STATE OF INDIANA	)	BEFORE THE INDIANA
	) SS:	
COUNTY OF MARION	)	COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Federal Insurance Company)
15 Mountain View Road)
Warren, New Jersey 07059)

Examination of **Federal Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Federal Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of **Federal Insurance Company** shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

May 22, 2013
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0014 9499 95

STATE OF INDIANA	)	BEFORE THE INDIANA
	) SS:	
COUNTY OF MARION	)	COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Federal Insurance Company)
1099 North Meridian Street)
Indianapolis, Indiana 46204)

Examination of **Federal Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Federal Insurance Company** (hereinafter "Company") for the time period January 1, 2007 through December 31, 2011.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on February 21, 2012.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 27, 2013 and was received by the Company on April 2, 2013.

On April 29, 2013, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2011.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.

2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.

3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 22nd day of May, 2013.

Stephen W. Robertson
Insurance Commissioner

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

FEDERAL INSURANCE COMPANY

NAIC CO. CODE 20281
NAIC GROUP CODE 0038

As of

December 31, 2011

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STATE OF INDIANA
MICHAEL R. PENCE, Governor

IDOI
INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

February 21, 2013

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3699, an examination has been made of the affairs and financial condition of:

Federal Insurance Company
One Indiana Square
211 North Pennsylvania Street, Suite 1350
Indianapolis, Indiana 46204-1927

hereinafter referred to as the "Company", or "Federal", an Indiana domestic, stock, property and casualty insurance company. The examination was conducted at the corporate offices of The Chubb Corporation in Warren, New Jersey.

The Report of Examination, reflecting the status of the Company as of December 31, 2011, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by Noble Consulting Services, Inc. (Noble) as of the period ending December 31, 2006. The present risk-focused examination was conducted by Noble and covered the period from January 1, 2007 through December 31, 2011.

David M. Shepherd, FCAS, MAAA, of Merlinos and Associates, Inc., a consulting actuary appointed by the Indiana Department of Insurance (INDOI), conducted a review of the Company's loss and loss adjustment expense reserves as of December 31, 2011. There were no actuarial adjustments resulting from the review performed by Merlinos and Associates, Inc.

Noble conducted the examination pursuant to and in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Chubb Corporation (the Corporation) was incorporated as a business corporation under the laws of the State of New Jersey in June, 1967. Its headquarters are in Warren, New Jersey. The Corporation is a holding company for a family of property and casualty insurance companies known informally as the Chubb Group of Insurance Companies (the Group). In addition to the thirteen (13) domestic property and casualty companies, the Group includes various international affiliates.

The Company was incorporated on February 15, 1901, under the laws of the State of New Jersey and became an Indiana domiciled company effective March 23, 1990. The Company is a wholly owned subsidiary of the Corporation.

CAPITAL AND SURPLUS

The Corporation owned 100% of the Company's issued and outstanding stock as of the examination date. There were 3,499,971 authorized shares of common stock with a par value of $6 per share and 3,496,678 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to the Corporation during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends
2011	$2,700,000,000	$200,000,000	$2,500,000,000
2010	2,200,000,000	300,000,000	1,900,000,000
2009	1,200,000,000	1,200,000,000	-
2008	2,000,000,000	2,000,000,000	-
2007	1,550,000,000	1,550,000,000	-
Total	$9,650,000,000	$5,250,000,000	$4,400,000,000

In accordance with Indiana Code (IC) 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. The Company paid six (6) quarterly extraordinary dividends during the examination period with the prior approval of the INDOI. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

In 2008, the Company received a capital contribution of $18,551, representing the net assets of Federal Insurance Company Escritorio de Representacao No Brasil, Ltd., an affiliated partnership, from its parent.

In addition, the Company made capital contributions to the following affiliates:

	2007	2008	2009	2010	2011
Chubb Insurance (China) Co., Ltd.	$ -	$ 32,677,670	$ -	$ -	$ 12,031,754
Chubb European Investment Holdings SLP	206,663,089	-	-	-	-
Chubb Investment Holdings, Inc.	155,660,000	88,335,001	31,635,000	17,020,000	6,400,000
Chubb Insurance Investment Holdings, Ltd.	763,276,499	-	-	-	-
Total	$ 1,125,599,588	$ 121,012,671	$ 31,635,000	$ 17,020,000	$ 18,431,754

TERRITORY AND PLAN OF OPERATION

The Corporation ranks among the largest insurance organizations in the United States and is recognized as an industry leader in providing specialized insurance coverages for select commercial customer groups, as well as, unique products and services for the upscale personal lines market. The Group is divided into three (3) strategic business units, Chubb Personal Insurance (CPI), Chubb Commercial Insurance (CCI), and Chubb Specialty Insurance (CSI). The business composition within these three (3) units is approximately 34% personal insurance, 43% commercial insurance, and 23% specialty insurance.

CPI offers coverages of fine homes, automobiles, and other personal possessions along with options for high limits of personal liability coverage. CPI also provides supplemental accident and health insurance in niche markets. CCI offers a full range of commercial insurance products, including coverage for multiple peril, casualty, workers' compensation, property, and marine. CSI offers a wide variety of specialized professional liability products for privately and publicly owned companies, financial institutions, professional firms, and healthcare organizations. CSI also includes surety business.

The Group offers products through independent insurance agencies and accepts business on a regular basis from insurance brokers. The Group's branch and service offices assist these agencies and brokers in producing and servicing the Group's business. Business for the Group is also produced through participation in certain underwriting pools and syndicates.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2011	$ 30,726,611,743	$ 17,019,066,104	13,707,545,639	$ 6,412,770,201	$ 1,760,576,801
2010	31,062,634,346	16,745,371,046	14,317,263,300	6,305,046,303	2,002,635,903
2009	30,688,088,203	16,366,567,070	14,321,521,133	6,499,422,005	1,541,196,481
2008	28,856,589,086	16,720,780,138	12,135,808,948	6,723,694,599	1,187,907,940
2007	29,671,057,233	16,793,877,867	12,877,179,366	6,863,207,570	2,362,403,443

Invested assets are the largest asset of the Company and have increased 10% throughout the exam period, to $27.8 billion. Invested assets decreased in 2011 by $427 million, primarily due to dividend payments to the parent and unrealized losses in unaffiliated stock. Holdings of tax exempt bonds and mortgage-backed securities both decreased slightly during the year, partly offset by a slight increase in holdings of corporate bonds. Liabilities increased slightly in 2011, $274 million or 1.6%, and unpaid losses and loss adjustment expenses are the largest liability of the Company. Loss and loss adjustment expense reserves increased 1.8%, primarily due to an increase in net written premiums of $165 million or 2.6%. The most significant increases occurred in the commercial casualty, marine, workers' compensation, and casualty classes of business.

The Company has a history of increases in surplus primarily due to net underwriting and investment gains, offset by dividends paid to the Corporation. It was noted that surplus decreased by $610 million in 2011, primarily due to the dividend paid to the Corporation of $2.7 billion.

The Company's net written premiums amounted to $6.5 billion in 2011, an increase of 2.6% from 2010. Net income was $1.8 billion in 2011 compared with $2.0 billion in 2010, a decrease of $242 million or 12%. The decrease in net income in 2011 was due to deterioration in underwriting and the decline in investment earnings offset slightly by the higher realized capital gains.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors consisting of no less than five (5) and no more than twenty (20) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board of Directors.

The following is a listing of persons serving as directors at December 31, 2011, and their principal occupations as of that date:

Name and Address	Principal Occupation
Sunita Holzer Basking Ridge, New Jersey	Vice President The Chubb Corporation
Paul Joseph Krump Mendham, New Jersey	Executive Vice President The Chubb Corporation
Allison Williams Meta Fishers, Indiana	Vice President Chubb & Son, a Division of Federal Insurance Company
Harold Lawrence Morrison, Jr. Basking Ridge, New Jersey	Executive Vice President The Chubb Corporation
Dino Ennio Robusto Short Hills, New Jersey	Executive Vice President The Chubb Corporation
Richard Glenn Spiro White Plains, New York	Executive Vice President and Chief Financial Officer The Chubb Corporation
Kathleen Mary Tierney Pelham, New York	Executive Vice President Chubb & Son, a Division of Federal Insurance Company

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman, a President, one (1) or more Vice Presidents, a Treasurer, and a Secretary. The Board of Directors may also elect one (1) or more Vice Chairmen, and may designate Vice Presidents as Executive or Senior Vice Presidents and may elect from time to time such other officers as is deemed necessary. Each of these officers is elected by the Board of Directors and shall hold office one (1) year or until their respective successors are duly chosen and have qualified.

The following is a list of key officers and their respective titles as of December 31, 2011:

Name	Office
Paul Krump	Chairman, President, and Chief Executive Officer
Dino Robusto	Vice Chairman
Douglas Nordstrom	Vice President and Treasurer
William Macan	Vice President and Secretary
Walter Barnes	Vice President and Actuary
Stephen Blasina	Senior Vice President
Stanley Bloom	Senior Vice President
Maureen Brundage	Senior Vice President
Jonathan Doherty	Senior Vice President
Shasi Gangadharan	Senior Vice President
Christopher Giles	Senior Vice President
Christopher Hamilton	Senior Vice President
Mark Lingafelter	Senior Vice President
Fredrick Lobdell	Senior Vice President
Harold Morrison, Jr.	Senior Vice President
Kevin O'Sheil	Senior Vice President
Gary Petrosonio	Senior Vice President
Richard Spiro	Senior Vice President
Christopher Lees	Senior Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that one (1) director and one (1) officer had not signed a 2011 Conflict of Interest statement. There were no other issues related to Conflict of Interest statements identified during the examination.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that while each director does have an Oath of Office statement on file, not all were current as of their last elected date. There were no other issues related to Oaths of Office identified during the examination.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board of Directors' quarterly meeting and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

The Company held quarterly meetings of the Board of Directors and had record of either an annual shareholders' meeting or written consent from the sole shareholder in lieu of a meeting.

IC 27-1-7-7(b) states an annual meeting of Shareholders, Members, or Policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

The Corporation committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Corporate Governance and Nominating Committee, and Organization and Compensation Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2011:

	NAIC Co. Code	Domiciliary State/Country
The Chubb Corporation		
Federal Insurance Company	**20281**	**IN**
Executive Risk Indemnity Inc.	35181	DE
Executive Risk Specialty Insurance Company	44792	CT
Great Northern Insurance Company	20303	IN
Chubb Custom Insurance Company	38989	DE
Pacific Indemnity Company	20346	WI
Texas Pacific Indemnity Company	20389	TX
Northwestern Pacific Indemnity Company	20338	OR
Chubb Insurance Company of New Jersey	41386	NJ
Chubb National Insurance Company	10052	IN
Chubb Indemnity Insurance Company	12777	NY
Chubb Lloyds Insurance Company of Texas (A)	27774	TX
Vigilant Insurance Company	20397	NY
Chubb De Colombia Compania De Seguros, S.A. (B)		Colombia
Chubb Investment Holdings, Inc.		NJ
Chubb Argentina De Seguros, S.A. (C)		Argentina
Chubb Insurance Investment Holdings, Ltd.		UK
Chubb European Investment Holdings, SLP (D)		Scotland
Chubb Insurance Company of Australia, Ltd.		Australia
Chubb Pacific Underwriting Management Services PTE, Ltd.		Singapore
PT Asuransi Chubb Indonesia (E)		Indonesia
CC Canada Holdings, Ltd.		Canada
Chubb Insurance Company of Canada		Canada
Chubb De Chile Compania De Seguros Generales, S.A. (F)		Chile
Chubb De Mexico Compania Afianzadora, S.A. DE C.V.		Mexico
Chubb De Mexico Compania De Seguros, S.A. DE C.V.		Mexico
Federal Insurance Company Escritorio De Representacao No Brasil, Ltd. (G)		Brazil
Chubb Financial Solutions (Bermuda), Ltd.		Bermuda
Chubb Insurance (China) Company, Ltd.		China

(A) Lloyds Company/Syndicate
(B) 88.31% Owned by Vigilant, 6.13% Owned by Federal, 4.22% Owned by The Chubb Corporation, 0.92% Owned by Pacific Indemnity, 0.42% Owned by Great Northern
(C) 99.9% Owned by Federal
(D) Scottish Limited Partnership. Two partners: Federal Insurance Company - Founding Partner; Vigilant Insurance Company - General Partner
(E) 80% owned.
(F) 99.97% Owned by Federal, 0.03% Owned by The Chubb Corporation
(G) 99.99% Owned by Federal.

Note: *Non-insurance affiliate/subsidiary in italics*

Affiliated Agreements:

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management Agreements
Through its Chubb & Son division, the Company acts as manager for the insurance business of certain affiliates. Several foreign branches of the Company have Management Agreements with Chubb Pacific Underwriting Management Services Pte., Ltd., which provide certain underwriting services. During 2011, the Company's net amount received was $455,299,000 for services provided pursuant to these agreements.

Service Agreements
The Company has Service Agreements with certain subsidiaries where it provides employees, underwriting, data processing, claim, and facility services, along with other services for its affiliates. At the same time, the Company has Service Agreements with certain subsidiaries that provide employees, underwriting, data processing, claim, and facility services, along with other services to the Company. During 2011, the Company's net amount received was $111,152,000 for services provided pursuant to these agreements.

Investment Agreements
The Company has Investment Agreements with certain subsidiaries where it provides investment advisory along with other services for its affiliates. At the same time, the Company has an Investment Agreement with an affiliate which provides investment advisory along with other services to the Company. During 2011, the Company's net amount received was $1,079,000 for services provided pursuant to these agreements.

Net Worth and Liquidity Agreement
The Company has a Net Worth and Liquidity Agreement with Chubb Insurance Company of Australia, Ltd., where the Company will maintain a certain net worth and liquidity ratios in the subsidiary. No financial outlay has been required from the Company.

Consolidated Federal Income Tax Allocation Agreement
The Corporation, per the Consolidated Federal Income Tax Allocation Agreement dated July 30, 1981, and Addendums, files a consolidated federal income tax return on behalf of the Company and various affiliates. Under the terms of the agreement, each company's income tax liability is calculated in accordance with the ratio of its taxable income to the total taxable income of group members having taxable income.

Intercompany Pooling Agreement
The Company is a member of an Intercompany Pooling Agreement with affiliated insurers. The Intercompany Pooling Agreement dated October 1, 2006, covers substantially all business. Business is apportioned among the member companies based upon pre-determined rates of participation. As of December 31, 2011, the Company's pooling percentage was 68.5%.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Westchester Fire Insurance Company. The bond has a single loss coverage limit of $15,000,000, with a $25,000,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2011, including but not limited to management indemnity/directors and officers liability, professional indemnity liability, commercial property liability, ERISA liability, employment practices liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Corporation has a sponsored non-contributory defined benefit pension plan, which covers U.S. employees of the Group. The benefits are currently based on a cash balance formula where a notional account for each employee is credited twice a year with amounts based on eligible compensation, age, and years of service. Employees hired prior to 2001 have the option of receiving benefits based on average compensation for their last five (5) years of service (pre-2001 benefit calculation method) or the current method, whichever is higher.

Certain other postretirement benefits, principally health care and life insurance, are provided to retired employees and their beneficiaries and covered dependents. Substantially all employees hired before January 1, 1999, may become eligible for these benefits upon retirement if they meet minimum age and years of service requirements. Health care coverage is contributory. Retiree contributions vary based upon a retiree's age, type of coverage, and years of service. Life insurance coverage is non-contributory.

In addition to the defined benefit plan, the Corporation has a defined contribution benefit plan, the Capital Accumulation Plan, in which substantially all U.S. employees of the Corporation are eligible to participate. Under this plan, the employer makes an annual matching contribution equal to 100% of each eligible employee's pre-tax elective contributions, up to 4% of the employee's eligible compensation. Contributions are invested at the election of the employee in the Corporation's common stock or in various other investment funds.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2011:

State	Book Value	Fair Value
For All Policyholders:		
Indiana	$ 3,191,607	$ 3,304,337
New Jersey	4,407,502	4,675,080
All Other Special Deposits:		
Arizona	12,685,457	13,972,496
California	395,726,166	427,184,769
Delaware	115,847	121,153
District of Columbia	50,128	51,481
Georgia	125,920	131,688
Massachusetts	181,325	189,630
Montana	30,060	31,157
Nevada	304,338	314,748
New Mexico	468,314	501,782
North Carolina	315,374	334,652
Oregon	13,370,485	14,883,935
Tennessee	79,216	87,566
Virginia	257,832	267,453
Total Deposits	$ 431,309,571	$ 466,051,927

REINSURANCE

Chubb Reinsurance Pool:

The Company and eight (8) affiliates participate in an Intercompany Pooling Agreement, the Chubb Group Reinsurance Pool (the Chubb Pool). The Intercompany Pooling Agreement covers substantially all business with the exception of foreign business and the run-off of an old aircraft voluntary pool. Federal is the lead company with a 68.5% participation in the Chubb Pool.

The Chubb Pool differs from traditional pooling arrangements whereby participants cede all of their business to a lead reinsurer, and the lead reinsurer retrocedes to each company a portion of all net business written. In the case of the Chubb Pool, each participating company retains a designated percentage of their own business, ceding the remainder of their business to the participating companies. Each participating company also assumes a designated percentage of all other pool participants' business. To illustrate, Federal, which has a 68.5% share of the pool, cedes 31.5% of their business to the other eight (8) pool participants. Federal, in turn, then assumes 68.5% of the subject business from each of the remaining eight (8) pool participants. Although the methodology utilized by Chubb management differs from a "traditional" pooling arrangement, the net financial results are identical.

Following is a list of the companies within the Chubb Pool and their respective contract percentage:

Name of Pool Members	Percentage of Pool	State of Domicile
Federal Insurance Company	68.5%	Indiana
Pacific Indemnity Company	17.0%	Wisconsin
Executive Risk Indemnity Inc.	8.0%	Delaware
Great Northern Insurance Company	4.0%	Indiana
Chubb Custom Insurance Company	0.5%	Delaware
Chubb Indemnity Insurance Company	0.5%	New York
Chubb National Insurance Company	0.5%	Indiana
Executive Risk Specialty Insurance Company	0.5%	Connecticut
Vigilant Insurance Company	0.5%	New York
Total	100.0%	

There are four (4) other affiliated companies which cede 100% of their business to one (1) of the participating pool members where it is, in turn, then included within the Chubb Pool. These companies are: Texas Pacific Indemnity Company and Northwestern Pacific Indemnity Company, both wholly owned subsidiaries of Pacific Indemnity, which cede 100% of their business to Pacific Indemnity, who retains 17% and cedes the remaining 83% to the other eight (8) pool participants, Chubb Insurance Company of New Jersey which cedes 100% of its business to Federal, who retains 68.5% and cedes the remaining 31.5% to the other eight (8) pool participants, and Chubb Lloyds Insurance Company of Texas which cedes 100% of its business to Great Northern, who retains 4% and cedes the remaining 96% to the other eight (8) pool participants.

Ceded Reinsurance:

The Group purchases ceded reinsurance on a combined group basis and apportions the cost among each participating pool member in proportion to their designated pool share. The most significant component of the Group's ceded reinsurance program is directed at per-risk (excess of loss) and per-event (catastrophe) risks associated with property risks. Additional specifics regarding each of these elements of the Group ceded reinsurance program follow.

Property Per-Risk Reinsurance

The Group also reinsures property limits above $25 million through a series of reinsurance layers providing approximately $625 million excess of $25 million per risk. During 2011, the Group placed all but a negligible portion of this reinsurance with various reinsurers.

Property Per-Event (Catastrophe) Reinsurance

The Group's primary reinsurance program involves the placement of catastrophe protection covering its North American (i.e. United States and Canadian) property business. The Group maintains an initial per catastrophe retention of $500 million per event and places approximately 64% of the excess above this retention, between $500 million and $1.65 billion, with various reinsurers.

The Group also reduces their overall exposure through a combination of area specific supplemental reinsurance contracts, as well as two (2) catastrophe bond arrangements consisting of: a $150 million arrangement expiring in March, 2012, providing coverage for homeowners-related hurricane losses in Florida and a $475 million arrangement, a portion of which expires in March, 2014, and the remainder in March, 2015, which provides coverage for homeowners and commercial exposures for loss events in the Northeastern United States. On a combined basis for catastrophic events in the Northeastern United States, the combination of the North American Catastrophe treaty, catastrophe bond arrangements, and other area-specific supplemental reinsurance provide coverage of approximately 64% of losses (net of recoveries from other available reinsurance) between $500 million and $3.55 billion.

Assumed Reinsurance:

Until late 2005, the Corporation maintained a professional reinsurance assumed operation commonly referred to as Chubb Re. This operation assumed reinsurance from various domestic and foreign markets, using Federal as the primary contracting vehicle. In December 2005, the Corporation completed a transaction aimed at facilitating an orderly exit from the assumed reinsurance business. As part of that transaction, the Corporation transferred the administration of its discontinued reinsurance assumed business, together with certain related assets, and all renewal rights, to Harbor Point Limited. Since 2005, this block of business has been in run-off and the Corporation's U.S. companies have no longer engaged directly in the professional assumed reinsurance business.

During the current examination period, the Corporation has significantly expanded its activities directed at developing Program Business relationships with various strategic partners. Part of this initiative involves the assumption of a limited amount of reinsurance. The Corporation's most significant business program partner is the C.V. Starr Group of insurance companies, from whom Federal has assumed approximately $141 million of premiums during the year 2011.

In addition to the reinsurance assumed described above, Federal also provides reinsurance to a number of its foreign domiciled affiliates, principally on an excess of loss basis. None of these contracts is regarded as being individually significant from a financial perspective.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2010 and 2011, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2007 through December 31, 2011, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FEDERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2011			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	$ 14,458,949,405	$ -	$ 14,458,949,405	$ 15,041,903,659
Stocks:				
Preferred stocks	28,739,431	-	28,739,431	28,650,593
Common stocks	10,934,794,749	-	10,934,794,749	10,726,020,776
Real estate				
Properties occupied by the company	111,145,204	-	111,145,204	112,892,327
Cash, cash equivalents and short-term investments	151,941,570	-	151,941,570	235,579,103
Other invested assets	2,051,163,095	-	2,051,163,095	2,048,039,055
Receivables for securities	29,247,782	-	29,247,782	53,078
Subtotals, cash and invested assets	$ 27,765,981,236	$ -	$ 27,765,981,236	$ 28,193,138,591
Investment income due and accrued	184,016,665	-	184,016,665	190,329,582
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	1,032,985,739	-	1,032,985,739	986,118,635
Deferred premiums, agents' balances and installments booked but deferred and not yet due	437,024,567	-	437,024,567	455,707,312
Reinsurance:				
Amounts recoverable from reinsurers	65,076,831	-	65,076,831	96,597,916
Funds held by or deposited with reinsured companies	34,388,470	-	34,388,470	20,100,066
Net deferred tax asset	788,276,058	-	788,276,058	736,739,410
Electronic data processing	16,999,536	-	16,999,536	16,293,826
Receivables from parent, subsidiaries and affiliates	232,095,980	-	232,095,980	205,205,275
Aggregate write-ins for other than invested assets	169,766,661	-	169,766,661	162,403,733
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	30,726,611,743	-	30,726,611,743	31,062,634,346
Total	**$30,726,611,743**	$ -	**$30,726,611,743**	**$31,062,634,346**

FEDERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2011			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	$ 9,284,323,022	$ -	$ 9,284,323,022	$ 9,089,465,750
Reinsurance payable on paid losses and loss adjustment expenses	44,390,612	-	44,390,612	12,551,688
Loss adjustment expenses	2,971,718,202	-	2,971,718,202	2,949,239,566
Commissions payable, contingent commissions and other similar charges	98,392,542	-	98,392,542	83,356,643
Other expenses	181,457,513	-	181,457,513	201,250,663
Taxes, licenses and fees	33,550,303	-	33,550,303	33,734,130
Current federal and foreign income taxes	53,576,450	-	53,576,450	51,673,974
Unearned premiums	3,395,081,997	-	3,395,081,997	3,331,654,264
Dividend declared and unpaid:				
Policyholders	51,036,710	-	51,036,710	53,284,569
Ceded reinsurance premiums payable	320,332,626	-	320,332,626	329,476,460
Funds held by company under reinsurance treaties	22,299,533	-	22,299,533	21,238,737
Amounts withheld or retained by company for accounts of others	4,970,671	-	4,970,671	5,245,655
Remittances and items not allocated	101,169,697	-	101,169,697	108,359,583
Provision for reinsurance	80,929,771	-	80,929,771	70,490,995
Payable to parent, subsidiaries and affiliates	99,031,903	-	99,031,903	126,894,920
Payable for securities	24,287,439	-	24,287,439	24,233,457
Aggregate write-ins for liabilities	252,517,113	-	252,517,113	253,219,992
Total liabilities	**$ 17,019,066,104**	**$ -**	**$ 17,019,066,104**	**$ 16,745,371,046**
Aggregate write-ins for special surplus funds	222,831,127	-	222,831,127	174,400,046
Common capital stock	20,980,068	-	20,980,068	20,980,068
Gross paid in and contributed surplus	3,106,808,553	-	3,106,808,553	3,106,808,553
Unassigned funds (surplus)	10,356,925,891	-	10,356,925,891	11,015,074,633
Surplus as regards policyholders	**13,707,545,639**	**-**	**13,707,545,639**	**14,317,263,300**
Totals	**$ 30,726,611,743**	**$ -**	**$ 30,726,611,743**	**$ 31,062,634,346**

FEDERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Income

	As of December 31, 2011			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Premiums earned	$ 6,412,770,201	$ -	$ 6,412,770,201	$ 6,305,046,303
DEDUCTIONS:				
Losses incurred	3,271,048,524	-	3,271,048,524	2,874,101,179
Loss adjustment expenses incurred	898,453,190	-	898,453,190	960,583,996
Other Underwriting expenses incurred	1,974,547,702	-	1,974,547,702	1,906,622,275
Aggregate write-ins for underwriting deductions	224,568	-	224,568	334,342
Total underwriting deductions	6,144,273,984	-	6,144,273,984	5,741,641,792
Net underwriting gain (loss)	**268,496,217**	-	**268,496,217**	**563,404,511**
Net investment income earned	1,534,372,960	-	1,534,372,960	1,664,137,931
Net realized capital gains (losses) less capital gains tax	173,913,645	-	173,913,645	119,010,665
Net investment gain (loss)	**1,708,286,605**	-	**1,708,286,605**	**1,783,148,596**
Net gain (loss) from agents' or premium balances charged off	(3,283,004)	-	(3,283,004)	(4,154,768)
Aggregate write-ins for miscellaneous income	8,905,189	-	8,905,189	4,742,066
Total other income	5,622,185	-	5,622,185	587,298
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,982,405,007	-	1,982,405,007	2,347,140,405
Dividends to policyholders	21,357,102	-	21,357,102	18,895,401
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,961,047,905	-	1,961,047,905	2,328,245,004
Federal and foreign income taxes incurred	200,471,104	-	200,471,104	325,609,101
Net income	**$ 1,760,576,801**	**$ -**	**$ 1,760,576,801**	**$ 2,002,635,903**
Capital & Surplus Account:				
Surplus as regards policyholders, December 31 prior year	$ 14,317,263,300	$ -	$ 14,317,263,300	$ 14,321,521,133
Net income	1,760,576,801	-	1,760,576,801	2,002,635,903
Change in net unrealized capital gains or (losses) less capital gains tax	243,555,812	-	243,555,812	510,851,177
Change in net unrealized foreign exchange capital gain (loss)	(10,604,752)	-	(10,604,752)	4,357,724
Change in net deferred income tax	(34,407,721)	-	(34,407,721)	6,464,887
Change in nonadmitted assets	95,199,914	-	95,199,914	(334,408,496)
Change in provision for reinsurance	(10,438,776)	-	(10,438,776)	9,502,220
Dividends to stockholders	(2,700,000,000)	-	(2,700,000,000)	(2,200,000,000)
Aggregate write-ins for gains and losses in surplus	46,401,061	-	46,401,061	(3,661,248)
Change in surplus as regards policyholders for the year	**(609,717,661)**	-	**(609,717,661)**	**(4,257,833)**
Surplus as regards policyholders, December 31 current year	**$ 13,707,545,639**	**$ -**	**$ 13,707,545,639**	**$ 14,317,263,300**

FEDERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Reconciliation

CAPITAL AND SURPLUS ACCOUNT	As Of 12/31/2011	As Of 12/31/2010	As Of 12/31/2009	As Of 12/31/2008	As Of 12/31/2007
Capital and surplus, Dec 31, prior year	$ 14,317,263,300	$ 14,321,521,133	$ 12,135,808,948	$ 12,877,179,366	$ 11,276,747,362
Net income	1,760,576,801	2,002,635,903	1,541,196,481	1,187,907,940	2,362,403,443
Change in net unrealized capital gains (losses)	243,555,812	510,851,177	1,527,165,351	151,036,702	597,441,510
Change in net unrealized foreign exchange capital gain (loss)	(10,604,752)	4,357,724	(9,605,701)	6,471,363	(16,611,771)
Change in net deferred income tax	(34,407,721)	6,464,887	48,539,382	214,374,619	65,258,975
Change in nonadmitted assets	95,199,914	(334,408,496)	(31,395,666)	(238,989,721)	54,100,395
Change in provision for reinsurance	(10,438,776)	9,502,220	29,762,642	43,058,503	48,392,987
Cumulative effect of changes in accounting principles	-	-	2,790,993	-	-
Surplus adjustments:					
Paid in	-	-	-	18,551	-
Dividends to stockholders	(2,700,000,000)	(2,200,000,000)	(1,200,000,000)	(2,000,000,000)	(1,550,000,000)
Aggregate write-ins for gains and losses in surplus	46,401,061	(3,661,248)	277,258,703	(105,248,375)	39,446,465
Net change in capital and surplus for the year	(609,717,661)	(4,257,833)	2,185,712,185	(741,370,418)	1,600,432,004
Capital and surplus, Dec 31, current year	**$ 13,707,545,639**	**$ 14,317,263,300**	**$ 14,321,521,133**	**$ 12,135,808,948**	**$ 12,877,179,366**

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2011, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that one (1) director and one (1) officer had not signed a 2011 Conflict of Interest statement. All officers and directors should review and sign Conflict of Interest statements on an annual basis in accordance with Company policy.

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that while each director does have an Oath of Office statement on file, not all were current as of their last elected date. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board of Directors.

SUBSEQUENT EVENTS

Hurricane Sandy

In October 2012, the Northeastern United States suffered a catastrophic impact from Hurricane Sandy. In early December, the Corporation announced that it anticipated eventual losses from this event to be approximately $880 million on a pre-tax basis and $570 million on a net-of-tax basis. Each individual member of the Chubb Pool will incur losses approximate to their share of the Chubb Pool. For the Company, this equates to gross and net losses of approximately $600 million gross and $400 million net of tax respectively.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc. and actuarial assistance from Merlinos & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Federal Insurance Company, as of December 31, 2011.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of Federal Insurance Company as of December 31, 2011, as determined by the undersigned.

Nadine Treon

Nadine Treon, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 22 day of February 2013, before me personally appeared, Nadine Treon, to sign this document.

IN WITNESS WHEROF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day ~~and year last above written.~~

SAMANTHA LEIGH DOUGHERTY
Notary Public, State of Indiana
Hendricks County
Commission # 627605
My Commission Expires
July 04, 2019

My commission expires: ______ Notary Public