability to tax on capital gains which might arise if the Company disposed of its assets. There are no charges over assets.

The Company has no contingent liabilities, nor does it have any guarantees, indemnity or other contractual commitments

##### **1601 Foreign Currency**

Amounts of income and expenditure shown on Form 16 have been calculated at the 2000 year end rate of \$1.4407 = £1.

##### **1602 Differences in Brought Forward Figures**

Some of the brought forward amounts shown in the Forms 11 and 12 have been restated from the corresponding carried forward amounts included in the previous year's return due to the reconversion of foreign currency amounts at a different rate of exchange.

##### **1603 Other Income and Charges**

The entry at Line 21 relates to the following:

	2001 £000	2000 £000
Changes in accounting principles	1,736	-
Write in of miscellaneous expenses	16	-
Premium balances written off	( 29)	( 47)
	<u>1,723</u>	<u>( 47)</u>

Returns under the Accounts and Statements Rules

CHUBB CUSTOM INSURANCE COMPANY

Global Business

Financial Year Ended: 31 December 2001

SUPPLEMENTARY NOTES TO THE RETURN - continued

**1700 Form Omitted**

The Company has no derivative contracts and as such Form 17 has been omitted from the return.

**2002 Analysis of Premiums Written**

Gross and reinsurers written premiums are attributable to:

	United Kingdom		Overseas	
	Gross £000	Reinsurers £000	Gross £000	Reinsurers £000
Accident & Health	-	-	611	11
Motor	-	-	2,902	656
Transport	-	-	7,905	6,270
Property	498	275	44,424	37,972
Third Party Liability	3,032	1,397	50,885	43,579
Miscellaneous & Pec Loss	68	22	1,285	471
Non Proportional Treaty	-	-	578	132
	<u>3,598</u>	<u>1,694</u>	<u>108,590</u>	<u>89,091</u>

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(a) of the Accounts and Statements

**CHUBB CUSTOM INSURANCE COMPANY**

Global Business

Financial year ended: 31 December 2001

We certify:

(1) (a) in relation to the part of the return comprising Forms 9 to 13, 15, 16 and 20 (summary) and the supplementary notes that:

(i) the return has been prepared in accordance with the Accounts and Statements Rules as modified by a written concession referred to in supplementary note 0901;

(ii) proper accounting records have been maintained and adequate information has been obtained by the insurer; and

(iii) appropriate systems and controls have been established and maintained by the insurer over its transactions and records;

(b) that in respect of the company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the insurer to comply with rules 7.1 to 7.5 (matching and localisation).

(2) that the margin of solvency required by rule 2.1 has been maintained throughout the financial year.

(3) (a) that the systems and controls established and maintained by the company in respect of its business complied at the end of the financial year with the following published guidance:

(i) Guidance Note P.1 - 'Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to derivatives'; and

(ii) Guidance Note P.2 - 'Systems and controls over general business claims provisions' and

and it is reasonable to believe that those systems and controls continued to so comply subsequently and will continue to so comply in future; and

(b) the return has been prepared in accordance with the following published guidance:

(i) Guidance Note 4.1 - 'Guidance for insurers and auditors on the Valuation of Asset Rules.

(ii) Guidance Note 9.1 - 'Preparation of Annual Returns'



Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(a) of the Accounts and Statements

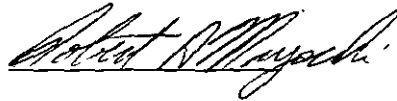
**CHUBB CUSTOM INSURANCE COMPANY**

Global Business

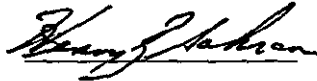
Financial year ended: 31 December 2001

- (4) that proper accounting records have been maintained in the United Kingdom in respect of business carried on through a branch in the United Kingdom.

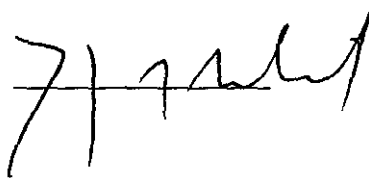
Robert A Marzocchi - Director



Henry B Schram - Director



Henry G Gulick - Secretary



Date: 24 April 2002

**Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules**

CHUBB CUSTOM INSURANCE COMPANY

Global Business

Financial year ended: 31 December 2001

We have examined the following documents prepared by the Company pursuant to the Accounts and Statements Rules set out in part I of chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("the Act").

- Forms 9 to 13, 15 to 16 and 20 (including the supplementary notes) ("the Forms")

**Respective responsibilities of the Company and its auditors**

The company is responsible for the preparation of an annual return, including the Forms, under the provisions of the Rules. The requirements of the Rules have been modified by a written *concession referred to in supplementary note 0901*. Under rule 9.11 the Forms are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms meet these requirements, and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

**Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules**

CHUBB CUSTOM INSURANCE COMPANY

Global Business

Financial year ended: 31 December 2001

(continued)

**Basis of opinion**

We conducted our work in accordance with Practice Note 20 "the audit of insurers in the United Kingdom" issued by the Auditing Practises Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms. The evidence included that previously obtained by Ernst & Young LLP in the United States ('Ernst & Young LLP US') relating to the audit of the Financial Statements of the Company which are included in the Company's Annual Statements and in the Chubb Corporations consolidated Financial Statements on which Ernst & Young LLP US reported on 28 February 2002. It also included an assessment of the significant estimates and judgements made by the Company in the preparation of the Forms.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms are free from material misstatement, whether caused by fraud or other irregularity or error and comply with rule 9.11.

**Opinion**

In our opinion, the Forms fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of these Rules.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London  
29 April 2002