

Chubb Corporation

On August 31, 2000, CalPERS filed a securities class action lawsuit against the Chubb Corporation and certain third party defendants seeking recovery of losses experienced as a result of false and misleading statements and irregularities in accounting practices by the Chubb Corporation. On July 17, 2001, CalPERS, along with the New York State Common Retirement Fund and an individual investor (as co-petitioners) were appointed as co-lead plaintiffs. The plaintiffs alleged that the Chubb Corporation artificially inflated its stock price during the mid part of 1999 by scheming to cover up losses in its standard commercial insurance business. The artificially inflated stock price allowed Chubb to acquire Executive Risk, a highly profitable underwriter of directors and officers' liability insurance. Days after the acquisition of Executive Risk, Chubb announced worse-than-expected second quarter 1999 earnings per share due to increasing losses in its standard commercial insurance business.

Early in the case, defendants filed a motion to dismiss. The motion was granted on June 28, 2002, although plaintiffs were given leave to amend their complaint. Plaintiffs filed an amended complaint on August 9, 2002. Defendants again moved to dismiss on August 11, 2003, the court again granted defendants' motion to dismiss. The court dismissed the complaint primarily on the grounds that plaintiffs did not plead the case with sufficient particularity. Plaintiffs filed a notice of appeal on September 10, 2003. The appeal was dismissed by the Third Circuit Court of Appeals on December 30, 2004. A petition for rehearing and for rehearing en banc was dismissed by the Third Circuit on February 14, 2005. CalPERS was represented by Lerach Coughlin Stoia & Robbins LLP.