

Re: Bernard L. Madoff Investment Securities (“Madoff”)

Since the first reports surfaced concerning the alleged Madoff Ponzi scheme, we have received a number of inquiries regarding the extent of coverage under the Masterpiece policy for Madoff related investment losses, as well as claims from our insureds.

As you know, over the years the Deluxe and Standard Contents coverages in Masterpiece have provided coverage for theft of money and securities. Each of these coverages is limited, with coverage for money generally between \$1000 – \$2000, and coverage for securities generally \$5000, depending on the jurisdiction and relevant version of Masterpiece.

While coverage for any particular claim is dependent on the facts and circumstances of the specific loss and the provisions of the applicable Deluxe or Standard Contents coverages of the policy or policies issued by member insurers of the Chubb Group (“Chubb”), in the event you receive inquiries from our insureds and in the interest of resolving claims as expeditiously as possible Chubb is providing the following general guidance with respect to coverage:

- A tender of money or securities made *directly* by an insured to Madoff for investment purposes will be considered a loss on the date and during the policy period in which the tender was made.
- *All* such tenders of money or securities in any one policy period are *one occurrence* pursuant to the definition of that term and coverage for all loss during the policy period will be made *once* under the Special limits applicable to money or securities.
- To facilitate the notification process, a claim only needs to be reported by or on behalf of an insured under *one* Chubb Masterpiece policy. Chubb will then undertake to identify all Masterpiece policies the insured has had with Chubb, with the insured being required to substantiate tenders to Madoff with respect to each policy in the adjustment process. However, if more than one policy applies to a specific tender made by an insured to Madoff, payment will be made under one policy consistent with the terms of the Deluxe and Standard Contents coverages.
- Tenders of money or securities made directly by an insured to Madoff for investment purposes in two or more policy periods are considered one occurrence *in each* policy period.
- The amount of all tenders made to Madoff will be reduced by all returns actually received by an insured in determining the amount payable to an insured.
- While coverage for loss claimed by an insured arising out of any other methods of investment (e.g. purchase of shares in a mutual fund which invested in a Madoff investment vehicle, or investments made through intermediaries) are not likely covered, any claim based on such methods of investment will be considered on an individual basis.

Beyond the foregoing, as information on specific claims and the larger investigation of the alleged Madoff Ponzi scheme is received and considered, individual insured claimants will be advised consistent with the Claim practices of Chubb.