

# ACE LTD

## FORM 8-K (Current report filing)

Filed 01/14/99 for the Period Ending 12/27/98

Telephone	441 295 5200
CIK	0000896159
Symbol	ACE
SIC Code	6331 - Fire, Marine, and Casualty Insurance
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

# ACE LTD

## FORM 8-K (Unscheduled Material Events)

Filed 1/14/1999 For Period Ending 12/27/1998

Address	ACE BLDG 30 WOODBOURNE AVE HAMILTON HM 08 BERMU, 00000
Telephone	809-295-5200
CIK	0000896159
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

# SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

## FORM 8-K

### Current Report

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

**Date of Report (Date of earliest event reported) January 12, 1999**

### ACE LIMITED

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(Exact Name of Registrant as Specified in Charter)

Cayman Islands	1-11778	Not Applicable
----- (State or Other Jurisdiction (of Incorporation	(Commission File Number)	I.R.S. Employer Identification No.)
The ACE Building 30 Woodbourne Avenue Hamilton, Bermuda	HM 08	
----- (Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code: (441) 295-5200

Not Applicable

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(Former Name or Former Address, if Changed Since Last Report)

**Item 5. Other Events.**

On January 12, 1999, ACE Limited ("ACE") announced that it had agreed to acquire the international and domestic property and casualty insurance businesses of CIGNA Corporation ("CIGNA") for \$3.45 billion in cash.

Included as Exhibit 99.1 to this Current Report on Form 8-K is a copy of the press release.

**Item 7. Exhibits.**

99.1 Press Release, dated January 12, 1999.

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

*Dated: January 14, 1999*

*ACE LIMITED*

*By: /s/ Christopher Z. Marshall*

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*Chief Financial Officer*

## EXHIBIT INDEX

Exhibit Number -----	Description
99.1	Press Release, dated January 12, 1999

**FOR IMMEDIATE RELEASE**

ACE Limited: CIGNA Corporation:

Investor Contact: Helen M. Wilson Edwin J. Detrick 441-299-9283 215-761-6130 Media Contact: Wendy Davis Johnson Michael J. Monroe  
441-299-9347 215-761-6133

**ACE TO BUY CIGNA'S INTERNATIONAL AND DOMESTIC  
PROPERTY & CASUALTY OPERATIONS FOR \$3.45 BILLION**

HAMILTON, Bermuda, and PHILADELPHIA, PA, January 12, 1999 - ACE Limited (NYSE: ACL) has agreed to acquire the international and domestic property and casualty insurance businesses of CIGNA Corporation (NYSE: CI) for \$3.45 billion in cash, under an agreement announced today by both companies.

The transaction, which is subject to receipt of necessary regulatory approvals and other customary closing conditions, is expected to be completed by the end of the second quarter of calendar 1999.

"The acquisition of one of the very few truly global franchises in our core business of property and casualty insurance represents a quantum leap for ACE," said Brian Duperreault, chairman, president and chief executive officer of ACE. "This transaction significantly strengthens ACE's position as a premier player in each of the world's major insurance markets, including the U.S., with a business that is diversified by industry, market and client type. This is an historic event, one that transforms ACE into one of only a handful of truly international property and casualty insurance concerns, and provides a tremendous platform for future growth," he added.

Under the agreement, ACE will acquire CIGNA's domestic property and casualty insurance operations, including its run-off business. ACE will also purchase CIGNA's international property and casualty insurance companies and branches, including most of the accident and health business written through those companies.

"This transaction further positions CIGNA to capitalize on its strengths in the global employee benefits business. Over the past several years we have been reshaping our company to achieve our strategic goal of becoming the premier, and consistently most profitable, employee benefits company in the United States and internationally," said Wilson H. Taylor, chief executive officer of CIGNA.

"We currently expect that there will be in place at the closing of the acquisition significant third-party protection against adverse development with respect to the loss and loss adjustment expense reserves of the run-off operations to be acquired, as well as certain other asbestos and environmental exposures," Mr. Duperreault said.

ACE expects that the transaction will be financed with a combination of available cash and newly issued equity, debt, preferred and mandatorily convertible securities.

Gross written premiums of the businesses being acquired were \$4.3 billion in 1997 with operating income for the same period of \$198 million. Upon completion of the transaction, ACE will be a company with approximately \$30 billion in assets and will employ more than 9,000 people in 47 countries worldwide.

"There are significant benefits and efficiencies to be derived from being a global organization whose primary focus is property and casualty insurance. As we assume CIGNA's business operations, we will seek to capitalize on ACE's strength and focus in property and casualty underwriting to enhance our profitability and growth potential," said Mr. Duperreault.

ACE's financial advisor in this transaction is Merrill Lynch & Co. The ACE Group of Companies provides insurance and reinsurance for a diverse group of international clients. Operating subsidiaries are based in Bermuda, the United States, the United Kingdom (Lloyd's), and the Republic of Ireland. At September 30, 1998, ACE Limited had approximately \$8.8 billion in assets and approximately \$3.7 billion in shareholders' equity.

CIGNA's businesses rank among the largest employee benefits organizations in the United States and include a full range of health care, life, disability and retirement and investment services, both in the U.S. and internationally. Revenues for the first nine months of 1998 (includes all businesses) were \$16 billion and operating income was \$772 million (excludes \$202 million of gains from the sale of life and annuity businesses). As of September 30, 1998 CIGNA had consolidated assets of \$109 billion and shareholders' equity of approximately \$8.2 billion.

Editor's Note: ACE Limited's press releases are available at no charge through News on Demand Plus by dialing 888-329-8941.

(tables to follow)

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**Supplemental Financial Information**

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**Net Written Premiums by Product Line**  
(in \$ millions)

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	Year ended Sept. 30, 1998	Year ended Dec. 31, 1997		ACE & CIGNA's P&C ops.	
	-----	-----	-----	-----	-----
	ACE	CIGNA's P&C ops. Domestic	Int'l	Combined	Combined %
Property	\$181	\$ 354	\$ 471	\$1,006	25.4%
Casualty	147	308	279	734	18.6%
Accident & Health	-	-	482	482	12.2%
Marine & Aviation (including satellite)	77	271	123	471	11.9%
Workers' Compensation	-	342	-	342	8.7%
Lloyd's Syndicates	314	-	-	314	7.9%
Automobile	-	-	194	194	4.9%
Commercial Packages	-	161	-	161	4.1%
Financial Lines	142	-	-	142	3.6%
Other	22	60	27	109	2.7%
	-----	-----	-----	-----	-----
Total	\$883	\$1,496	\$1,576	\$3,955	100.0%
	====	=====	=====	=====	=====

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**Net Written Premiums by Geographic Region**  
(in \$ millions)

	Year ended Sept. 30, 1998	Year ended Dec. 31, 1997			
	-----	-----		-----	
	ACE	CIGNA's P&C ops.		ACE & CIGNA's P&C ops.	
		Domestic	Int'l	Combined	Combined %
North America	\$ 503	\$1,496	\$ -	\$1,999	50.6%
UK & Europe	129	-	644	773	19.5%
Japan	21	-	420	441	11.2%
Other Pacific	16	-	213	229	5.8%
Latin America	5	-	171	176	4.4%
Other	209	-	128	337	8.5%
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Total	\$ 883	\$1,496	\$1,576	\$3,955	100.0%
	=====	=====	=====	=====	=====

## Supplemental Financial Information

Balance Sheet Information (in \$ millions)			
	Dec. 31, 1997	CIGNA's P&C Operations to be Acquired	
		Dec. 31, 1997	Sept.30, 1998
	As reported by CIGNA	(Unaudited)	(Unaudited)
Investments & cash	\$12,457	\$10,051	\$ 9,907
Premium accounts and notes receivable	2,735	2,423	2,690
Reinsurance recoverables	6,211	6,181	6,013
Goodwill	411	392	378
Other assets	2,881	2,384	2,418
	-----	-----	-----
Total assets	\$24,695	\$21,431	\$21,406
	=====	=====	=====
Unpaid claims and claim expenses	15,252	14,929	14,738
Future policy benefits	1,889	-	-
Unearned premiums	1,543	1,318	1,389
Accounts payable	3,050	2,396	2,333
Other liabilities	419	438	495
	-----	-----	-----
Total liabilities	22,153	19,081	18,955
	-----	-----	-----
Net Assets	\$ 2,542	\$ 2,350	\$ 2,451
	=====	=====	=====

## Supplemental Financial Information

### Income Statement Information (in \$ millions)

	Year ended December 31, 1997		Nine months ended September 30, 1998	
	As reported by CIGNA	Operations to be acquired	As reported by CIGNA	Operations to be acquired
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Domestic Ongoing</b>				
Gross premiums written	\$2,301	\$2,301	\$1,901	\$1,901
Net premiums written	1,496	1,496	1,149	1,149
Net premiums earned	1,593	1,593	1,133	1,133
Losses and loss adjustment expenses	(1,165)	(1,165)	(826)	(826)
Policy acquisition expenses	(367)	(367)	(274)	(274)
Operating expenses	(141)	(154)	(101)	(101)
Underwriting gain (loss)	(80)	(93)	(68)	(68)
Net investment income	239	239	172	172
Other revenues and expenses, net	(16)	(6)	(8)	(9)
Operating income before tax	143	140	96	95
Income taxes	(45)	(44)	(24)	(25)
Net operating income	\$ 98	\$ 96	\$ 72	\$ 70
Loss & LAE ratio	73.1%	73.1%	72.9%	72.9%
Expense ratio	31.9%	32.7%	33.1%	33.1%
Combined ratio	105.0%	105.8%	106.0%	106.0%
<b>International Ongoing</b>				
Gross premiums written	2,265	1,999	1,690	1,418
Net premiums written	1,834	1,576	1,348	1,104
Net premiums earned	1,784	1,539	1,294	1,062
Losses and loss adjustment expenses	(953)	(823)	(780)	(649)
Policy acquisition expenses	(453)	(410)	(323)	(291)
Operating expenses	(289)	(269)	(205)	(177)
Underwriting gain (loss)	89	37	(14)	(55)
Net investment income	126	121	83	79
Other revenues and expenses, net	(14)	13	8	9
Operating income before tax	201	171	77	33
Income taxes	(74)	(62)	(31)	(14)
Net operating income	\$ 127	\$ 109	\$ 46	\$ 19
Loss & LAE ratio	53.4%	53.5%	60.3%	61.1%
Expense ratio	41.6%	44.1%	40.8%	44.1%
Combined ratio	95.0%	97.6%	101.1%	105.2%

Supplemental Financial Information

Income Statement Information  
(in \$ millions)

	Year ended December 31, 1997		Nine months ended September 30, 1998	
	As reported by CIGNA (Unaudited)	Operations to be acquired (Unaudited)	As reported by CIGNA (Unaudited)	Operations to be acquired (Unaudited)
Total Ongoing				
Gross premiums written	\$4,566	\$4,300	\$3,591	\$3,319
Net premiums written	3,330	3,072	2,497	2,253
Net premiums earned	3,377	3,132	2,427	2,195
Losses and loss adjustment expenses	(2,118)	(1,988)	(1,606)	(1,475)
Policy acquisition expenses	(820)	(777)	(597)	(565)
Operating expenses	(430)	(423)	(306)	(278)
Underwriting gain (loss)	9	(56)	(82)	(123)
Net investment income	365	360	255	251
Other revenues and expenses, net	(30)	7	-	-
Operating income before tax	344	311	173	128
Income taxes	(119)	(106)	(55)	(39)
Net operating income	\$ 225	\$ 205	\$ 118	\$ 89
Loss & LAE ratio	62.7%	63.5%	66.2%	67.2%
Expense ratio	37.0%	38.3%	37.2%	38.4%
Combined ratio	99.7%	101.8%	103.4%	105.6%
Net catastrophe losses, pre-tax	\$17		\$97	
% of net earned premiums	0.5%		4.0%	
Run-off				
Gross premiums written	19	19	2	2
Net premiums written	11	11	(2)	(2)
Net premiums earned	22	22	(1)	(1)
Losses and loss adjustment expenses	(232)	(232)	(143)	(143)
Policy acquisition expenses	(14)	(14)	(6)	(6)
Operating expenses	(81)	(82)	(61)	(61)
Underwriting gain (loss)	(305)	(306)	(211)	(211)
Net investment income	282	282	191	191
Other revenues and expenses, net	20	5	15	6
Operating income (loss) before tax	(3)	(19)	(5)	(14)
Income tax recovery	5	12	5	8
Net operating income (loss)	\$ 2	\$ (7)	\$ -	\$ (6)

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