

ACE LTD

FORM 8-K (Current report filing)

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Sector	Financial
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**UNITED STATES
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) – July 23, 2013

ACE LIMITED
(Exact name of registrant as specified in its charter)

Switzerland
(State or other jurisdiction
of Incorporation)

1-11778
(Commission
File Number)

98-0091805
(I.R.S. Employer
Identification No.)

**Baerengasse 32
CH-8001 Zurich, Switzerland
Telephone: +41 (0)43 456 76 00**
(Address of principal executive offices)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On July 23, 2013, ACE Limited issued a Press Release reporting its second quarter 2013 results and the availability of its second quarter 2013 Financial Supplement. The Press Release and the Financial Supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

Item 9.01. Financial Statements, Pro Forma Financial Information and Exhibits

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, Dated July 23, 2013, Reporting Second Quarter 2013 Results
99.2	Second Quarter 2013 Financial Supplement

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.

ACE LIMITED

By: /s/ Philip V. Bancroft

Philip V. Bancroft

Chief Financial Officer

DATE: July 23, 2013

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated July 23, 2013, Reporting Second Quarter 2013 Results	Furnished herewith
99.2	Second Quarter 2013 Financial Supplement	Furnished herewith



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News Release

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**ACE REPORTS RECORD QUARTERLY OPERATING INCOME OF \$790 MILLION,
NET INCOME OF \$891 MILLION AND P&C COMBINED RATIO OF 87.9%;
OPERATING RETURN ON EQUITY IS 12.3%**

- Record operating income of \$2.29 per share, up 5.5% from prior year
- P&C net premiums written up 7.1%; up 8.6% in constant dollars
- P&C underwriting income of \$434 million, up 15.8%
- P&C current accident year underwriting income excluding catastrophe losses up 21.3%; current accident year combined ratio excluding catastrophe losses of 89.2%
- Net investment income flat with prior year, \$534 million versus \$537 million

ZURICH — July 23, 2013 — ACE Limited (NYSE: ACE) today reported net income for the quarter ended June 30, 2013, of \$2.59 per share, compared with \$0.96 per share for the same quarter last year. ⁽¹⁾ Operating income was \$2.29 per share, compared with \$2.17 per share for the same quarter last year. Book value per share declined 2.3% from March 31, 2013, to \$80.26 due to rising interest rates. Tangible book value per share decreased 4.9% to \$64.40, primarily due to rising interest rates and the impact of goodwill and intangibles relating to acquisitions closed during the quarter. Operating return on equity for the quarter was 12.3%. The property and casualty (P&C) combined ratio for the quarter was 87.9%.

Second Quarter Summary
(in millions, except per share amounts)
(Unaudited)

				(Per Share - Diluted)		
	2013	2012	Change	2013	2012	Change
Net income	\$891	\$ 328	171.2%	\$2.59	\$ 0.96	169.8%
Net realized gains (losses), net of tax	101	(415)	NM	0.30	(1.21)	NM
Operating income, net of tax	\$790	\$ 743	6.3%	\$2.29	\$ 2.17	5.5%

For the six months ended June 30, 2013, net income was \$5.36 per share, compared with \$3.80 per share for 2012. Operating income was \$4.46 per share, compared with \$4.22 per share for 2012. Book value decreased \$236 million, down 0.9% from December 31, 2012, and tangible book value decreased \$656 million, down 2.9%. The P&C combined ratio for the six months ended June 30, 2013, was 88.1%.

Six Months Ended Summary
(in millions, except per share amounts)
(Unaudited)

				(Per Share – Diluted)		
	2013	2012	Change	2013	2012	Change
Net income	\$1,844	\$1,301	41.7%	\$5.36	\$ 3.80	41.1%
Net realized gains (losses), net of tax	308	(143)	NM	0.90	(0.42)	NM
Operating income, net of tax	\$1,536	\$1,444	6.4%	\$4.46	\$ 4.22	5.7%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had record earnings in the quarter that were driven, in particular, by excellent current accident year underwriting results and strong investment income. We produced \$790 million in after-tax operating income and our operating ROE was 12.3%. Book value declined 2.3% due to the rise in interest rates, which reduced unrealized gains in our investment portfolio. However, future investment income will benefit over time from the rise in interest rates.

“Our underwriting performance in the quarter, illustrated by a P&C combined ratio of 87.9%, benefited from margin improvement and premium growth globally. Total P&C net premiums were up over 8.5% on a constant dollar basis – with solid revenue growth in commercial P&C, accident and health, and personal lines. Growth was particularly strong from North America, Asia and Latin America, where our new acquisitions in Mexico are already contributing and added to the region’s strong results.

“The primary commercial P&C pricing environment in the U.S. remains favorable and, in fact, we experienced our strongest quarter yet for casualty-related rate increases in our retail business. At the same time, property rate increases are moderating. While economic conditions remain a mixed bag around the globe, we are firing on all cylinders and, as things stand now, expect continued strong results for the balance of the year.”

Operating highlights for the quarter ended June 30, 2013, were as follows: ⁽¹⁾

- Total company net premiums written increased 6.3%, or 7.6% on a constant-dollar basis.
- P&C net premiums written increased 7.1%, or 8.6% on a constant-dollar basis.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums were \$81 million (2.3 percentage points of the combined ratio) and \$66 million, respectively, compared with \$55 million and \$41 million, respectively, in 2012.
- P&C underwriting income was \$434 million compared with \$374 million in 2012.
- P&C current accident year underwriting income excluding catastrophe losses increased 21.3% to \$386 million.
- The P&C combined ratio was 87.9% compared with 88.7% last year.
- Favorable prior period development pre-tax was \$128 million, representing 3.6 percentage points of the combined ratio, compared with \$113 million last year.
- The current accident year combined ratio excluding catastrophe losses was 89.2% compared with 90.4% last year.
- The P&C expense ratio was 29.2%, unchanged from last year.
- Operating cash flow was \$895 million.

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- Net loss reserves increased \$349 million in the quarter.
 - Net investment income was \$534 million compared to \$537 million last year as lower reinvestment rates were offset by higher private equity and other distributions.
 - Net realized and unrealized losses pre-tax totaled approximately \$1.4 billion.
 - Operating return on equity was 12.3% for the quarter and 12.1% year-to-date. Return on equity computed using net income was 12.9% for the quarter and 13.5% year-to-date.
 - Acquisitions closed in the quarter include Fianzas Monterrey on April 1, 2013, for \$293 million in cash and ABA Seguros on May 2, 2013, for \$690 million in cash.
 - Book value per share decreased 2.3% to \$80.26 compared with \$82.17 at March 31, 2013, and decreased 0.8% from \$80.90 at December 31, 2012.
 - Tangible book value per share decreased 4.9% to \$64.40 from \$67.74 at March 31, 2013, and decreased 2.8% from \$66.28 at December 31, 2012, primarily due to rising interest rates and the impact of goodwill and intangibles relating to the acquisitions of Fianzas Monterrey and ABA Seguros. Excluding the impact of the acquisitions, the tangible book value per share decreased 2.7% for the quarter and 0.5% for the year.

Details of financial results by business segment are available in the ACE Limited Financial Supplement. Key segment items for the quarter ended June 30, 2013, include:

- Insurance—North American P&C: Net premiums written increased 11.8%. The combined ratio was 87.6% compared with 89.3%.
- Insurance—North American Agriculture: Net premiums written decreased 8.0% due to an increase in proportional reinsurance purchased. The combined ratio was 89.9% compared with 88.7%.
- Insurance—Overseas General: Net premiums written increased 10.5%, or 13.7% on a constant-dollar basis. The combined ratio was 88.2% compared with 89.3%.
- Global Reinsurance: Net premiums written decreased 5.3%, or 4.2% on a constant-dollar basis. The combined ratio was 62.2% compared with 66.1%.
- Life: Operating income was \$76 million compared with \$79 million. Net premiums written and deposits collected, excluding life reinsurance, increased 17.7% on a constant-dollar basis.

The company is issuing updated guidance for full-year 2013 to account for the first half positive prior period reserve development, lower-than-planned catastrophe losses realized in the first half, better first half current accident year results excluding catastrophe losses, and higher net investment income in the second quarter and expected for the second half of the year. The range is \$7.65 to \$8.05 per share in after-tax operating income for the year. This includes estimated catastrophe losses of \$260 million after tax for the second half of the year. Guidance for the balance of the year is for the current accident year only.

Please refer to the ACE Limited Financial Supplement, dated June 30, 2013, which is posted on the company's website in the Investor Information section, and access Financial Reports for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, investment portfolio and capital structure.

ACE will hold its second quarter earnings conference call on Wednesday, July 24, 2013, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live webcast at www.acegroup.com or by dialing 877-723-9509 (within the United States) or 719-325-4760 (international), passcode 9261188. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, August 7, 2013, and the archived webcast will be available for approximately one month. To listen to the replay, please dial 888-203-1112 (in the United States) or 719-457-0820 (international), passcode 9261188.

The ACE Group is one of the world's largest multiline property and casualty insurers. With operations in 53 countries, ACE provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. ACE Limited, the parent company of the ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. Additional information can be found at: www.acegroup.com.

⁽¹⁾ All comparisons are with the same period last year unless specifically stated.

Regulation G—Non-GAAP Financial Measures

In presenting our results, we included and discussed certain non-GAAP measures. The below non-GAAP measures, which may be defined differently by other companies, are important for an understanding of our overall results of operations and financial condition. However, they should not be viewed as a substitute for measures determined in accordance with generally accepted accounting principles (GAAP).

Operating income or income excluding net realized gains (losses), net of tax is a common performance measurement for insurance companies. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business. We exclude net realized gains (losses) and net realized gains (losses) included in other income (expense) related to partially-owned entities because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities.

Underwriting income is calculated by subtracting losses and loss expenses, policy benefits, policy acquisition costs and administrative expenses from net premiums earned. We use underwriting income and operating ratios to monitor the results of our operations without the impact of certain factors, including net investment income, other income (expense), interest and income tax expense and net realized gains (losses). Current accident year underwriting income is underwriting income adjusted to exclude prior period development (PPD). We believe it is useful to exclude PPD as these unexpected loss developments on historical reserves are not indicative of our current underwriting performance. Life underwriting income includes net investment income and gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under generally accepted accounting principles (GAAP). P&C underwriting income and consolidated underwriting income are also non-GAAP financial measures. We believe the use of these measures enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

Operating return on equity (ROE) or ROE calculated using income excluding net realized gains (losses) is an annualized financial measure. The ROE numerator includes income adjusted to exclude net realized gains (losses), net of tax. The ROE denominator includes the average shareholders' equity for the period adjusted to exclude unrealized gains (losses) on investments, net of tax. To annualize a quarterly rate, multiply by four. Annualized ROE calculated using income excluding realized gains (losses) is a useful measure as it enhances the understanding of the return on shareholders' equity by highlighting the underlying profitability relative to shareholders' equity excluding the effect of unrealized gains and losses on our investments.

Combined ratio excluding catastrophe losses and PPD or current accident year combined ratio excluding catastrophe losses exclude impacts of catastrophe losses and PPD. We believe this measure provides a better evaluation of our core underwriting performance and enhances the understanding of the trends in our property & casualty business that may be obscured by these items.

Net premiums written on a constant-dollar basis and P&C net premiums written on a constant-dollar basis are financial measures which exclude the impact of foreign exchange. We believe it is useful to evaluate the trends in net premiums written, exclusive of the effect of fluctuations in exchange rates between the U.S. dollar and the currencies in which our international business is transacted, as these exchange rates could fluctuate significantly between periods and distort the analysis of trends. The impact is determined by assuming constant foreign exchange rates between periods by translating prior period results using the same local currency exchange rates as the comparable current period.

Life net premiums written and deposits collected, excluding life reinsurance, is adjusted to include deposits collected on universal life and investment contracts (life deposits) and exclude results from our life reinsurance business. Life deposits are properly not reflected as revenues in our consolidated statements of operations in accordance with GAAP. We include life deposits in presenting growth in our Life business because new life deposits are an important component of production and key to our efforts to grow our business. We exclude results associated with life reinsurance as there is no new life reinsurance business currently being written.

Tangible book value per common share is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. We believe that goodwill and other intangible assets are not indicative of our underlying insurance results or trends and make book value comparisons to less acquisitive peer companies less meaningful.

Tangible book value per common share excluding 2013 acquisitions is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros in order to control for the distortive effect of acquisitions.

See reconciliation of Non-GAAP Financial Measures on pages 23-24 in the Financial Supplement. These measures should not be viewed as a substitute for net income, return on equity, or effective tax rate determined in accordance with GAAP.

NM—not meaningful comparison

Cautionary Statement Regarding Forward-Looking Statements :

Forward-looking statements made in this press release, such as those related to company performance and guidance, investments, economic outlook and insurance market conditions, reflect our current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that could cause actual results to differ materially, including without limitation, the following: competition, pricing and policy term trends, the levels of new and renewal business achieved, the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, integration activities and performance of acquired companies, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, investigation developments and actual settlement terms, the amount and timing of reinsurance recoverable, credit developments among reinsurers, rating agency action, possible terrorism or the outbreak and effects of war, and economic, political, regulatory, insurance and reinsurance business conditions, as well as management's response to these factors, and other factors identified in our filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

(tables to follow)

ACE Limited
Summary Consolidated Balance Sheets
(in millions of U.S. dollars, except per share data)
(Unaudited)

	June 30 2013	December 31 2012
Assets		
Investments	\$59,690	\$ 60,264
Cash	679	615
Insurance and reinsurance balances receivable	5,022	4,147
Reinsurance recoverable on losses and loss expenses	11,442	12,078
Other assets	16,855	15,441
Total assets	<u>\$93,688</u>	<u>\$ 92,545</u>
Liabilities		
Unpaid losses and loss expenses	\$37,343	\$ 37,946
Unearned premiums	7,851	6,864
Other liabilities	21,199	20,204
Total liabilities	<u>66,393</u>	<u>65,014</u>
Shareholders' equity		
Total shareholders' equity	27,295	27,531
Total liabilities and shareholders' equity	<u>\$93,688</u>	<u>\$ 92,545</u>
Book value per common share	\$ 80.26	\$ 80.90

ACE Limited
Summary Consolidated Financial Data
(in millions of U.S. dollars, except share, per share data, and ratios)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Gross premiums written	\$6,030	\$5,653	\$10,993	\$10,440
Net premiums written	4,391	4,130	8,189	7,702
Net premiums earned	4,067	3,783	7,640	7,164
Losses and loss expenses	2,250	2,119	4,176	3,923
Policy benefits	110	102	241	249
Policy acquisition costs	665	619	1,279	1,201
Administrative expenses	564	514	1,078	1,024
Underwriting income	478	429	866	767
Net investment income	534	537	1,065	1,081
Net realized gains (losses)	104	(394)	310	(134)
Interest expense	73	62	133	124
Other income (expense):				
Gains (losses) from separate account assets	(11)	(14)	(7)	4
Other	(26)	(20)	(20)	(35)
Income tax expense	115	148	237	258
Net income	<u>\$ 891</u>	<u>\$ 328</u>	<u>\$ 1,844</u>	<u>\$ 1,301</u>
<i>Diluted earnings per share:</i>				
Operating income	\$ 2.29	\$ 2.17	\$ 4.46	\$ 4.22
Net income	\$ 2.59	\$ 0.96	\$ 5.36	\$ 3.80
Weighted average diluted shares outstanding	344.1	342.7	344.0	342.2
Loss and loss expense ratio	58.7%	59.5%	58.0%	58.3%
Policy acquisition cost ratio	15.9%	16.1%	16.5%	16.7%
Administrative expense ratio	13.3%	13.1%	13.6%	13.9%
Combined ratio	<u>87.9%</u>	<u>88.7%</u>	<u>88.1%</u>	<u>88.9%</u>

ACE Limited
Consolidated Supplemental Segment Information
(in millions of U.S. dollars)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Gross Premiums Written				
Insurance—North American P&C	\$ 2,327	\$ 2,134	\$ 4,146	\$ 3,963
Insurance—North American Agriculture	749	722	998	905
Insurance—Overseas General	2,097	1,952	4,170	3,936
Global Reinsurance	345	332	639	611
Life	512	513	1,040	1,025
<i>Total</i>	<u>\$ 6,030</u>	<u>\$ 5,653</u>	<u>\$10,993</u>	<u>\$10,440</u>
Net Premiums Written				
Insurance—North American P&C	\$ 1,529	\$ 1,368	\$ 2,813	\$ 2,542
Insurance—North American Agriculture	453	492	566	611
Insurance—Overseas General	1,630	1,475	3,250	3,003
Global Reinsurance	292	309	571	572
Life	487	486	989	974
<i>Total</i>	<u>\$ 4,391</u>	<u>\$ 4,130</u>	<u>\$ 8,189</u>	<u>\$ 7,702</u>
Net Premiums Earned				
Insurance—North American P&C	\$ 1,428	\$ 1,268	\$ 2,766	\$ 2,496
Insurance—North American Agriculture	351	384	403	443
Insurance—Overseas General	1,563	1,420	3,022	2,811
Global Reinsurance	245	237	492	467
Life	480	474	957	947
<i>Total</i>	<u>\$ 4,067</u>	<u>\$ 3,783</u>	<u>\$ 7,640</u>	<u>\$ 7,164</u>
Operating Income				
Insurance—North American P&C	\$ 341	\$ 305	\$ 702	\$ 614
Insurance—North American Agriculture	26	30	33	55
Insurance—Overseas General	256	232	495	446
Global Reinsurance	156	149	300	286
Life	76	79	146	163
Corporate	(65)	(52)	(140)	(120)
<i>Total</i>	<u>\$ 790</u>	<u>\$ 743</u>	<u>\$ 1,536</u>	<u>\$ 1,444</u>



Financial Supplement

June 30, 2013

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This report is for informational purposes only. It should be read in conjunction with documents filed by ACE Limited with the Securities and Exchange Commission, including the most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

Cautionary Statement Regarding Forward-Looking Statements:

Any forward-looking statements made in this financial supplement reflect ACE's current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause actual results to differ materially from those set forth in these statements. For example, our forward-looking statements, such as statements concerning exposures, reserves and recoverables, could be affected by the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, investigation developments and actual settlement terms, the amount and timing of reinsurance receivable and credit developments among reinsurers.

Our forward-looking statements could also be affected by competition, pricing and policy term trends, market acceptance, changes in demand, actual market developments, rating agency action, possible terrorism or the outbreak and effects of war. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



ACE Limited
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common share			\$ 64.40	\$ 61.75	4.3%	\$ 66.28	-2.8%
Tangible book value per common share excluding 2013 acquisitions ⁽²⁾			\$ 65.93	\$ 61.75	6.8%	\$ 66.28	-0.5%
Weighted average basic common shares outstanding	341.0	339.8	340.9	339.2			
Weighted average diluted common shares outstanding	344.1	342.7	344.0	342.2			
Debt plus trust preferred securities/ tangible capital			21.6%	19.5%		18.4%	

(1) Prior periods on a constant dollar basis.

(2) For 2013, tangible book value per common share excludes the impact from goodwill and intangibles relating to the acquisitions of ABA Seguros and Fianzas Monterrey of \$348 million and \$175 million, respectively.



ACE Limited
Consolidated Results—
Consecutive Quarters
(in millions of U.S. dollars, except ratios)
(Unaudited)

ACE Limited Consolidated

	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Consolidated Results (Including Corporate and Other) Excluding Life Segment ⁽¹⁾								
Gross premiums written	\$5,518	\$4,435	\$4,602	\$5,496	\$5,140	\$9,953	\$9,415	\$19,513
Net premiums written	3,904	3,296	3,140	4,228	3,644	7,200	6,728	14,096
Net premiums earned	3,587	3,096	3,359	4,185	3,309	6,683	6,217	13,761
Losses and loss expenses	2,105	1,769	2,535	2,883	1,968	3,874	3,624	9,042
Policy acquisition costs	570	534	546	529	531	1,104	1,037	2,112
Administrative expenses	478	429	462	438	436	907	868	1,768
Underwriting income (loss)	434	364	(184)	335	374	798	688	839
Net investment income	471	468	502	470	475	939	958	1,930
Net realized gains (losses)	68	79	83	11	27	147	56	150
Interest expense	69	56	60	60	59	125	118	238
Other income (expense)								
Net realized gains (losses) in other income (expense)	8	28	30	23	(1)	36	22	75
Other	(31)	(22)	(10)	(20)	(14)	(53)	(43)	(73)
Income tax expense (benefit)	105	109	(149)	133	129	214	228	212
Net income	776	752	510	626	673	1,528	1,335	2,471
Net realized gains (losses)	68	79	83	11	27	147	56	150
Net realized gains (losses) in other income (expense) ⁽²⁾	8	28	30	23	(1)	36	22	75
Tax expense on net realized gains (losses)	14	31	21	9	17	45	24	54
Operating income	714	676	418	601	664	1,390	1,281	2,300
Life segment operating income	76	70	74	87	79	146	163	324
Consolidated operating income	<u>\$ 790</u>	<u>\$ 746</u>	<u>\$ 492</u>	<u>\$ 688</u>	<u>\$ 743</u>	<u>\$1,536</u>	<u>\$1,444</u>	<u>\$ 2,624</u>
% Change versus prior year period ⁽¹⁾								
Net premiums written as reported	7.1%	6.9%	0.3%	9.6%	5.3%	7.0%	4.0%	4.7%
Net premiums earned as reported	8.4%	6.4%	-0.1%	4.4%	1.1%	7.5%	1.0%	1.7%
Net premiums written constant \$	8.6%					7.8%		
Net premiums earned constant \$	9.7%					8.3%		
Other ratios								
Net premiums written/gross premiums written ⁽¹⁾	71%	74%	68%	77%	71%	72%	71%	72%
Operating effective tax rate	11.2%	10.8%	-46.8%	16.7%	14.6%	11.0%	13.8%	7.5%
P&C combined ratio ⁽¹⁾								
Loss and loss expense ratio	58.7%	57.1%	75.5%	68.9%	59.5%	58.0%	58.3%	65.7%
Policy acquisition cost ratio	15.9%	17.2%	16.2%	12.7%	16.1%	16.5%	16.7%	15.3%
Administrative expense ratio	13.3%	13.9%	13.8%	10.4%	13.1%	13.6%	13.9%	12.9%
Combined ratio	<u>87.9%</u>	<u>88.2%</u>	<u>105.5%</u>	<u>92.0%</u>	<u>88.7%</u>	<u>88.1%</u>	<u>88.9%</u>	<u>93.9%</u>
Combined ratio excluding catastrophe losses and PPD	89.2%	89.4%	91.4%	96.5%	90.4%	89.3%	91.0%	92.8%
P&C expense ratio	29.2%	31.1%	30.0%	23.1%	29.2%	30.1%	30.6%	28.2%
P&C expense ratio excluding A&H	25.7%	27.4%	26.2%	19.3%	25.3%	26.5%	26.8%	24.3%
Large losses and other items (before tax) ⁽¹⁾								
Reinstatement premiums (expensed) collected	\$ —	\$ —	\$ (7)	\$ 2	\$ —	\$ —	\$ —	\$ (5)
Catastrophe losses	\$ 81	\$ 32	\$ 504	\$ 55	\$ 55	\$ 113	\$ 74	\$ 633
Favorable prior period development (PPD) ⁽³⁾	\$ (128)	\$ (70)	\$ (37)	\$ (236)	\$ (113)	\$ (198)	\$ (206)	\$ (479)
Loss and loss expense ratio excluding catastrophe losses and PPD	60.0%	58.3%	61.4%	73.4%	61.2%	59.3%	60.4%	64.6%

(1) Presented excluding the Life segment. This is a non-GAAP financial measure.

(2) Net realized investment gains and losses related to unconsolidated entities.

(3) For Q2 2013 and YTD 2013, prior period favorable development is net of \$2 million and \$4 million, respectively, of profit-sharing commissions that are included in the expense ratio.



ACE Limited
Summary Consolidated Balance Sheets
(in millions of U.S. dollars, except per share data)
(Unaudited)

	June 30 2013	March 31 2013	December 31 2012
Assets			
Fixed maturities available for sale, at fair value	\$47,016	\$47,947	\$ 47,306
Fixed maturities held to maturity, at amortized cost	6,576	6,867	7,270
Equity securities, at fair value	837	832	744
Short-term investments, at fair value	2,425	2,893	2,228
Other investments	2,836	2,820	2,716
Total investments	59,690	61,359	60,264
Cash	679	855	615
Securities lending collateral	1,662	1,786	1,791
Insurance and reinsurance balances receivable	5,022	4,154	4,147
Reinsurance recoverable on losses and loss expenses	11,442	11,530	12,078
Deferred policy acquisition costs	2,077	1,966	1,873
Value of business acquired	560	583	614
Prepaid reinsurance premiums	1,819	1,653	1,617
Goodwill and other intangible assets	5,395	4,909	4,975
Deferred tax assets	753	505	453
Investments in partially-owned insurance companies	452	449	454
Other assets	4,137	3,712	3,664
Total assets	<u>\$93,688</u>	<u>\$93,461</u>	<u>\$ 92,545</u>
Liabilities			
Unpaid losses and loss expenses	\$37,343	\$37,082	\$ 37,946
Unearned premiums	7,851	7,019	6,864
Future policy benefits	4,502	4,465	4,470
Insurance and reinsurance balances payable	3,624	3,402	3,472
Securities lending payable	1,665	1,789	1,795
Accounts payable, accrued expenses, and other liabilities	5,391	5,744	5,397
Short-term debt	1,901	1,402	1,401
Long-term debt	3,807	4,307	3,360
Trust preferred securities	309	309	309
Total liabilities	66,393	65,519	65,014
Shareholders' equity			
Total shareholders' equity, excl. AOCI	26,035	25,292	24,644
Accumulated other comprehensive income (AOCI)	1,260	2,650	2,887
Total shareholders' equity	27,295	27,942	27,531
Total liabilities and shareholders' equity	<u>\$93,688</u>	<u>\$93,461</u>	<u>\$ 92,545</u>
Book value per common share			
	\$ 80.26	\$ 82.17	\$ 80.90
% change over prior quarter	-2.3%	1.6%	1.9%
Tangible book value per common share			
	\$ 64.40	\$ 67.74	\$ 66.28
% change over prior quarter	-4.9%	2.2%	2.5%



ACE Limited
Consolidated Premiums and Operating Income by Line of Business
(in millions of U.S. dollars)
(Unaudited)

ACE Limited Consolidated

	<u>2Q-13</u>	<u>% of Total Consolidated</u>	<u>2Q-12</u>	<u>% of Total Consolidated</u>	<u>% Change 2Q-13 vs. 2Q-12</u>	<u>YTD 2013</u>	<u>% of Total Consolidated</u>	<u>YTD 2012</u>	<u>% of Total Consolidated</u>	<u>% Change YTD-13 vs. YTD-12</u>
Net premiums written										
Property and all other	\$1,366	31%	\$1,227	30%	11.3%	\$2,588	32%	\$2,339	30%	10.6%
Agriculture	453	11%	492	12%	-8.0%	566	7%	611	8%	-7.4%
Casualty	1,412	32%	1,286	31%	9.8%	2,720	33%	2,500	33%	8.8%
Subtotal	3,231	74%	3,005	73%	7.5%	5,874	72%	5,450	71%	7.8%
Personal accident (A&H) ⁽¹⁾	925	21%	883	21%	4.6%	1,839	22%	1,765	23%	4.2%
Life	235	5%	242	6%	-2.6%	476	6%	487	6%	-2.1%
Total consolidated	<u>\$4,391</u>	<u>100%</u>	<u>\$4,130</u>	<u>100%</u>	6.3%	<u>\$8,189</u>	<u>100%</u>	<u>\$7,702</u>	<u>100%</u>	6.3%
Net premiums earned										
Property and all other	\$1,158	28%	\$1,013	27%	14.3%	\$2,225	29%	\$1,983	28%	12.2%
Agriculture	351	9%	384	10%	-8.8%	403	5%	443	6%	-9.1%
Casualty	1,454	36%	1,289	34%	12.8%	2,807	37%	2,559	36%	9.7%
Subtotal	2,963	73%	2,686	71%	10.3%	5,435	71%	4,985	70%	9.0%
Personal accident (A&H) ⁽¹⁾	880	22%	871	23%	1.0%	1,754	23%	1,723	24%	1.8%
Life	224	5%	226	6%	-1.3%	451	6%	456	6%	-1.2%
Total consolidated	<u>\$4,067</u>	<u>100%</u>	<u>\$3,783</u>	<u>100%</u>	7.5%	<u>\$7,640</u>	<u>100%</u>	<u>\$7,164</u>	<u>100%</u>	6.6%
Operating income										
Property, casualty, and all other	\$ 607	77%	\$ 557	75%	9.0%	\$1,188	77%	\$1,074	74%	10.6%
Agriculture	26	3%	30	4%	-14.5%	33	2%	55	4%	-40.6%
Personal accident (A&H) ⁽¹⁾	123	16%	119	16%	3.1%	247	17%	237	17%	4.2%
Life	34	4%	37	5%	-7.5%	68	4%	78	5%	-13.4%
Total consolidated	<u>\$ 790</u>	<u>100%</u>	<u>\$ 743</u>	<u>100%</u>	6.3%	<u>\$1,536</u>	<u>100%</u>	<u>\$1,444</u>	<u>100%</u>	6.4%

(1) For purposes of this schedule only, A&H results from our Combined North American and International businesses, normally included in the Life and Insurance-Overseas General segments, respectively, are included in the Personal Accident (A&H) line items above.



ACE Limited
Consolidated Premiums and Operating Income
by Line of Business, Adjusted for Foreign Exchange
(in millions of U.S. dollars)
(Unaudited)

ACE Limited Consolidated Constant Dollar

	2Q-13	Constant \$ 2Q-12 ⁽²⁾	Constant \$ % Change 2Q-13 vs. 2Q-12	YTD 2013	Constant \$ YTD 2012 ⁽²⁾	Constant \$ % Change YTD-13 vs. YTD-12 ⁽²⁾
Net premiums written						
Property, casualty, agriculture, and all other	\$3,231	\$ 2,969	8.8%	\$5,874	\$ 5,410	8.6%
Personal accident (A&H) ⁽¹⁾	925	870	6.2%	1,839	1,757	4.6%
Life	235	243	-2.8%	476	488	-2.3%
Total consolidated	<u>\$4,391</u>	<u>\$ 4,082</u>	7.6%	<u>\$8,189</u>	<u>\$ 7,655</u>	7.0%
Net premiums earned						
Property, casualty, agriculture, and all other	\$2,963	\$ 2,656	11.6%	\$5,435	\$ 4,944	9.9%
Personal accident (A&H) ⁽¹⁾	880	862	2.2%	1,754	1,717	2.2%
Life	224	227	-1.7%	451	458	-1.5%
Total consolidated	<u>\$4,067</u>	<u>\$ 3,745</u>	8.6%	<u>\$7,640</u>	<u>\$ 7,119</u>	7.3%
Operating income						
Property, casualty, agriculture, and all other	\$ 633	\$ 583	8.6%	\$1,221	\$ 1,125	8.5%
Personal accident (A&H) ⁽¹⁾	123	118	4.3%	247	237	4.4%
Life	34	36	-7.4%	68	78	-13.5%
Total consolidated	<u>\$ 790</u>	<u>\$ 737</u>	7.1%	<u>\$1,536</u>	<u>\$ 1,440</u>	6.6%

(1) For purposes of this schedule only, A&H results from our Combined North American and International businesses, normally included in the Life and Insurance-Overseas General segments, respectively, are included in the Personal Accident (A&H) line items above.

(2) Prior periods on a constant dollar basis.



ACE Limited
Insurance—North American
(in millions of U.S. dollars, except ratios)
(Unaudited)

Effective Q1 2013, the company's Insurance—North American business is presented in two distinct reporting segments: Insurance—North American P&C (refer to page 7) and Insurance—North American Agriculture (refer to page 8). The below table shows the previous Insurance—North American business presentation and should be used for reference purposes only.

Insurance—North American

	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Gross premiums written	\$3,076	\$2,068	\$2,528	\$3,345	\$2,856	\$5,144	\$4,868	\$10,741
Net premiums written	1,982	1,397	1,518	2,537	1,860	3,379	3,153	7,208
Net premiums earned	1,779	1,390	1,608	2,472	1,652	3,169	2,939	7,019
Losses and loss expenses	1,243	910	1,504	2,110	1,163	2,153	2,012	5,626
Policy acquisition costs	162	147	142	160	157	309	284	586
Administrative expenses	162	130	153	148	153	292	300	601
Underwriting income (loss)	212	203	(191)	54	179	415	343	206
Net investment income	257	257	283	263	271	514	545	1,091
Net realized gains (losses)	29	26	26	(1)	18	55	17	42
Interest expense	3	(2)	3	3	3	1	6	12
Other income (expense)								
Net realized gains (losses) in other income (expense)	14	14	21	17	5	28	20	58
Other	(12)	(7)	(8)	(12)	(15)	(19)	(29)	(49)
Income tax expense (benefit)	99	96	(79)	81	107	195	198	200
Net income	398	399	207	237	348	797	692	1,136
Net realized gains (losses)	29	26	26	(1)	18	55	17	42
Net realized gains (losses) in other income (expense)	14	14	21	17	5	28	20	58
Tax expense on net realized gains (losses)	12	9	10	2	10	21	14	26
Operating income	<u>\$ 367</u>	<u>\$ 368</u>	<u>\$ 170</u>	<u>\$ 223</u>	<u>\$ 335</u>	<u>\$ 735</u>	<u>\$ 669</u>	<u>\$ 1,062</u>
Combined ratio								
Loss and loss expense ratio	69.9%	65.5%	93.6%	85.3%	70.4%	67.9%	68.5%	80.2%
Policy acquisition cost ratio	9.1%	10.5%	8.8%	6.5%	9.5%	9.7%	9.7%	8.3%
Administrative expense ratio	9.1%	9.4%	9.5%	6.0%	9.3%	9.3%	10.1%	8.6%
Combined ratio	<u>88.1%</u>	<u>85.4%</u>	<u>111.9%</u>	<u>97.8%</u>	<u>89.2%</u>	<u>86.9%</u>	<u>88.3%</u>	<u>97.1%</u>
Combined ratio excluding catastrophe losses & PPD	87.7%	87.6%	90.0%	99.5%	89.8%	87.7%	90.2%	93.4%
Large losses and other items (before tax)								
Reinstatement premiums (expensed) collected	\$ (1)	\$ —	\$ (8)	\$ —	\$ —	\$ (1)	\$ —	\$ (8)
Catastrophe losses	\$ 53	\$ 11	\$ 338	\$ 38	\$ 49	\$ 64	\$ 65	\$ 441
Unfavorable (favorable) prior period development (PPD)	\$ (47)	\$ (43)	\$ 7	\$ (80)	\$ (59)	\$ (90)	\$ (119)	\$ (192)
Loss and loss expense ratio excluding catastrophe losses and PPD	69.7%	67.6%	71.8%	87.2%	71.1%	68.9%	70.3%	76.6%
% Change versus prior year period								
Net premiums written	6.6%	8.0%	-6.5%	14.9%	7.2%	7.1%	4.4%	5.2%
Net premiums earned	7.7%	7.9%	-3.2%	7.5%	3.0%	7.8%	-0.4%	1.6%
Other ratios								
Net premiums written/gross premiums written	64%	68%	60%	76%	65%	66%	65%	67%



ACE Limited
Segment Results—Consecutive Quarters
(in millions of U.S. dollars, except ratios)
(Unaudited)

Insurance—North American P&C ⁽¹⁾

	2Q-13	1Q-13	4Q-12	3Q-12	2Q-12	YTD 2013	YTD 2012	Full Year 2012
Gross premiums written	\$2,327	\$1,819	\$2,236	\$1,921	\$2,134	\$4,146	\$3,963	\$ 8,120
Net premiums written	1,529	1,284	1,434	1,373	1,368	2,813	2,542	5,349
Net premiums earned	1,428	1,338	1,345	1,306	1,268	2,766	2,496	5,147
Losses and loss expenses	950	878	1,241	819	844	1,828	1,655	3,715
Policy acquisition costs	142	143	139	147	135	285	272	558
Administrative expenses	159	125	157	148	153	284	303	608
Underwriting income (loss)	177	192	(192)	192	136	369	266	266
Net investment income	250	251	277	257	265	501	532	1,066
Net realized gains (losses)	28	26	26	(2)	18	54	17	41
Interest expense	3	(2)	3	3	3	1	6	12
Other income (expense)								
Net realized gains (losses) in other income (expense)	14	14	21	17	5	28	20	58
Other	(4)	1	—	(4)	(7)	(3)	(13)	(17)
Income tax expense (benefit)	91	94	(79)	129	96	185	179	229
Net income	371	392	208	328	318	763	637	1,173
Net realized gains (losses)	28	26	26	(2)	18	54	17	41
Net realized gains (losses) in other income (expense)	14	14	21	17	5	28	20	58
Tax expense on net realized gains (losses)	12	9	10	2	10	21	14	26
Operating income	<u>\$ 341</u>	<u>\$ 361</u>	<u>\$ 171</u>	<u>\$ 315</u>	<u>\$ 305</u>	<u>\$ 702</u>	<u>\$ 614</u>	<u>\$ 1,100</u>
Combined ratio								
Loss and loss expense ratio	66.6%	65.6%	92.2%	62.7%	66.6%	66.1%	66.3%	72.2%
Policy acquisition cost ratio	9.9%	10.7%	10.3%	11.3%	10.6%	10.3%	10.9%	10.8%
Administrative expense ratio	11.1%	9.4%	11.8%	11.3%	12.1%	10.3%	12.1%	11.8%
Combined ratio	<u>87.6%</u>	<u>85.7%</u>	<u>114.3%</u>	<u>85.3%</u>	<u>89.3%</u>	<u>86.7%</u>	<u>89.3%</u>	<u>94.8%</u>
Combined ratio excluding catastrophe losses and PPD	87.3%	87.7%	88.4%	88.8%	90.3%	87.6%	91.3%	89.9%
Large losses and other items (before tax)								
Reinstatement premiums (expensed) collected	\$ (1)	\$ —	\$ (8)	\$ —	\$ —	\$ (1)	\$ —	\$ (8)
Catastrophe losses	\$ 50	\$ 11	\$ 335	\$ 38	\$ 45	\$ 61	\$ 59	\$ 430
Unfavorable (favorable) prior period development (PPD) ⁽²⁾	\$ (47)	\$ (40)	\$ 8	\$ (80)	\$ (57)	\$ (87)	\$ (108)	\$ (180)
Loss and loss expense ratio excluding catastrophe losses and PPD	66.5%	67.6%	66.4%	66.7%	67.6%	67.1%	68.3%	67.4%
% Change versus prior year period								
Net premiums written	11.8%	9.3%	6.0%	20.3%	10.3%	10.7%	5.6%	9.2%
Net premiums earned	12.7%	8.9%	9.0%	7.1%	1.6%	10.8%	-0.8%	3.6%
Other ratios								
Net premiums written/gross premiums written	66%	71%	64%	71%	64%	68%	64%	66%

(1) Effective Q1 2013, the company's Insurance—North American business is presented in two distinct reporting segments: Insurance—North American P&C and Insurance—North American Agriculture. Prior year amounts have been adjusted to conform to the new segment presentation.

(2) For Q2 2013 and YTD 2013, prior period favorable development is net of \$2 million and \$4 million, respectively, of profit-sharing commissions that are included in the expense ratio.



ACE Limited
Segment Results—Consecutive Quarters
(in millions of U.S. dollars, except ratios)
(Unaudited)

Insurance—North American Agriculture ⁽¹⁾

	2Q-13	1Q-13	4Q-12	3Q-12	2Q-12	YTD 2013	YTD 2012	Full Year 2012
Gross premiums written	\$ 749	\$ 249	\$ 292	\$1,424	\$ 722	\$ 998	\$ 905	\$ 2,621
Net premiums written	453	113	84	1,164	492	566	611	1,859
Net premiums earned	351	52	263	1,166	384	403	443	1,872
Losses and loss expenses	293	32	263	1,291	319	325	357	1,911
Policy acquisition costs	20	4	3	13	22	24	12	28
Administrative expenses	3	5	(4)	—	—	8	(3)	(7)
Underwriting income (loss)	35	11	1	(138)	43	46	77	(60)
Net investment income	7	6	6	6	6	13	13	25
Net realized gains (losses)	1	—	—	1	—	1	—	1
Interest expense	—	—	—	—	—	—	—	—
Other income (expense)								
Net realized gains (losses) in other income (expense)	—	—	—	—	—	—	—	—
Other	(8)	(8)	(8)	(8)	(8)	(16)	(16)	(32)
Income tax expense (benefit)	8	2	—	(48)	11	10	19	(29)
Net income (loss)	27	7	(1)	(91)	30	34	55	(37)
Net realized gains (losses)	1	—	—	1	—	1	—	1
Net realized gains (losses) in other income (expense)	—	—	—	—	—	—	—	—
Tax expense on net realized gains (losses)	—	—	—	—	—	—	—	—
Operating income	<u>\$ 26</u>	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ (92)</u>	<u>\$ 30</u>	<u>\$ 33</u>	<u>\$ 55</u>	<u>\$ (38)</u>
Combined ratio								
Loss and loss expense ratio	83.4%	61.9%	100.3%	110.7%	83.0%	80.6%	80.5%	102.1%
Policy acquisition cost ratio	5.6%	7.5%	1.2%	1.1%	5.9%	5.8%	2.8%	1.5%
Administrative expense ratio	0.9%	9.9%	-2.0%	0.0%	-0.2%	2.2%	-0.6%	-0.4%
Combined ratio	<u>89.9%</u>	<u>79.3%</u>	<u>99.5%</u>	<u>111.8%</u>	<u>88.7%</u>	<u>88.6%</u>	<u>82.7%</u>	<u>103.2%</u>
Large losses and other items (before tax)								
Reinstatement premiums (expensed) collected	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses	\$ 3	\$ —	\$ 4	\$ 1	\$ 4	\$ 3	\$ 6	\$ 11
Favorable prior period development (PPD)	\$ —	\$ (3)	\$ (1)	\$ —	\$ (2)	\$ (3)	\$ (11)	\$ (12)
Loss and loss expense ratio excluding catastrophe losses and PPD	82.6%	67.9%	99.3%	110.6%	82.4%	80.7%	81.6%	102.2%
% Change versus prior year period								
Net premiums written	-8.0%	-5.1%	-69.0%	9.2%	-0.5%	-7.4%	-0.2%	-4.7%
Net premiums earned	-8.8%	-11.1%	-38.6%	7.9%	7.8%	-9.1%	2.1%	-3.6%
Other ratios								
Net premiums written/gross premiums written	60%	45%	29%	82%	68%	57%	68%	71%

(1) Effective Q1 2013, the company's Insurance—North American business is presented in two distinct reporting segments: Insurance—North American P&C and Insurance—North American Agriculture. Prior year amounts have been adjusted to conform to the new segment presentation.



ACE Limited
Segment Results—Consecutive Quarters
(in millions of U.S. dollars, except ratios)
(Unaudited)

Insurance—Overseas General

	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Gross premiums written	\$2,097	\$2,073	\$1,925	\$1,841	\$1,952	\$4,170	\$3,936	\$ 7,702
Net premiums written	1,630	1,620	1,476	1,384	1,475	3,250	3,003	5,863
Net premiums earned	1,563	1,459	1,497	1,432	1,420	3,022	2,811	5,740
Losses and loss expenses	768	747	832	622	703	1,515	1,408	2,862
Policy acquisition costs	360	339	357	329	332	699	667	1,353
Administrative expenses	251	236	239	234	233	487	462	935
Underwriting income	184	137	69	247	152	321	274	590
Net investment income	136	132	135	127	128	268	259	521
Net realized gains (losses)	8	34	44	13	26	42	46	103
Interest expense	2	1	1	2	1	3	2	5
Other income (expense)								
Net realized gains (losses) in other income (expense)	(3)	6	1	2	(3)	3	—	3
Other	(14)	(5)	(1)	1	(3)	(19)	(6)	(6)
Income tax expense (benefit)	50	46	(33)	77	51	96	89	133
Net income	259	257	280	311	248	516	482	1,073
Net realized gains (losses)	8	34	44	13	26	42	46	103
Net realized gains (losses) in other income (expense)	(3)	6	1	2	(3)	3	—	3
Tax expense on net realized gains (losses)	2	22	11	6	7	24	10	27
Operating income	<u>\$ 256</u>	<u>\$ 239</u>	<u>\$ 246</u>	<u>\$ 302</u>	<u>\$ 232</u>	<u>\$ 495</u>	<u>\$ 446</u>	<u>\$ 994</u>
Combined ratio								
Loss and loss expense ratio	49.1%	51.2%	55.5%	43.4%	49.6%	50.1%	50.1%	49.8%
Policy acquisition cost ratio	23.0%	23.2%	23.8%	23.1%	23.4%	23.1%	23.7%	23.6%
Administrative expense ratio	16.1%	16.2%	16.1%	16.2%	16.3%	16.2%	16.5%	16.3%
Combined ratio	<u>88.2%</u>	<u>90.6%</u>	<u>95.4%</u>	<u>82.7%</u>	<u>89.3%</u>	<u>89.4%</u>	<u>90.3%</u>	<u>89.7%</u>
Large losses and other items (before tax)								
Reinstatement premiums (expensed) collected	\$ —	\$ —	\$ (8)	\$ —	\$ —	\$ —	\$ —	\$ (8)
Catastrophe losses	\$ 17	\$ 21	\$ 65	\$ 4	\$ 5	\$ 38	\$ 7	\$ 76
Favorable prior period development (PPD)	\$ (52)	\$ (22)	\$ (30)	\$ (135)	\$ (39)	\$ (74)	\$ (61)	\$ (226)
Loss and loss expense ratio excluding catastrophe losses and PPD	51.3%	51.3%	52.9%	52.6%	51.9%	51.3%	52.0%	52.4%
% Change versus prior year period								
Net premiums written as reported	10.5%	6.0%	7.1%	-1.0%	2.2%	8.2%	5.2%	4.2%
Net premiums earned as reported	10.1%	4.9%	3.2%	-2.6%	0.3%	7.5%	4.4%	2.2%
Net premiums written constant \$	13.7%					9.9%		
Net premiums earned constant \$	13.0%					9.3%		
Other ratios								
Net premiums written/gross premiums written	78%	78%	77%	75%	76%	78%	76%	76%



ACE Limited
Segment Results—Consecutive Quarters
(in millions of U.S. dollars, except ratios)
(Unaudited)

Global Reinsurance

	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Gross premiums written	\$ 345	\$ 294	\$ 149	\$ 310	\$ 332	\$ 639	\$ 611	\$ 1,070
Net premiums written	292	279	146	307	309	571	572	1,025
Net premiums earned	245	247	254	281	237	492	467	1,002
Losses and loss expenses	93	106	198	151	102	199	204	553
Policy acquisition costs	48	48	47	40	42	96	85	172
Administrative expenses	12	12	13	13	13	24	25	51
Underwriting income (loss)	92	81	(4)	77	80	173	153	226
Net investment income	71	72	77	72	70	143	141	290
Net realized gains (losses)	31	20	12	(2)	(17)	51	(4)	6
Interest expense	1	1	1	1	1	2	2	4
Other income (expense)								
Net realized gains (losses) in other income (expense)	(3)	8	8	4	(3)	5	2	14
Other	1	—	—	1	—	1	—	1
Income tax expense (benefit)	7	8	(2)	11	—	15	6	15
Net income	184	172	94	140	129	356	284	518
Net realized gains (losses)	31	20	12	(2)	(17)	51	(4)	6
Net realized gains (losses) in other income (expense)	(3)	8	8	4	(3)	5	2	14
Tax expense (benefit) on net realized gains (losses)	—	—	—	1	—	—	—	1
Operating income	<u>\$ 156</u>	<u>\$ 144</u>	<u>\$ 74</u>	<u>\$ 139</u>	<u>\$ 149</u>	<u>\$ 300</u>	<u>\$ 286</u>	<u>\$ 499</u>
Combined ratio								
Loss and loss expense ratio	37.7%	43.0%	78.2%	53.9%	42.5%	40.3%	43.5%	55.2%
Policy acquisition cost ratio	19.9%	19.3%	18.3%	14.1%	17.8%	19.6%	18.3%	17.1%
Administrative expense ratio	4.6%	5.0%	5.2%	4.7%	5.8%	4.9%	5.3%	5.2%
Combined ratio	<u>62.2%</u>	<u>67.3%</u>	<u>101.7%</u>	<u>72.7%</u>	<u>66.1%</u>	<u>64.8%</u>	<u>67.1%</u>	<u>77.5%</u>
Large losses and other items (before tax)								
Reinstatement premiums (expensed) collected	\$ 1	\$ —	\$ 9	\$ 2	\$ —	\$ 1	\$ —	\$ 11
Catastrophe losses	\$ 11	\$ —	\$ 101	\$ 13	\$ 1	\$ 11	\$ 2	\$ 116
Favorable prior period development (PPD)	\$ (29)	\$ (5)	\$ (14)	\$ (21)	\$ (15)	\$ (34)	\$ (26)	\$ (61)
Loss and loss expense ratio excluding catastrophe losses and PPD	45.3%	44.8%	45.6%	57.7%	48.3%	45.1%	48.5%	50.4%
% Change versus prior year period								
Net premiums written as reported	-5.3%	6.1%	12.0%	22.2%	9.4%	-0.1%	-4.2%	4.7%
Net premiums earned as reported	3.6%	7.3%	2.3%	16.8%	-6.5%	5.4%	-9.0%	0.0%
Net premiums written constant \$	-4.2%					0.0%		
Net premiums earned constant \$	4.3%					5.6%		
Other ratios								
Net premiums written/gross premiums written	85%	95%	99%	99%	93%	89%	93%	96%



ACE Limited
Segment Results—Consecutive Quarters
(in millions of U.S. dollars)
(Unaudited)

Life

	2Q-13	1Q-13	4Q-12	3Q-12	2Q-12	YTD 2013	YTD 2012	Full Year 2012
Gross premiums written	\$512	\$528	\$544	\$511	\$ 513	\$1,040	\$1,025	\$ 2,080
Net premiums written	487	502	517	488	486	989	974	1,979
Net premiums earned	480	477	489	480	474	957	947	1,916
Losses and loss expenses	145	157	148	164	151	302	299	611
Policy benefits ⁽¹⁾	110	131	142	130	102	241	249	521
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	11	(4)	(11)	(14)	14	7	(4)	(29)
Policy acquisition costs	95	80	90	80	88	175	164	334
Administrative expenses	86	85	91	81	78	171	156	328
Net investment income	<u>63</u>	<u>63</u>	<u>65</u>	<u>63</u>	<u>62</u>	<u>126</u>	<u>123</u>	<u>251</u>
Life underwriting income ⁽²⁾	96	91	94	102	103	187	206	402
Net realized gains (losses):								
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	33	78	138	(64)	(397)	111	(200)	(126)
Foreign exchange gains (losses) and all other	3	49	51	(7)	(24)	52	10	54
Interest expense	4	4	3	3	3	8	6	12
Other income (expense) ⁽¹⁾								
Net realized gains (losses) in other income (expense)	4	5	(7)	(3)	2	9	(3)	(13)
Other	(7)	(5)	(4)	3	(7)	(12)	(11)	(12)
Income tax expense	<u>10</u>	<u>13</u>	<u>14</u>	<u>14</u>	<u>19</u>	<u>23</u>	<u>30</u>	<u>58</u>
Net income (loss)	115	201	255	14	(345)	316	(34)	235
Net realized gains (losses)	36	127	189	(71)	(421)	163	(190)	(72)
Net realized gains (losses) in other income (expense)	4	5	(7)	(3)	2	9	(3)	(13)
Tax expense (benefit) on net realized gains (losses)	<u>1</u>	<u>1</u>	<u>1</u>	<u>(1)</u>	<u>5</u>	<u>2</u>	<u>4</u>	<u>4</u>
Operating income	<u>\$ 76</u>	<u>\$ 70</u>	<u>\$ 74</u>	<u>\$ 87</u>	<u>\$ 79</u>	<u>\$ 146</u>	<u>\$ 163</u>	<u>\$ 324</u>
% Change versus prior year period								
Net premiums written as reported	0.2%	3.0%	3.9%	0.0%	-1.2%	1.6%	4.8%	3.4%
Net premiums earned as reported	0.9%	1.1%	4.2%	0.0%	-1.9%	1.0%	4.2%	3.1%
Net premiums written constant \$ ⁽³⁾	0.4%					1.5%		
Net premiums earned constant \$	1.0%					0.9%		

(1) (Gains) losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP are reclassified from Other income (expense) for purposes of presenting Life underwriting income. The offsetting movement in the separate account liabilities is included in Policy benefits.

- (2) We assess the performance of our Life business based on Life underwriting income which includes Net investment income and (Gains) losses from fair value changes in separate account assets.
- (3) Net premiums written and deposits breakdown:

	<u>2Q-13</u>	<u>Constant \$ 2Q-12</u>	<u>Constant \$ % Change 2Q-13 vs. 2Q-12</u>	<u>YTD-13</u>	<u>Constant \$ YTD-12</u>	<u>Constant \$ % Change YTD-13 vs. YTD-12</u>
Life excluding life reinsurance ⁽⁴⁾	\$637	\$ 543	17.7%	\$1,267	\$ 1,077	17.7%
Life reinsurance including variable annuity	72	76	-6.0%	146	161	-9.4%
Total Life	\$709	\$ 619	14.8%	\$1,413	\$ 1,238	14.2%

- (4) Includes deposits collected on universal life and investment contracts of \$222 million for Q2 2013 and \$133 million for Q2 2012 on a constant-dollar basis. For the year, includes deposits of \$424 million for 2013 and \$263 million for 2012 on a constant-dollar basis. Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from revenues.



ACE Limited
Loss Reserve Rollforward
(in millions of U.S. dollars, except ratios)
(Unaudited)

	Unpaid Losses			Net Paid to Incurred Ratio
	Gross	Ceded	Net	
Balance at December 31, 2011	\$37,477	\$11,602	\$25,875	
Losses and loss expenses incurred	2,361	557	1,804	
Losses and loss expenses paid	(2,876)	(931)	(1,945)	108%
Other (incl. foreign exch. revaluation)	285	90	195	
Balance at March 31, 2012	\$37,247	\$11,318	\$25,929	
Losses and loss expenses incurred	2,851	732	2,119	
Losses and loss expenses paid	(2,916)	(893)	(2,023)	95%
Other (incl. foreign exch. revaluation)	(332)	(171)	(161)	
Balance at June 30, 2012	\$36,850	\$10,986	\$25,864	
Losses and loss expenses incurred	4,073	1,026	3,047	
Losses and loss expenses paid	(3,078)	(1,013)	(2,065)	68%
Other (incl. foreign exch. revaluation)	355	163	192	
Balance at September 30, 2012	\$38,200	\$11,162	\$27,038	
Losses and loss expenses incurred	4,642	1,959	2,683	
Losses and loss expenses paid	(4,913)	(1,727)	(3,186)	119%
Other (incl. foreign exch. revaluation)	17	5	12	
Balance at December 31, 2012	\$37,946	\$11,399	\$26,547	
Losses and loss expenses incurred	2,483	557	1,926	
Losses and loss expenses paid	(2,987)	(932)	(2,055)	107%
Other (incl. foreign exch. revaluation)	(360)	(106)	(254)	
Balance at March 31, 2013	\$37,082	\$10,918	\$26,164	
Losses and loss expenses incurred	3,007	757	2,250	
Losses and loss expenses paid	(2,797)	(941)	(1,856)	83%
Other (incl. foreign exch. revaluation)	51	4	47	
Balance at June 30, 2013	\$37,343	\$10,738	\$26,605	
Add net recoverable on paid losses	—	704	(704)	
Balance including net recoverable on paid losses	\$37,343	\$11,442	\$25,901	



ACE Limited
Reinsurance Recoverable Analysis
(in millions of U.S. dollars)
(Unaudited)

Net Reinsurance Recoverable by Division

	<u>June 30</u> <u>2013</u>	<u>March 31</u> <u>2013</u>	<u>December 31</u> <u>2012</u>
Reinsurance recoverable on paid losses and loss expenses			
Active operations	\$ 450	\$ 409	\$ 464
Brandywine and Other Run-off	326	284	303
Total	<u>\$ 776</u>	<u>\$ 693</u>	<u>\$ 767</u>
Reinsurance recoverable on unpaid losses and loss expenses			
Active operations	\$ 9,720	\$ 9,786	\$ 10,199
Brandywine and Other Run-off	1,374	1,484	1,551
Total	<u>\$11,094</u>	<u>\$11,270</u>	<u>\$ 11,750</u>
Gross reinsurance recoverable			
Active operations	\$10,170	\$10,195	\$ 10,663
Brandywine and Other Run-off	1,700	1,768	1,854
Total	<u>\$11,870</u>	<u>\$11,963</u>	<u>\$ 12,517</u>
Provision for uncollectible reinsurance ⁽¹⁾			
Active operations	\$ (274)	\$ (274)	\$ (277)
Brandywine and Other Run-off	(154)	(159)	(162)
Total	<u>\$ (428)</u>	<u>\$ (433)</u>	<u>\$ (439)</u>
Net reinsurance recoverable			
Active operations	\$ 9,896	\$ 9,921	\$ 10,386
Brandywine and Other Run-off	1,546	1,609	1,692
Total	<u>\$11,442</u>	<u>\$11,530</u>	<u>\$ 12,078</u>

(1) The provision for uncollectible reinsurance is based on a default analysis applied to gross reinsurance recoverables, net of approximately \$2.4 billion of collateral.



ACE Limited
Investment Portfolio
(in millions of U.S. dollars)
(Unaudited)

	June 30 2013		March 31 2013		December 31 2012	
Market Value						
Fixed maturities available for sale	\$ 47,016		\$ 47,947		\$ 47,306	
Fixed maturities held to maturity	6,762		7,213		7,633	
Short-term investments	2,425		2,893		2,228	
Total	<u>\$ 56,203</u>		<u>\$ 58,053</u>		<u>\$ 57,167</u>	
Asset Allocation by Market Value						
Treasury	\$ 2,578	5%	\$ 2,750	5%	\$ 2,794	5%
Agency	1,586	3%	2,090	4%	2,024	4%
Corporate and asset-backed	18,972	34%	19,123	33%	18,983	33%
Mortgage-backed	11,445	20%	12,064	21%	12,589	22%
Municipal ⁽¹⁾	4,451	8%	4,532	7%	3,872	7%
Non-U.S.	14,746	26%	14,601	25%	14,677	25%
Short-term investments	2,425	4%	2,893	5%	2,228	4%
Total	<u>\$ 56,203</u>	<u>100%</u>	<u>\$ 58,053</u>	<u>100%</u>	<u>\$ 57,167</u>	<u>100%</u>

Note: Insured municipal bonds represent \$717 million, or 16% of our municipal bond holdings.

Credit Quality by Market Value						
AAA	\$ 9,408	17%	\$ 9,948	17%	\$ 9,285	16%
AA	20,557	36%	22,036	38%	22,014	39%
A	11,105	20%	11,150	19%	10,760	19%
BBB	6,765	12%	6,596	11%	6,591	12%
BB	3,940	7%	4,010	7%	4,146	7%
B	4,056	7%	3,956	7%	3,846	6%
Other	372	1%	357	1%	525	1%
Total	<u>\$ 56,203</u>	<u>100%</u>	<u>\$ 58,053</u>	<u>100%</u>	<u>\$ 57,167</u>	<u>100%</u>

Cost/Amortized Cost						
Fixed maturities available for sale	\$ 45,988		\$ 45,470		\$ 44,666	
Fixed maturities held to maturity	6,576		6,867		7,270	
Short-term investments	2,425		2,893		2,228	
Subtotal	54,989		55,230		54,164	
Equity securities	843		781		707	
Other investments	2,543		2,544		2,465	
Total	<u>\$ 58,375</u>		<u>\$ 58,555</u>		<u>\$ 57,336</u>	
Avg. duration of fixed maturities	4.1 years		4.0 years		3.9 years	
Avg. market yield of fixed maturities ⁽²⁾	2.9%		2.3%		2.3%	
Avg. credit quality ⁽³⁾	A/Aa		A/Aa		A/Aa	
Avg. yield on invested assets ⁽⁴⁾	3.7%		3.7%		3.8%	

- (1) The rating of the municipal portfolio is AA with 5% of our holdings pre-funded with AA/Aaa Federal securities. The portfolio is highly diversified predominantly in State general obligation bonds and essential service revenue bonds, including education and utilities (water, power, and sewers).
- (2) Weighted average yield to maturity of our fixed income portfolio based on the market prices of the holdings as of that date.
- (3) We use a split rating due to S&P's downgrade of U.S. Treasury and Agency securities.
- (4) Net investment income, excluding non-recurring items, divided by average cost of fixed maturities and other investments, and average market value of equity securities. Net investment income includes private equity distributions of \$18 million and \$24 million for Q2 2013 and Q1 2013, respectively.



ACE Limited
Investment Portfolio—2
(in millions of U.S. dollars)
(Unaudited)

Mortgage-backed Fixed Income Portfolio

Mortgage-backed securities

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Market Value at June 30, 2013						
Agency residential mortgage-backed (RMBS)	\$ —	\$9,671	\$—	\$—	\$ —	\$ 9,671
Non-agency RMBS	68	11	30	23	198	330
Commercial mortgage-backed	1,414	13	10	7	—	1,444
Total mortgage-backed securities at market value	<u>\$1,482</u>	<u>\$9,695</u>	<u>\$ 40</u>	<u>\$ 30</u>	<u>\$ 198</u>	<u>\$11,445</u>

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Amortized Cost at June 30, 2013						
Agency RMBS	\$ —	\$9,570	\$—	\$—	\$ —	\$ 9,570
Non-agency RMBS	67	10	29	23	210	339
Commercial mortgage-backed	1,399	11	9	6	—	1,425
Total mortgage-backed securities at amortized cost	<u>\$1,466</u>	<u>\$9,591</u>	<u>\$ 38</u>	<u>\$ 29</u>	<u>\$ 210</u>	<u>\$11,334</u>

Mortgage-backed securities total \$11.4 billion, are rated predominantly AA and comprise 20% of the fixed income portfolio. This compares to a 31% mortgage-backed weighting in representative indices of the U.S. fixed income market. The minimum rating for initial purchases of mortgage-backed securities is AA for agency mortgages and AAA for non-agency mortgages.

Securities issued by Federal agencies with implied or explicit government guarantees total \$9.7 billion and represent 97% of the residential mortgage-backed portfolio.

Commercial mortgage-backed securities of \$1.4 billion are rated predominantly AAA, broadly diversified with over 13,000 loans and seasoned with 29% of the portfolio issued before 2006 and 52% of the portfolio issued after 2009. The average loan-to-value ratio is approximately 64% with a debt service coverage ratio in excess of 1.9 and weighted average subordinated collateral of 31%. The cumulative foreclosure rate would have to rise to 44% before principal is impaired. The foreclosure rate of ACE's commercial mortgage-backed securities portfolio at June 30, 2013 was 1.9%.



ACE Limited
Investment Portfolio—3
(in millions of U.S. dollars)
(Unaudited)

U.S. Corporate and Asset-backed Fixed Income Portfolios

Market Value at June 30, 2013

	S&P Credit Rating				Total
	Investment Grade				
	AAA	AA	A	BBB	
Asset-backed	\$ 552	\$ 60	\$ 1	\$ —	\$ 613
Banks	—	—	2,281	335	2,616
Basic Materials	—	—	99	325	424
Communications	—	—	764	558	1,322
Consumer, Cyclical	—	92	262	249	603
Consumer, Non-Cyclical	56	490	891	692	2,129
Diversified Financial Services	—	46	200	113	359
Energy	34	37	202	663	936
Industrial	—	329	317	256	902
Utilities	—	12	560	468	1,040
All Others	47	163	479	527	1,216
Total	<u>\$ 689</u>	<u>\$1,229</u>	<u>\$6,056</u>	<u>\$4,186</u>	<u>\$12,160</u>

U.S. Investment Grade Corporate Fixed Income Portfolio

The average credit quality of ACE's U.S. investment grade bond portfolio is high at A.

ACE prohibits investments in complex structured securities (e.g., CDOs, CLOs) and over-the-counter derivatives and does not permit the use of portfolio leverage.

Corporate bond holdings are highly diversified across industries and geographies. Issuer limits are based on credit rating (AA 2%, A 1%, BBB 0.5% of total portfolio) and are monitored on a daily basis by ACE via an internal compliance system.

Market Value at June 30, 2013

	S&P Credit Rating			Total
	Below Investment Grade			
	BB	B	CCC	
Asset-backed	\$ —	\$ 4	\$ 18	\$ 22
Banks	1	5	—	6
Basic Materials	165	164	6	335
Communications	467	518	27	1,012
Consumer, Cyclical	519	617	34	1,170
Consumer, Non-Cyclical	502	927	31	1,460
Diversified Financial Services	70	107	—	177
Energy	647	336	15	998
Industrial	364	402	31	797
Utilities	274	42	—	316
All Others	190	327	2	519
Total	<u>\$3,199</u>	<u>\$3,449</u>	<u>\$164</u>	<u>\$6,812</u>

U.S. Below Investment Grade Corporate Fixed Income Portfolio

ACE manages high yield bonds as a distinct and separate asset class from investment grade bonds. ACE's allocation to high yield bonds is explicitly set by internal management and is targeted to securities in the upper tier of credit quality (BB/B). Our minimum rating for initial purchase is BB/B.

Six external investment managers are responsible for high yield security selection and portfolio construction.

ACE's high yield managers have a conservative approach to credit selection and very low historical default experience.

Securities holdings are highly diversified across industries and are subject to a 1.5% issuer limit as a percentage of high yield allocation. The portfolio comprises over 830 issuers with our largest current issuer exposure at \$97 million. ACE monitors position limits on a daily basis through an internal compliance system.

Derivative and structured securities (e.g., credit default swaps, CLOs) are not permitted in high yield portfolios.



ACE Limited
Investment Portfolio—4
(in millions of U.S. dollars)
(Unaudited)

Non-U.S. Fixed Income Portfolio

June 30, 2013

	<u>Market Value by S&P Credit Rating</u>					<u>Total</u>	<u>Amortized</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB and below</u>		<u>Cost</u>
United Kingdom	\$ 1,067	\$ —	\$ —	\$ —	\$ —	\$ 1,067	\$ 1,067
Canada	843	—	—	—	—	843	835
Republic of Korea	—	530	58	—	—	588	558
United Mexican States	—	—	395	65	3	463	462
France	—	391	—	—	—	391	388
Germany	385	—	—	—	—	385	383
Japan	—	309	—	—	—	309	309
Kingdom of Thailand	—	—	181	51	—	232	233
Federative Republic of Brazil	—	—	4	216	—	220	222
Province of Ontario	—	215	—	—	—	215	210
Province of Quebec	—	—	179	—	—	179	176
Commonwealth of Australia	177	1	—	—	—	178	172
State of Queensland	51	88	—	—	—	139	133
Federation of Malaysia	—	—	125	—	—	125	125
Swiss Confederation	118	—	—	—	—	118	115
People's Republic of China	65	48	1	—	—	114	112
Taiwan	—	83	2	—	—	85	84
Socialist Republic of Vietnam	—	—	—	—	83	83	78
State of New South Wales	72	—	—	—	—	72	68
Russian Federation	—	—	—	59	—	59	60
State of Victoria	50	—	—	—	—	50	48
Republic of Indonesia	—	—	—	—	48	48	50
Republic of Colombia	—	—	—	47	—	47	48
Arab Republic of Egypt	—	22	—	—	19	41	39
Dominion of New Zealand	—	38	1	—	—	39	39
Other Non-U.S. Government	268	212	99	94	86	759	751
Non-U.S. Government Securities	\$ 3,096	\$ 1,937	\$ 1,045	\$ 532	\$ 239	\$ 6,849	\$ 6,765
Eurozone Non-U.S. Corporate ⁽¹⁾	482	354	453	521	460	2,270	2,198
Other Non-U.S. Corporate	664	590	2,331	1,447	595	5,627	5,461
	<u>\$ 4,242</u>	<u>\$ 2,881</u>	<u>\$ 3,829</u>	<u>\$ 2,500</u>	<u>\$ 1,294</u>	<u>\$14,746</u>	<u>\$14,424</u>

(1) Excludes United Kingdom

Non-U.S. Fixed Income Portfolio

ACE's non-U.S. investment grade fixed income portfolios are currency-matched with the insurance liabilities of ACE's non-U.S. operations.

73% of ACE's non-U.S. fixed income portfolios are denominated in G7 currencies.

Average credit quality of non-U.S. fixed income securities is high at A and 54% of holdings are rated AAA or guaranteed by governments or quasi-government agencies.

Corporate bond holdings are highly diversified across industries and geographies. Issuer limits are based on credit rating (AA 2%, A 1%, BBB 0.5% of total portfolio) and are monitored on a daily basis by ACE via an internal compliance system.



ACE Limited
Investment Portfolio—5
(in millions of U.S. dollars)
(Unaudited)

Eurozone Non-U.S. Fixed Income Portfolio (Excluding United Kingdom)

June 30, 2013

	<u>Market Value by Industry</u>					<u>Amortized Cost</u>
	<u>Bank</u>	<u>Financial</u>	<u>Industrial</u>	<u>Utility</u>	<u>Total</u>	
Netherlands	\$195	\$ 123	\$ 332	\$160	\$ 810	\$ 780
France	116	35	183	154	488	476
Luxembourg	9	5	255	78	347	339
Germany	204	—	62	5	271	263
Euro Supranational	131	—	—	—	131	127
Ireland	12	1	100	12	125	120
Belgium	10	—	36	—	46	45
Finland	10	—	10	3	23	22
Austria	19	—	3	—	22	20
Spain	6	—	—	—	6	6
Portugal	—	—	1	—	1	—
Eurozone Non-U.S. Corporate Securities	\$712	\$ 164	\$ 982	\$412	\$2,270	\$ 2,198

Note: ACE has no investments in Greece and Italy.

Top 10 Exposures—Eurozone Banks (Excluding United Kingdom)

<u>June 30, 2013</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Rating</u>
KFW	\$ 135	\$ 131	AAA
Rabobank Nederland NV	109	104	AA-
European Investment Bank	103	100	AAA
Bank Nederlandse Gemeenten	40	39	AAA
Credit Agricole Groupe	34	34	A
BNP Paribas SA	32	31	A+
Erste Abwicklungsanstalt	24	23	AA-
Groupe BPCE	24	23	A
Societe Generale SA	18	17	A
EUROFIMA	16	15	AA+

Top 10 Exposures—Eurozone Corporate (Excluding United Kingdom)

<u>June 30, 2013</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Rating</u>
Intelsat SA	\$ 90	\$ 88	B
Electricite de France SA	89	87	A+
Royal Dutch Shell PLC	71	69	AA
ING Groep NV	71	68	A
Deutsche Telekom AG	64	59	BBB+
LyondellBasell Industries NV	56	51	BBB-
France Telecom SA	40	39	BBB+
NIBC Holding NV	33	32	BBB-
Porsche Automobil Holding SE	32	32	A-
General Electric Co	31	29	AA+



ACE Limited
Investment Portfolio—6
(in millions of U.S. dollars)
(Unaudited)

Investment portfolio

Top 25 Exposures—Fixed Maturity Investments

	<u>June 30, 2013</u>	<u>Market Value</u>	<u>Rating</u>
1	JP Morgan Chase & Co	\$ 479	A
2	Goldman Sachs Group Inc	430	A-
3	General Electric Co	388	AA+
4	Citigroup Inc	303	A-
5	Bank of America Corp	274	A-
6	Morgan Stanley	269	A-
7	Verizon Communications Inc	246	A-
8	Wells Fargo & Co	236	A+
9	AT&T INC	212	A-
10	HSBC Holdings Plc	207	A+
11	Comcast Corp	185	A-
12	Mondelez International Inc	154	BBB
13	Anheuser-Busch InBev NV	144	A
14	BP Plc	132	A
15	Pfizer Inc	123	AA
16	Time Warner Cable Inc	120	BBB
17	Duke Energy Corp	116	BBB+
18	Barclays Plc	114	A
19	American Express Co	111	BBB+
20	Enterprise Products Partners LP	110	BBB+
21	Rabobank Nederland NV	109	AA-
22	Philip Morris International Inc	108	A
23	Royal Bank of Scotland Group Plc	106	A-
24	UBS AG	103	A
25	Twenty-First Century Fox Inc	98	BBB+



ACE Limited
Net Realized and Unrealized Gains (Losses)
(in millions of U.S. dollars)
(Unaudited)

	Three months ended June 30, 2013			Six months ended June 30, 2013		
	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 31	\$ (1,466)	\$(1,435)	\$ 67	\$ (1,657)	\$(1,590)
Fixed income derivatives	40	—	40	58	—	58
Total fixed maturities	71	(1,466)	(1,395)	125	(1,657)	(1,532)
Public equity	7	(57)	(50)	6	(43)	(37)
Private equity	8	15	23	36	40	76
Total equity	15	(42)	(27)	42	(3)	39
Mark-to-market gains from derivative transactions ⁽²⁾	32	—	32	110	—	110
Foreign exchange gains ⁽²⁾	(5)	—	(5)	71	—	71
Other	—	—	—	—	1	1
Partially-owned entities ⁽³⁾	3	—	3	7	—	7
Income tax expense (benefit)	15	(288)	(273)	47	(344)	(297)
Net gains (losses)	<u>\$ 101</u>	<u>\$ (1,220)</u>	<u>\$(1,119)</u>	<u>\$ 308</u>	<u>\$ (1,315)</u>	<u>\$(1,007)</u>

- (1) Other-than-temporary impairments for the quarter includes \$6 million for fixed maturities and \$1 million for private equity. Year to date other-than-temporary impairments includes \$7 million of fixed maturities, \$2 million for private equity, and \$1 million for public equity.
- (2) Includes \$33 million of realized gains from variable annuity reinsurance for the quarter which comprises \$101 million in mark-to-market gains from derivative transactions, net of \$68 million of losses on applicable hedges. For the year, the \$111 million of realized gains from variable annuity reinsurance comprises \$429 million in mark-to-market gains from derivative transactions, net of \$318 million losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$41 million.
- (3) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

	Three months ended June 30, 2012			Six months ended June 30, 2012		
	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 68	\$ 251	\$ 319	\$ 102	\$ 494	\$ 596
Fixed income derivatives	(49)	—	(49)	(7)	—	(7)
Total fixed maturities	19	251	270	95	494	589
Public equity	(5)	(9)	(14)	(4)	29	25
Private equity	(6)	16	10	17	23	40
Total equity	(11)	7	(4)	13	52	65
Mark-to-market gains from derivative transactions ⁽⁵⁾	(396)	—	(396)	(204)	—	(204)
Foreign exchange losses ⁽⁵⁾	(9)	—	(9)	(14)	—	(14)
Other	3	(3)	—	1	1	2
Partially-owned entities ⁽⁶⁾	1	—	1	(6)	—	(6)
Income tax expense	22	47	69	28	96	124
Net gains (losses)	<u>\$ (415)</u>	<u>\$ 208</u>	<u>\$ (207)</u>	<u>\$ (143)</u>	<u>\$ 451</u>	<u>\$ 308</u>

- (4) Other-than-temporary impairments for the quarter includes \$1 million for fixed maturities, \$5 million for private equity, and \$4 million for public equity. Year to date other-than-temporary impairments includes \$8 million of fixed maturities, \$7 million for private equity, and \$5 million for public equity.
- (5) Includes \$397 million of realized losses from variable annuity reinsurance for the quarter which comprises \$467 million in mark-to-market losses from derivatives transactions, net of \$70 million of gains on applicable hedges. The variable annuity reinsurance foreign exchange losses for the quarter were \$29 million. For the year, the \$200 million of realized losses from variable annuity reinsurance comprises \$39 million in mark-to-market losses from derivative transactions, and \$161 million losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$6 million.
- (6) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).



ACE Limited
Capital Structure
(in millions of U.S. dollars, except ratios)
(Unaudited)

	June 30 2013	March 31 2013	December 31 2012	December 31 2011
Total short-term debt ⁽¹⁾⁽²⁾	\$ 1,901	\$ 1,402	\$ 1,401	\$ 1,251
Total long-term debt	3,807	4,307	3,360	3,360
Total debt	<u>\$ 5,708</u>	<u>\$ 5,709</u>	<u>\$ 4,761</u>	<u>\$ 4,611</u>
Total trust preferred securities	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>
Total shareholders' equity	<u>\$27,295</u>	<u>\$27,942</u>	<u>\$ 27,531</u>	<u>\$ 24,332</u>
Total capitalization	\$33,312	\$33,960	\$ 32,601	\$ 29,252
Tangible capital ⁽³⁾	\$27,917	\$29,051	\$ 27,626	\$ 24,453
Leverage ratios				
Debt/ total capitalization	17.1%	16.8%	14.6%	15.8%
Debt plus trust preferred securities/ total capitalization	18.1%	17.7%	15.6%	16.8%
Debt/ tangible capital	20.4%	19.7%	17.2%	18.9%
Debt plus trust preferred securities/ tangible capital	21.6%	20.7%	18.4%	20.1%

Note: As of June 30, 2013, there was \$1.3 billion usage of credit facilities on a total commitment of \$1.9 billion.

- (1) Repurchase agreements in the amount of \$851 million matured during the quarter, and there were new repurchase agreements in the amount of \$850 million.
- (2) In June 2013, we reclassified \$500 million of 5.875 percent senior notes, due to mature in less than one year (June 2014), from Long-term debt to Short-term debt.
- (3) Tangible capital is equal to total capitalization less goodwill and other intangible assets.



ACE Limited
Computation of Basic and Diluted Earnings Per Share
(in millions of U.S. dollars, except share and per share data)
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Numerator				
Operating income to common shares	\$ 790	\$ 743	\$ 1,536	\$ 1,444
Net realized gains (losses), net of income tax	101	(415)	308	(143)
Net income	<u>\$ 891</u>	<u>\$ 328</u>	<u>\$ 1,844</u>	<u>\$ 1,301</u>
Rollforward of Common Shares Outstanding				
Shares—beginning of period	340,045,256	338,653,382	340,321,534	336,927,276
Repurchase of shares	(654,776)	—	(2,463,076)	(100,000)
Shares issued, excluding option exercises	117,445	87,454	1,064,981	1,124,163
Issued for option exercises	578,344	320,049	1,162,830	1,109,446
Shares—end of period	<u>340,086,269</u>	<u>339,060,885</u>	<u>340,086,269</u>	<u>339,060,885</u>
Denominator				
Weighted average shares outstanding	341,047,290	339,766,067	340,913,450	339,164,449
Effect of other dilutive securities	3,053,975	2,907,971	3,120,263	3,006,950
Adj. wtd. avg. shares outstanding and assumed conversions	<u>344,101,265</u>	<u>342,674,038</u>	<u>344,033,713</u>	<u>342,171,399</u>
Basic earnings per share				
Operating income	\$ 2.31	\$ 2.18	\$ 4.50	\$ 4.25
Net realized gains (losses), net of income tax	0.30	(1.22)	0.91	(0.42)
Net income	<u>\$ 2.61</u>	<u>\$ 0.96</u>	<u>\$ 5.41</u>	<u>\$ 3.83</u>
Diluted earnings per share				
Operating income	\$ 2.29	\$ 2.17	\$ 4.46	\$ 4.22
Net realized gains (losses), net of income tax	0.30	(1.21)	0.90	(0.42)
Net income	<u>\$ 2.59</u>	<u>\$ 0.96</u>	<u>\$ 5.36</u>	<u>\$ 3.80</u>



ACE Limited
Non-GAAP Financial Measures
(in millions of U.S. dollars)
(Unaudited)

Regulation G—Non-GAAP Financial Measures

In presenting our results, we have included and discussed certain non-GAAP measures. These non-GAAP measures, which may be defined differently by other companies, are important for an understanding of our overall results of operations and financial condition. However, they should not be viewed as a substitute for measures determined in accordance with generally accepted accounting principles (GAAP).

In presenting our segment operating results, we have shown our performance with reference to underwriting results. Underwriting results are calculated by subtracting losses and loss expenses, policy benefits, policy acquisition costs, and administrative expenses from net premiums earned. We use underwriting results and operating ratios to monitor the results of our operations without the impact of certain factors, including investment income, other income and expenses, interest and income tax expense, and net realized gains (losses). Life underwriting income includes net investment income and gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP.

We provide financial measures such as gross written premiums, net premiums written, net premiums earned, and operating income on a constant-dollar basis. We believe it is useful to evaluate the trends in these measures exclusive of the effect of fluctuations in exchange rates between the U.S. dollar and the currencies in which our international business is transacted, as these exchange rates could fluctuate significantly between periods and distort the analysis of trends. The impact is determined by assuming constant foreign exchange rates between periods by translating prior period results using the same local currency exchange rates as the comparable current period.

P&C expense ratio excluding A&H, excludes the impact of our A&H business from our consolidated expense ratio. The expense ratio for the A&H business is typically higher than our traditional P&C business, and we believe that this measure provides better comparison to our peer companies that may not have a significant A&H block of business.

Loss and loss expense ratio excluding the impact of catastrophe losses and prior period development (PPD) is a non-GAAP financial measure. The loss ratio numerator includes Losses and loss expenses adjusted to exclude catastrophe losses and PPD. The loss ratio denominator includes Net premiums earned adjusted to exclude the amount of reinstatement premiums (expensed) collected. In periods where there are adjustments on loss sensitive policies, these adjustments are excluded from PPD and net earned premiums when calculating this ratio. We believe that excluding the impact of catastrophe losses and PPD provides a better evaluation of our core underwriting performance and enhances the understanding of the trends in our property & casualty business that may be obscured by these items.

Combined ratio excluding catastrophe losses and PPD is a non-GAAP financial measure. The ratio numerator includes losses and loss expenses, policy acquisition costs, and administrative expenses adjusted to exclude catastrophe losses and PPD. The ratio denominator includes net premiums earned adjusted to exclude the amount of reinstatement premiums (expensed) collected and net earned premium adjustments on loss sensitive policies. We believe that excluding the impact of catastrophe losses and PPD provides a better evaluation of our core underwriting performance and enhances the understanding of the trends in our property & casualty business that may be obscured by these items.

Life net premiums written and deposits collected, excluding life reinsurance, is a non-GAAP financial measure. Deposits collected on universal life and investment contracts (life deposits) are properly not reflected as revenues in our consolidated statements of operations in accordance with GAAP. However, we include life deposits in presenting growth in our Life business because new life deposits are an important component of production and key to our efforts to grow our business. However, we exclude results associated with life reinsurance as there is no new life reinsurance business currently being written.

Operating return on equity (ROE) or ROE calculated using income excluding net realized gains (losses) is an annualized non-GAAP financial measure. The ROE numerator includes income adjusted to exclude net realized gains (losses), net of tax. The ROE denominator includes the average shareholders' equity for the period adjusted to exclude unrealized gains (losses) on investments, net of tax. To annualize a quarterly rate, multiply by four. Operating ROE is a useful measure as it enhances the understanding of the return on shareholders' equity by highlighting the underlying profitability relative to shareholders' equity excluding the effect of unrealized gains and losses on our investments.

Operating income or Income excluding net realized gains (losses), net of tax, is a common performance measurement for insurance companies and non-GAAP financial measure. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business. We exclude net realized gains (losses) and net realized gains (losses) included in other income (expense) related to partially owned entities because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities. Operating income or Income excluding net realized gains (losses) should not be viewed as a substitute for net income determined in accordance with GAAP.

Operating effective tax rate is a non-GAAP financial measure. The numerator excludes tax on net realized gains (losses). The denominator excludes net realized gains (losses), before tax. We exclude net realized gains (losses) and the related tax impact because these amounts are heavily influenced by, and fluctuate in part according to, the availability of market opportunities. Operating effective tax rate should not be viewed as a substitute for effective tax rate determined in accordance with GAAP.

Tangible book value per common share is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. We believe that goodwill and other intangible assets are not indicative of our underlying insurance results or trends and make book value comparisons to less acquisitive peer companies less meaningful. A reconciliation of tangible book value per share is provided on page 25.

Tangible book value per common share excluding 2013 acquisitions is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros in order to control for the distortive effect of acquisitions.



ACE Limited
Non-GAAP Financial Measures—2
(in millions of U.S. dollars, except ratios)
(Unaudited)

Regulation G—Non-GAAP Financial Measures (continued)

The following table presents the reconciliation of Net income to Operating income:

	2Q-13	1Q-13	4Q-12	3Q-12	2Q-12	YTD 2013	YTD 2012	Full Year 2012
Net income, as reported	\$891	\$953	\$765	\$640	\$ 328	\$1,844	\$1,301	\$ 2,706
Net realized gains (losses)	104	206	272	(60)	(394)	310	(134)	78
Net realized gains (losses) in other income (expense) ⁽¹⁾	12	33	23	20	1	45	19	62
Income tax expense on net realized gains (losses)	15	32	22	8	22	47	28	58
Operating income	<u>\$790</u>	<u>\$746</u>	<u>\$492</u>	<u>\$688</u>	<u>\$ 743</u>	<u>\$1,536</u>	<u>\$1,444</u>	<u>\$ 2,624</u>

(1) Realized gains (losses) on partially-owned entities, which are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

The following table presents the reconciliation of effective tax rate to the operating effective tax rate:

	2Q-13	1Q-13	4Q-12	3Q-12	2Q-12	YTD 2013	YTD 2012	Full Year 2012
Tax expense (benefit), as reported	\$ 115	\$ 122	\$ (135)	\$ 147	\$ 148	\$ 237	\$ 258	\$ 270
Tax expense on net realized gains (losses)	15	32	22	8	22	47	28	58
Tax expense (benefit), adjusted	<u>\$ 100</u>	<u>\$ 90</u>	<u>\$ (157)</u>	<u>\$ 139</u>	<u>\$ 126</u>	<u>\$ 190</u>	<u>\$ 230</u>	<u>\$ 212</u>
Income before tax, as reported	\$1,006	\$1,075	\$ 630	\$ 787	\$ 476	\$2,081	\$1,559	\$ 2,976
Less: realized gains (losses)	104	206	272	(60)	(394)	310	(134)	78
Less: realized gains (losses) in other income (expense)	12	33	23	20	1	45	19	62
Operating income before tax	<u>\$ 890</u>	<u>\$ 836</u>	<u>\$ 335</u>	<u>\$ 827</u>	<u>\$ 869</u>	<u>\$1,726</u>	<u>\$1,674</u>	<u>\$ 2,836</u>
Effective tax rate	11.5%	11.3%	-21.4%	18.7%	31.0%	11.4%	16.6%	9.1%
Adjustment for tax impact of net realized gains (losses)	-0.3%	-0.5%	-25.4%	-2.0%	-16.4%	-0.4%	-2.8%	-1.6%
Operating effective tax rate	<u>11.2%</u>	<u>10.8%</u>	<u>-46.8%</u>	<u>16.7%</u>	<u>14.6%</u>	<u>11.0%</u>	<u>13.8%</u>	<u>7.5%</u>

The following table presents the reconciliation of ROE to Operating ROE:

	2Q-13	2Q-12	YTD 2013	YTD 2012	Full Year 2012
Net income	\$ 891	\$ 328	\$ 1,844	\$ 1,301	\$ 2,706
Operating income	\$ 790	\$ 743	\$ 1,536	\$ 1,444	\$ 2,624
Equity—beginning of period, as reported	\$27,942	\$25,431	\$27,531	\$24,332	\$24,332
Less: unrealized gains (losses) on investments, net of deferred tax	2,538	1,958	2,633	1,715	1,715
Equity—beginning of period, as adjusted	<u>\$25,404</u>	<u>\$23,473</u>	<u>\$24,898</u>	<u>\$22,617</u>	<u>\$22,617</u>
Equity—end of period, as reported	\$27,295	\$25,762	\$27,295	\$25,762	\$27,531
Less: unrealized gains (losses) on investments, net of deferred tax	1,318	2,166	1,318	2,166	2,633
Equity—end of period, as adjusted	<u>\$25,977</u>	<u>\$23,596</u>	<u>\$25,977</u>	<u>\$23,596</u>	<u>\$24,898</u>
Average equity, as reported	\$27,619	\$25,597	\$27,413	\$25,047	\$25,932
Average equity, as adjusted	<u>\$25,691</u>	<u>\$23,535</u>	<u>\$25,438</u>	<u>\$23,107</u>	<u>\$23,758</u>
Operating ROE	12.3%	12.6%	12.1%	12.5%	11.0%
ROE	12.9%	5.1%	13.5%	10.4%	10.4%



ACE Limited
Book Value and Book Value per Common Share
(in millions of U.S. dollars, except share and per share data)
(Unaudited)

Reconciliation of Book Value per Common Share

	June 30 2013	March 31 2013	December 31 2012	June 30 2012
Shareholders' equity	\$ 27,295	\$ 27,942	\$ 27,531	\$ 25,762
Less: goodwill and other intangible assets	5,395	4,909	4,975	4,826
Numerator for tangible book value per share	<u>\$ 21,900</u>	<u>\$ 23,033</u>	<u>\$ 22,556</u>	<u>\$ 20,936</u>
Book value—% change over prior quarter	-2.3%	1.5%	2.1%	1.3%
Tangible book value—% change over prior quarter	-4.9%	2.1%	2.7%	1.8%
Denominator	<u>340,086,269</u>	<u>340,045,256</u>	<u>340,321,534</u>	<u>339,060,885</u>
Book value per common share	\$ 80.26	\$ 82.17	\$ 80.90	\$ 75.98
Tangible book value per common share	\$ 64.40	\$ 67.74	\$ 66.28	\$ 61.75

Reconciliation of Book Value

Shareholders' equity, beginning of quarter	\$ 27,942	\$ 27,531	\$ 26,963	\$ 25,431
Operating income	790	746	492	743
Net realized gains (losses), net of tax	101	207	273	(415)
Net unrealized gains (losses), net of tax	(1,220)	(95)	(70)	208
Repurchase of shares	(58)	(154)	—	—
Dividend declared on common shares	(174)	(168)	(168)	(168)
Cumulative translation, net of tax	(168)	(156)	(37)	(79)
Pension liability	(2)	14	(20)	—
Other ⁽¹⁾	84	17	98	42
	<u>\$ 27,295</u>	<u>\$ 27,942</u>	<u>\$ 27,531</u>	<u>\$ 25,762</u>

(1) Other primarily includes proceeds from exercise of stock options and stock compensation.



ACE Limited Consolidated comprises all segments including Corporate and Other.

Operating return on equity (ROE) or ROE calculated using income excluding net realized gains (losses): Operating income or Income excluding net realized gains (losses), net of tax, divided by average shareholders' equity for the period excluding unrealized gains (losses) on investments, net of tax. To annualize a quarterly rate multiply by four.

Book value per common share: Shareholders' equity divided by the shares outstanding.

Combined Insurance: Combined Insurance Company of America, acquired April 1, 2008.

Combined ratio: The sum of the loss and loss expense ratio, acquisition cost ratio and the administrative expense ratio excluding life business. Calculated on a GAAP basis.

Operating effective tax rate: Income tax expense excluding tax expense (benefit) on net realized gains (losses) divided by income excluding net realized gains (losses) before tax.

G7: A group of seven industrialized nations including Canada, France, Germany, Italy, Japan, United Kingdom, and the United States.

Life underwriting income: Net premiums earned and net investment income less losses and loss expenses, policy benefits, acquisition costs, and administrative expenses. In addition, Life underwriting income includes gains/losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP.

NM: Not meaningful.

Tangible book value per common share: Shareholders' equity less goodwill and other intangible assets divided by the shares outstanding.

Tangible capital: Total capitalization less goodwill and other intangible assets.

Total capitalization: Short-term debt, long-term debt, trust preferreds, and shareholders' equity.