

ACE LTD

FORM 8-K (Current report filing)

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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) – April 28, 2009

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.)

**Bärengasse 32
CH-8001 Zürich,
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 April 28, 2009, ACE Limited issued a press release reporting its first quarter 2009 results and the availability of its first quarter 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.

(c) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release, dated April 28, 2009, reporting first quarter results
99.2	First Quarter 2009 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: April 28, 2009

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press release, dated April 28, 2009, reporting first quarter results	Furnished herewith
99.2	First Quarter 2009 Financial Supplement	Furnished herewith



ace limited

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**News
Release**

FOR IMMEDIATE RELEASE

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**ACE REPORTS FIRST QUARTER 2009 NET INCOME OF \$567 MILLION, UP 50%;
 OPERATING INCOME OF \$669 MILLION**

ZURICH, Switzerland, April 28, 2009 — ACE Limited (NYSE: ACE) today reported net income for the quarter ended March 31, 2009, of \$1.69 per share, compared with \$1.10 per share for the same quarter last year. ⁽¹⁾ Income excluding net realized gains (losses) was \$1.99 per share, compared with \$2.14 per share. ⁽²⁾ The net realized and unrealized losses after tax were \$291 million due to the mark-to-market pricing impact caused by continued widening of credit spreads and the decline in global equity markets. Realized losses due to credit impairment were \$27 million. Book value increased \$272 million, up 2% from December 31, 2008. Annualized return on average equity was 18.4%. ⁽³⁾ The property and casualty (P&C) combined ratio was 87.5%.

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

	2009	2008	Change	(Per Share - Diluted)		
				2009	2008	Change
Net income	\$ 567	\$ 377	50%	\$ 1.69	\$ 1.10	54%
Net realized gains (losses), net of tax	\$(102)	\$(348)	—	\$(0.30)	\$(1.04)	—
Income excluding net realized gains (losses), net of tax ⁽²⁾	\$ 669	\$ 725	(8)%	\$ 1.99	\$ 2.14	(7)%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, stated: “ACE had a good first quarter, marked by strong operating and net income, with all divisions of the company making a positive contribution to results. Book value grew 2% and our ROE was over 18%.

“The strong U.S. dollar had a substantial and negative impact on our P&C premium revenue, which grew 7% in the quarter after adjusting for foreign exchange. We benefited from a generally firming market, particularly in our P&C reinsurance and global retail P&C insurance businesses. We also continued to benefit from the consolidation of Combined Insurance Company in our results.

“As the year goes on, I expect revenue growth to remain under pressure due to global recessionary conditions and foreign exchange. While many of our customers’ exposures are down due to reduced business activity, and many companies are in search of more affordable insurance alternatives, the quality of our portfolio of risks continues to improve given the firming pricing environment and the client flight to capability of a company like ACE.”

Other operating highlights were as follows:

- Net premiums written and earned increased 9%. Excluding the impact of foreign exchange, net premiums written and earned increased 15% and 16%, respectively.
- Net P&C premiums written and earned, which include international accident and health (A&H), increased 1%. Excluding the impact of foreign exchange, net P&C premiums written and earned increased 7%.
- The P&C combined ratio was 87.5% compared with 84.6%.
- Prior period favorable development was \$67 million compared with \$137 million in 2008.
- P&C pre-tax underwriting income decreased 19% to \$357 million compared with \$439 million.
- The P&C expense ratio decreased by 1.2 percentage points. Excluding A&H, the P&C expense ratio decreased 2 percentage points.
- Operating cash flow was \$562 million, down 45%, due to large claim payment activity.
- Net loss reserves increased \$103 million, excluding foreign exchange revaluation.
- Net investment income increased 3% to \$502 million.
- Return on average equity was 18.4%. ⁽³⁾
- Book value increased \$272 million, or 2%, from December 31, 2008, while book value per share ⁽⁴⁾ increased from \$43.30 at December 31, 2008, to \$43.82, or 1%.
- Net realized and unrealized losses after tax from our investment portfolio totaled approximately \$305 million. This includes \$203 million of unrealized losses and \$102 million of realized losses. Net realized gains from derivative accounting related to the guaranteed minimum income benefits (GMIBs) of our life reinsurance business were approximately \$24 million.

Details of our financial results for our business segments are available in the ACE Limited Financial Supplement. Key segment items include:

- Insurance-North American: Net premiums written increased 2.5%. The combined ratio was 88.2% compared with 86.0%.
- Insurance-Overseas General: Net premiums written decreased 1%. Adjusting for the impact of foreign exchange, they increased 10% on a constant-dollar basis. The combined ratio was 88.7% compared with 82.7%.
- Global Reinsurance: Net premiums written increased 4%. Adjusting for the impact of foreign exchange, they increased 11% on a constant-dollar basis. The combined ratio was 63.0% compared with 70.8%.
- Life: Net premiums written increased \$241 million; excluding the results of Combined Insurance's North American business, net premiums written increased 4%. Adjusting for the impact of foreign exchange, they increased 6% on a constant-dollar basis. Income excluding net realized gains (losses) was \$53 million.

Earnings guidance announced on December 18, 2008, for the ACE Group for the full year 2009 has not changed.

Please refer to the ACE Limited Financial Supplement dated March 31, 2009, 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. The URL reference is: http://media.corporate-ir.net/media_files/irol/10/100907/fin_supp_march_31_2009.xls.

ACE will host its first quarter earnings conference call and webcast on Wednesday, April 29, 2009, beginning at 8:30 a.m. ET. The earnings conference call will be available via live and archived webcast at www.acelimited.com or by dialing 877-718-5111 (within the United States) or 719-325-4786 (international); passcode 4963586. Please refer to the ACE Limited website in the Investor Information section under Calendar of Events for details. A replay of the call will be available for approximately one month. To listen to the replay, dial: 888-203-1112 (in the United States) or 719-457-0820 (international); passcode 4963586.

The ACE Group is a global leader in insurance and reinsurance serving a diverse group of clients. Headed by ACE Limited, the ACE Group conducts its business on a worldwide basis with operating subsidiaries in more than 50 countries. Additional information can be found at: www.acelimited.com.

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

(2) Non-GAAP Financial Measures:

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 insurance companies because the amount of these gains (losses) do not relate to their respective operations.

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). We believe the use of these measures enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

Tangible shareholders' equity is shareholders' equity less goodwill and other intangible assets. See reconciliation of Non-GAAP Financial Measures on page 28 in the financial supplement.

These measures should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

(3) Calculated using income excluding net realized gains (losses) less perpetual preferred securities divided by average common shareholders' equity for the period. To annualize a quarterly rate, multiply by four.

(4) Book value per common share is common shareholders' equity divided by the shares outstanding. Tangible book value per common share is common shareholders' equity less goodwill and other intangible assets divided by the shares outstanding.

Combined Insurance – Combined Insurance Company of America and certain of its subsidiaries.

NM – not meaningful comparison

Cautionary Statement Regarding Forward-Looking Statements:

Forward-looking statements made in this press release, such as those related to premium revenue, client behavior, economic and insurance market conditions, and company performance reflect the company'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, the company's forward-looking statements could be affected by competition, pricing and policy term trends, the levels of new and renewal business achieved, market acceptance, changes in demand, the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, integration activities and unexpected financial or operational performance with respect to acquired companies, unexpected effects or difficulties relating to the company's re-domestication to Switzerland, 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, actual market developments, 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 the company's 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. The company undertakes 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)

	March 31	December 31
	<u>2009</u>	<u>2008</u>
Assets		
Investments	\$40,240	\$ 39,715
Cash	844	867
Insurance and reinsurance balances receivable	3,853	3,453
Reinsurance recoverable on losses and loss expenses	13,713	13,917
Other assets	14,477	14,105
Total assets	<u>\$73,127</u>	<u>\$ 72,057</u>
Liabilities		
Unpaid losses and loss expenses	\$36,931	\$ 37,176
Unearned premiums	6,186	5,950
Other liabilities	15,292	14,485
Total liabilities	<u>\$58,409</u>	<u>\$ 57,611</u>
Shareholders' equity		
Total shareholders' equity	14,718	14,446
Total liabilities and shareholders' equity	<u>\$73,127</u>	<u>\$ 72,057</u>
Book value per common share ⁽⁴⁾	\$ 43.82	\$ 43.30

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

	Three Months Ended March 31	
	2009	2008
Gross premiums written	\$ 4,535	\$ 4,409
Net premiums written	3,424	3,154
Net premiums earned	3,194	2,940
Losses and loss expenses	1,816	1,579
Policy benefits	99	63
Policy acquisition costs	481	468
Administrative expenses	420	375
Underwriting income ⁽²⁾	378	455
Net investment income	502	489
Net realized gains (losses)	(121)	(353)
Interest expense	53	46
Other income (expense)	(14)	(15)
Income tax expense	125	153
Net income	567	377
Preference share dividend	—	(11)
Net income available to holders of common shares	<u>\$ 567</u>	<u>\$ 366</u>
<i>Diluted earnings per share:</i>		
Income excluding net realized gains (losses) ⁽²⁾	\$ 1.99	\$ 2.14
Net income	\$ 1.69	\$ 1.10
Weighted average diluted shares outstanding	336.1	333.0
Loss and loss expense ratio	59.7%	55.6%
Policy acquisition cost ratio	15.2%	16.2%
Administrative expense ratio	12.6%	12.8%
Combined ratio	87.5%	84.6%

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

	Three Months Ended	
	March 31	
	2009	2008
Gross Premiums Written		
Insurance - North American	\$ 2,078	\$ 2,181
Insurance - Overseas General	1,693	1,778
Global Reinsurance	379	345
Life	385	105
Total	\$ 4,535	\$ 4,409
Net Premiums Written		
Insurance - North American	\$ 1,392	\$ 1,360
Insurance - Overseas General	1,327	1,345
Global Reinsurance	359	344
Life	346	105
Total	\$ 3,424	\$ 3,154
Net Premiums Earned		
Insurance - North American	\$ 1,437	\$ 1,354
Insurance - Overseas General	1,184	1,223
Global Reinsurance	238	263
Life	335	100
Total	\$ 3,194	\$ 2,940
Income Excluding Net Realized Gains (Losses) ⁽²⁾		
Insurance - North American	\$ 321	\$ 327
Insurance - Overseas General	209	256
Global Reinsurance	144	144
Life	53	33
Corporate	(58)	(35)
Total	\$ 669	\$ 725



ace limited

Financial Supplement

March 31, 2009

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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 the company'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, the company's 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.

The company's 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, and general economic and industry developments. 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. The company undertakes 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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ACE Limited
Consolidated Financial Highlights
(in millions of U.S. dollars, except share, per share data and ratios)
(Unaudited)

	<u>Three months ended March 31</u>		<u>% Change 1Q-09 vs. 1Q-08</u>	<u>December 31 2008</u>
	2009	2008		
Gross premiums written	\$ 4,535	\$ 4,409	3%	
Net premiums written	\$ 3,424	\$ 3,154	9%	
Net premiums earned	\$ 3,194	\$ 2,940	9%	
Net investment income	\$ 502	\$ 489	3%	
Net income	\$ 567	\$ 377	50%	
Income excluding net realized gains (losses) ⁽¹⁾	\$ 669	\$ 725	-8%	
Comprehensive income	\$ 337	\$ 88	NM	
Operating cash flow	\$ 562	\$ 1,015	-45%	
Combined ratio				
Loss and loss expense ratio	59.7%	55.6%		
Underwriting and administrative expense ratio	27.8%	29.0%		
Combined ratio	87.5%	84.6%		
Annualized ROE*	18.4%	17.7%		
Annualized ROE, excluding FAS 115*	16.3%	18.2%		
Effective tax rate on income excluding net realized gains (losses)	17%	20%		
Diluted earnings per share				
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.99	\$ 2.14	-7%	
Net income	\$ 1.69	\$ 1.10	54%	
Book value per common share	\$ 43.82	\$ 48.65	-10%	\$ 43.30 1%
Tangible book value per common share	\$ 32.70	\$ 40.00	-18%	
Weighted average basic common shares outstanding	335.5	330.7		
Weighted average diluted common shares outstanding	336.1	333.0		
Debt/total capitalization	17.9%	16.9%		

(1) See page 28 Non-GAAP Financial Measures.

* Calculated using income excluding net realized gains (losses)



ACE Limited
Consolidated Results - Consecutive Quarters
(in millions of U.S. dollars)
(Unaudited)

ACE Limited Consolidated

	1Q-09	4Q-08	3Q-08	2Q-08	1Q-08	Full Year 2008
Consolidated Results Excluding Life Segment						
Gross premiums written	\$4,150	3,906	4,839	\$4,866	\$4,304	\$17,915
Net premiums written	3,078	2,681	2,928	3,224	3,049	11,882
Net premiums earned	2,859	2,867	3,265	3,061	2,840	12,033
Losses and loss expenses	1,704	1,654	2,265	1,785	1,579	7,283
Policy benefits	2	2	5	5	—	12
Policy acquisition costs	434	448	533	506	460	1,947
Administrative expenses	362	388	396	392	362	1,538
Underwriting income excluding life segment	\$ 357	\$ 375	\$ 66	\$ 373	\$ 439	\$ 1,253
Life underwriting income excluding investment income	21	(26)	45	41	16	76
Net investment income	502	521	520	532	489	2,062
Net realized gains (losses)	(121)	(644)	(510)	(126)	(353)	(1,633)
Interest expense	53	54	68	62	46	230
Other income (expense) ⁽¹⁾	(14)	(65)	(6)	125	(15)	39
Income tax expense (benefit)	125	87	(7)	137	153	370
Net income	\$ 567	\$ 20	\$ 54	\$ 746	\$ 377	\$ 1,197
Net realized gains (losses)	(121)	(644)	(510)	(126)	(353)	(1,633)
Net realized gains (losses) in other income (expense) ⁽¹⁾	3	(48)	(23)	120	(28)	21
Tax expense (benefit) on net realized gains (losses)	(16)	(88)	(83)	(14)	(33)	(218)
Income excluding net realized gains (losses) ⁽²⁾	\$ 669	\$ 624	\$ 504	\$ 738	\$ 725	\$ 2,591
% Change versus prior year period ⁽³⁾						
Net premiums written	1%	-1%	8%	8%	-4%	2%
Net premiums earned	1%	-3%	7%	5%	-5%	1%
Other ratios						
Net premiums written/gross premiums written	74%	69%	61%	66%	71%	66%
Effective tax rate on income excluding net realized gains (losses)	17%	22%	13%	17%	20%	18%
Combined ratio ⁽³⁾						
Loss and loss expense ratio	59.7%	57.8%	69.5%	58.5%	55.6%	60.6%
Policy acquisition cost ratio	15.2%	15.6%	16.3%	16.5%	16.2%	16.2%
Administrative expense ratio	12.6%	13.5%	12.1%	12.8%	12.8%	12.8%
Combined ratio	87.5%	86.9%	97.9%	87.8%	84.6%	89.6%
Expense ratio	27.8%	29.1%	28.4%	29.3%	29.0%	29.0%
Expense ratio excluding A&H	23.7%	24.3%	24.0%	25.2%	25.7%	24.8%
Large losses and other items ⁽³⁾						
Reinstatement premiums (expensed) collected	\$ (1)	\$ (4)	\$ 7	\$ —	\$ —	\$ 3
Catastrophe losses	\$ 38	\$ 67	\$ 411	\$ 58	\$ 31	\$ 567
Prior period development excluding Life - unfavorable (favorable) ⁽⁴⁾	\$ (68)	(252)	\$ (277)	\$ (104)	\$ (137)	\$ (770)
Loss and loss expense ratio excluding catastrophe losses and prior period development	60.7%	64.4%	65.2%	60.0%	60.9%	62.7%

(1) Net realized investment and derivative losses related to our unconsolidated insurance affiliates.

(2) See page 28 Non-GAAP Financial Measures.

(3) Presented excluding the Life segment to allow for comparison and analysis with earnings guidance. This is a non-GAAP measure.

(4) For Q1 08, prior period favorable development of \$181 million less \$44 million of profit share commission on Crop business settlement.



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

	<u>March 31</u> <u>2009</u> <u>(Unaudited)</u>	<u>December 31</u> <u>2008</u> <u>(Audited)</u>
Assets		
Fixed maturities available for sale, at fair value	\$ 31,355	\$ 31,155
Fixed maturities held to maturity, at amortized cost	2,824	2,860
Equity securities, at fair value	854	988
Short-term investments, at fair value	3,909	3,350
Other investments	1,298	1,362
Total investments	<u>40,240</u>	<u>39,715</u>
Cash	844	867
Securities lending collateral	1,376	1,230
Insurance and reinsurance balances receivable	3,853	3,453
Reinsurance recoverable on losses and loss expenses	13,713	13,917
Deferred policy acquisition costs	1,268	1,214
Value of business acquired	785	823
Prepaid reinsurance premiums	1,593	1,539
Goodwill and other intangible assets	3,735	3,747
Deferred tax assets	1,952	1,835
Investments in partially owned insurance companies	886	832
Other assets	2,882	2,885
Total assets	<u>\$ 73,127</u>	<u>\$ 72,057</u>
Liabilities		
Unpaid losses and loss expenses	\$ 36,931	\$ 37,176
Unearned premiums	6,186	5,950
Future policy benefits	2,915	2,904
Insurance and reinsurance balances payable	2,981	2,841
Securities lending payable	1,463	1,296
Payable for securities purchased	1,333	740
Accounts payable, accrued expenses, and other liabilities	3,023	3,118
Short-term debt	466	471
Long-term debt	2,802	2,806
Trust preferred securities	309	309
Total liabilities	<u>58,409</u>	<u>57,611</u>
Shareholders' equity		
Total shareholders' equity, excl. AOCI	16,864	16,362
Accumulated other comprehensive income (AOCI)	(2,146)	(1,916)
Total shareholders' equity	<u>14,718</u>	<u>14,446</u>
Total liabilities and shareholders' equity	<u>\$ 73,127</u>	<u>\$ 72,057</u>
Book value per common share ⁽¹⁾	\$ 43.82	\$ 43.30
Tangible book value per common share ⁽¹⁾	\$ 32.70	\$ 32.07

(1) See page 28 Non-GAAP Financial Measures.



ACE Limited
Consolidated Premiums and Income Excluding
Net Realized Gains (Losses) by Line of Business
(in millions of U.S. dollars)
(Unaudited)

ACE Limited Consolidated

	1Q-09	% of Total Consolidated	1Q-08	% of Total Consolidated	% Change 1Q-09 vs. 1Q-08
Net premiums written					
Property and all other	\$1,151	34%	\$1,081	34%	6%
Casualty	1,381	40%	1,476	47%	-6%
Subtotal	2,532	74%	2,557	81%	-1%
Personal accident (A&H) ⁽¹⁾	760	22%	492	16%	54%
Life ⁽²⁾	132	4%	105	3%	26%
Total Consolidated	<u>\$3,424</u>	<u>100%</u>	<u>\$3,154</u>	<u>100%</u>	<u>9%</u>
Net premiums earned					
Property and all other	\$ 983	31%	\$ 881	30%	12%
Casualty	1,367	43%	1,498	51%	-9%
Subtotal	2,350	74%	2,379	81%	-1%
Personal accident (A&H) ⁽¹⁾	720	22%	461	16%	56%
Life ⁽²⁾	124	4%	100	3%	24%
Total Consolidated	<u>\$3,194</u>	<u>100%</u>	<u>\$2,940</u>	<u>100%</u>	<u>9%</u>
Income excluding net realized gains (losses)					
Property, casualty, and all other	\$ 552	82%	\$ 615	85%	-10%
Personal accident (A&H) ⁽¹⁾	91	14%	77	11%	18%
Life ⁽²⁾	26	4%	33	4%	-21%
Total Consolidated	<u>\$ 669</u>	<u>100%</u>	<u>\$ 725</u>	<u>100%</u>	<u>-8%</u>

(1) Consolidated A&H includes Combined Insurance which is reported in the Insurance - Overseas General and Life segments.

(2) Excludes the North America A&H business from Combined Insurance which is included in the Life segment.



ACE Limited
Consolidating Statement of Operations
Three months ended March 31, 2009 and 2008
(in millions of U.S. dollars)
(Unaudited)

	Insurance - North American	Insurance - Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Life	ACE Consolidated
March 31, 2009							
Gross premiums written	\$ 2,078	\$ 1,693	\$ 379	\$ —	\$ 4,150	\$ 385	\$ 4,535
Net premiums written	1,392	1,327	359	—	3,078	346	3,424
Net premiums earned	1,437	1,184	238	—	2,859	335	3,194
Losses and loss expenses	1,004	613	87	—	1,704	112	1,816
Policy benefits	—	2	—	—	2	97	99
Policy acquisition costs	123	260	51	—	434	47	481
Administrative expenses	140	175	12	35	362	58	420
Underwriting income (loss)	170	134	88	(35)	357	21	378
Net investment income	263	120	72	1	456	46	502
Net realized gains (losses)	(120)	7	11	(28)	(130)	9	(121)
Interest expense	—	—	—	53	53	—	53
Other income (expense)	(4)	(4)	—	(4)	(12)	(2)	(14)
Income tax expense (benefit)	96	46	16	(39)	119	6	125
Net income (loss)	213	211	155	(80)	499	68	567
Net realized gains (losses)	(120)	7	11	(28)	(130)	9	(121)
Net realized gains (losses) in other income (expense)	—	3	—	(3)	—	3	3
Tax expense (benefit) on net realized gains (losses)	(12)	8	—	(9)	(13)	(3)	(16)
Income (loss) excluding net realized gains (losses) ⁽¹⁾	<u>\$ 321</u>	<u>\$ 209</u>	<u>\$ 144</u>	<u>\$ (58)</u>	<u>\$ 616</u>	<u>\$ 53</u>	<u>\$ 669</u>
March 31, 2008							
Gross premiums written	\$ 2,181	\$ 1,778	\$ 345	\$ —	\$ 4,304	\$ 105	\$ 4,409
Net premiums written	1,360	1,345	344	—	3,049	105	3,154
Net premiums earned	1,354	1,223	263	—	2,840	100	2,940
Losses and loss expenses	869	593	117	—	1,579	—	1,579
Policy benefits	—	—	—	—	—	63	63
Policy acquisition costs	161	245	54	—	460	8	468
Administrative expenses	135	173	15	39	362	13	375
Underwriting income (loss)	189	212	77	(39)	439	16	455
Net investment income	269	117	73	15	474	15	489
Net realized gains (losses)	(61)	(83)	(45)	22	(167)	(186)	(353)
Interest expense	—	—	—	46	46	—	46
Other income (expense)	—	3	—	(18)	(15)	—	(15)
Income tax expense (benefit)	123	47	4	(19)	155	(2)	153
Net income (loss)	274	202	101	(47)	530	(153)	377
Net realized gains (losses)	(61)	(83)	(45)	22	(167)	(186)	(353)
Net realized gains (losses) in other income (expense)	—	7	—	(35)	(28)	—	(28)
Tax expense (benefit) on net realized gains (losses)	(8)	(22)	(2)	(1)	(33)	—	(33)
Income (loss) excluding net realized gains (losses) ⁽¹⁾	<u>\$ 327</u>	<u>\$ 256</u>	<u>\$ 144</u>	<u>\$ (35)</u>	<u>\$ 692</u>	<u>\$ 33</u>	<u>\$ 725</u>

(1) See page 28 Non-GAAP Financial Measures.



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

Insurance - North American

						Full Year
	1Q-09	4Q-08	3Q-08	2Q-08	1Q-08	2008
Gross premiums written	\$2,078	\$2,167	\$2,987	\$2,718	\$2,181	\$10,053
Net premiums written	1,392	1,304	1,461	1,511	1,360	5,636
Net premiums earned	1,437	1,377	1,583	1,365	1,354	5,679
Losses and loss expenses	1,004	893	1,356	962	869	4,080
Policy acquisition costs	123	112	160	129	161	562
Administrative expenses	140	138	132	131	135	536
Underwriting income (loss)	170	234	(65)	143	189	501
Net investment income	263	266	278	282	269	1,095
Net realized gains (losses)	(120)	(259)	(284)	(105)	(61)	(709)
Interest expense	—	1	—	—	—	1
Other income (expense)	(4)	(1)	(3)	(3)	—	(7)
Income tax expense (benefit)	96	93	(7)	106	123	315
Net income (loss)	213	146	(67)	211	274	564
Net realized gains (losses)	(120)	(259)	(284)	(105)	(61)	(709)
Tax expense (benefit) on net realized gains (losses)	(12)	(72)	(64)	(7)	(8)	(151)
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 321</u>	<u>\$ 333</u>	<u>\$ 153</u>	<u>\$ 309</u>	<u>\$ 327</u>	<u>\$ 1,122</u>

Combined ratio

Loss and loss expense ratio	69.9%	64.9%	85.6%	70.5%	64.1%	71.8%
Policy acquisition cost ratio	8.6%	8.1%	10.1%	9.5%	11.9%	9.9%
Administrative expense ratio	9.7%	10.0%	8.4%	9.5%	10.0%	9.4%
Combined ratio	<u>88.2%</u>	<u>83.0%</u>	<u>104.1%</u>	<u>89.5%</u>	<u>86.0%</u>	<u>91.1%</u>

Large losses and other items (before tax)

Reinstatement premiums collected	\$ —	\$ —	\$ 16	\$ —	\$ —	\$ 16
Catastrophe losses	\$ 4	\$ 3	\$ 258	\$ 22	\$ 15	\$ 298
Prior period development - unfavorable (favorable) ⁽²⁾	\$ (10)	\$ (102)	\$ (103)	\$ (23)	\$ (79)	\$ (307)
Loss and loss expense ratio excluding catastrophe losses and prior period development	70.3%	72.0%	75.1%	70.6%	72.1%	72.6%

% Change versus prior year period

Net premiums written	2%	-5%	1%	1%	-10%	-3%
Net premiums earned	6%	-3%	-1%	-6%	-12%	-5%

Other ratios

Net premiums written/gross premiums written	67%	60%	49%	56%	62%	56%
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(1) See page 28 Non-GAAP Financial Measures.

(2) For Q1 2008 prior period favorable development of \$123 million less \$44 million of profit share commission on Crop business settlement.



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

Insurance - Overseas General

	1Q-09 ⁽²⁾	4Q-08 ⁽²⁾	3Q-08 ⁽²⁾	2Q-08 ⁽²⁾	1Q-08	Full Year 2008
Gross premiums written	\$ 1,693	\$ 1,609	\$ 1,678	\$ 1,876	\$1,778	\$ 6,941
Net premiums written	1,327	1,251	1,293	1,443	1,345	5,332
Net premiums earned	1,184	1,250	1,425	1,439	1,223	5,337
Losses and loss expenses	613	640	731	715	593	2,679
Policy benefits	2	2	5	5	—	12
Policy acquisition costs	260	296	329	323	245	1,193
Administrative expenses	175	195	217	208	173	793
Underwriting income	134	117	143	188	212	660
Net investment income	120	134	136	134	117	521
Net realized gains (losses)	7	(117)	(58)	(58)	(83)	(316)
Other income (expense)	(4)	(3)	(6)	17	3	11
Income tax expense (benefit)	46	5	10	38	47	100
Net income	211	126	205	243	202	776
Net realized gains (losses)	7	(117)	(58)	(58)	(83)	(316)
Net realized gains (losses) in other income (expense)	3	1	(5)	15	7	18
Tax expense (benefit) on net realized gains (losses)	8	(17)	(16)	(7)	(22)	(62)
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 209</u>	<u>\$ 225</u>	<u>\$ 252</u>	<u>\$ 279</u>	<u>\$ 256</u>	<u>\$ 1,012</u>
Combined ratio						
Loss and loss expense ratio	52.0%	51.5%	51.6%	50.0%	48.5%	50.4%
Policy acquisition cost ratio	21.9%	23.7%	23.1%	22.4%	20.0%	22.4%
Administrative expense ratio	14.8%	15.5%	15.2%	14.5%	14.2%	14.8%
Combined ratio	<u>88.7%</u>	<u>90.7%</u>	<u>89.9%</u>	<u>86.9%</u>	<u>82.7%</u>	<u>87.6%</u>
Large losses and other items						
Reinstatement premiums collected	\$ —	\$ 4	\$ 3	\$ —	\$ —	\$ 7
Catastrophe losses	\$ 15	\$ (6)	\$ 49	\$ 25	\$ 15	\$ 83
Prior period development - unfavorable (favorable)	\$ (24)	\$ (85)	\$ (121)	\$ (54)	\$ (44)	\$ (304)
Loss and loss expense ratio excluding catastrophe losses and prior period development	52.7%	58.6%	56.7%	52.0%	50.9%	54.5%
% Change versus prior year period						
Net premiums written as reported	-1%	7%	24%	24%	13%	17%
Net premiums earned as reported	-3%	2%	25%	26%	10%	15%
Net premiums written constant dollar	10%	18%	18%	15%	6%	14%
Net premiums earned constant dollar	10%	12%	19%	17%	4%	13%
Other ratios						
Net premiums written/gross premiums written	78%	78%	77%	77%	76%	77%

(1) See page 28 Non-GAAP Financial Measures.

(2) Includes the International operations of Combined Insurance.



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

Global Reinsurance

						Full Year
	1Q-09	4Q-08	3Q-08	2Q-08	1Q-08	2008
Gross premiums written	\$ 379	\$ 130	\$ 174	\$ 272	\$ 345	\$ 921
Net premiums written	359	126	174	270	344	914
Net premiums earned	238	240	257	257	263	1,017
Losses and loss expenses	87	121	178	108	117	524
Policy acquisition costs	51	40	44	54	54	192
Administrative expenses	12	13	14	14	15	56
Underwriting income	88	66	21	81	77	245
Net investment income	72	74	83	79	73	309
Net realized gains (losses)	11	(96)	(2)	(20)	(45)	(163)
Other income (expense)	—	—	(1)	(1)	—	(2)
Income tax expense (benefit)	16	6	9	11	4	30
Net income	155	38	92	128	101	359
Net realized gains (losses)	11	(96)	(2)	(20)	(45)	(163)
Tax expense (benefit) on net realized gains (losses)	—	(1)	(1)	—	(2)	(4)
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 144</u>	<u>\$ 133</u>	<u>\$ 93</u>	<u>\$ 148</u>	<u>\$ 144</u>	<u>\$ 518</u>
Combined ratio						
Loss and loss expense ratio	36.3%	50.3%	69.2%	42.1%	44.5%	51.5%
Policy acquisition cost ratio	21.5%	16.6%	16.9%	21.0%	20.6%	18.8%
Administrative expense ratio	5.2%	5.4%	5.4%	5.5%	5.7%	5.5%
Combined ratio	<u>63.0%</u>	<u>72.3%</u>	<u>91.5%</u>	<u>68.6%</u>	<u>70.8%</u>	<u>75.8%</u>
Large losses and other items						
Reinstatement premiums collected	\$ (1)	\$ (8)	\$ (12)	\$ —	\$ —	\$ (20)
Catastrophe losses	\$ 19	\$ 70	\$ 104	\$ 11	\$ 1	\$ 186
Prior period development - unfavorable (favorable)	\$ (34)	\$ (65)	\$ (53)	\$ (27)	\$ (14)	\$ (159)
Loss and loss expense ratio excluding catastrophe losses and prior period development	42.8%	50.4%	51.7%	48.2%	49.5%	49.9%
% Change versus prior year period						
Net premiums written	4%	-28%	-19%	-19%	-28%	-24%
Net premiums earned	-10%	-23%	-19%	-21%	-23%	-22%
Other ratios						
Net premiums written/gross premiums written	95%	97%	100%	99%	100%	99%

(1) See page 28 Non-GAAP Financial Measures.



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

Life

	1Q-09 ⁽⁴⁾	4Q-08 ⁽⁴⁾	3Q-08 ⁽⁴⁾	2Q-08 ⁽⁴⁾	1Q-08	Full Year 2008
Gross premiums written ⁽¹⁾	\$ 385	\$ 414	\$ 381	\$ 427	\$ 105	\$ 1,327
Net premiums written	346	371	348	374	105	1,198
Net premiums earned	335	359	344	367	100	1,170
Losses and loss expenses	112	106	104	110	—	320
Policy benefits	97	154	86	84	63	387
Policy acquisition costs	47	69	48	63	8	188
Administrative expenses	58	56	61	69	13	199
Net investment income	46	47	40	40	15	142
Life underwriting income ⁽²⁾	67	21	85	81	31	218
Net realized gains (losses)	9	(230)	(180)	64	(186)	(532)
Other income (expense)	(2)	(6)	(2)	(4)	—	(12)
Income tax expense (benefit)	6	5	15	12	(2)	30
Net income (loss)	68	(220)	(112)	129	(153)	(356)
Net realized gains (losses)	9	(230)	(180)	64	(186)	(532)
Net realized gains (losses) in other income (expense)	3	—	2	—	—	2
Tax expense (benefit) on net realized gains (losses)	(3)	(6)	—	—	—	(6)
Income excluding net realized gains (losses) ⁽³⁾	<u>\$ 53</u>	<u>\$ 4</u>	<u>\$ 66</u>	<u>\$ 65</u>	<u>\$ 33</u>	<u>\$ 168</u>
Prior period development - unfavorable (favorable)	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —
% Change versus prior year period						
Net premiums written	230%	234%	266%	330%	19%	214%
Net premiums earned	235%	266%	262%	322%	14%	218%

(1) Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from revenues. For the quarters ended March 31, 2009; December 31, 2008; September 30, 2008; June 30, 2008; and March 31, 2008, premiums or deposits collected on investment and universal life contracts that are excluded from premium revenue above are \$95.5 million, \$29.2 million, \$18.8 million, \$30.9 million, and \$41.2 million, respectively. Fees on universal life and investment contracts are revenue for GAAP and have been classified as premium. For the quarters ended March 31, 2009; December 31, 2008; September 30, 2008; June 30, 2008; and March 31, 2008, fees reflected as gross written premiums are \$7.1 million, \$5.6 million, \$4.5 million, \$4.9 million, and \$4.4 million, respectively.

(2) We assess the performance of our Life business based on life underwriting income which includes net investment income.

(3) See page 28 Non-GAAP Financial Measures.

(4) Includes the North America operations of Combined Insurance.



ACE Limited
Segment Results - Life Reinsurance
(in millions of U.S. dollars)
(Unaudited)

Variable Annuity (VA) Lines
Historical Cash Flow Summary by Quarter

Death Benefits (GMDB)

	<u>1Q-09</u>	<u>4Q-08</u>	<u>3Q-08</u>	<u>2Q-08</u>	<u>1Q-08</u>	<u>Full Year 2008</u>
Premium	\$ 24	\$ 27	\$ 31	\$ 32	\$ 32	122
less paid claims	43	36	15	9	7	67
Net	<u>\$ (19)</u>	<u>\$ (9)</u>	<u>\$ 16</u>	<u>\$ 23</u>	<u>\$ 25</u>	<u>\$ 55</u>

Living Benefits (Includes GMIB and GMAB)

	<u>1Q-09</u>	<u>4Q-08</u>	<u>3Q-08</u>	<u>2Q-08</u>	<u>1Q-08</u>	<u>Full Year 2008</u>
Premium	\$ 39	\$ 39	\$ 39	\$ 37	\$ 34	149
less paid claims	—	—	—	—	—	—
Net	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ 37</u>	<u>\$ 34</u>	<u>\$ 149</u>

Total VA Guaranteed Benefits

	<u>1Q-09</u>	<u>4Q-08</u>	<u>3Q-08</u>	<u>2Q-08</u>	<u>1Q-08</u>	<u>Full Year 2008</u>
Premium	\$ 63	\$ 66	\$ 70	\$ 69	\$ 66	\$ 271
less paid claims	43	36	15	9	7	67
Net	<u>\$ 20</u>	<u>\$ 30</u>	<u>\$ 55</u>	<u>\$ 60</u>	<u>\$ 59</u>	<u>\$ 204</u>

Amounts represent accrued past premium received and claims paid by quarter, split by benefit type.

Death Benefits (GMDB)

Premiums and claims from VA contracts reinsuring Guaranteed Minimum Death Benefits (GMDB)

Using our current mortality assumptions we expect approximately \$165 million of claims and \$95 million of premium on death benefits over the next 12 months.

Living Benefits (Includes GMIB and GMAB)

Premiums and claims from VA contracts reinsuring Guaranteed Minimum Income Benefits (GMIB) and Guaranteed Minimum Accumulation Benefits (GMAB), collectively known as Living Benefits.

Using our current assumptions we expect approximately \$3 million of claims and \$145 million of premium on living benefits over the next 12 months.



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

	Total			Ongoing			Run-off ⁽¹⁾		
	Unpaid Losses			Unpaid Losses			Unpaid Losses		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Balance at December 31, 2007	37,112	13,520	23,592	31,169	9,472	21,697	5,943	4,048	1,895
Losses and loss expenses incurred	1,659	80	1,579	1,670	87	1,583	(11)	(7)	(4)
Losses and loss expenses paid	(1,748)	(601)	(1,147)	(1,554)	(406)	(1,148)	(194)	(195)	1
Other (incl. foreign exch. revaluation)	159	71	88	159	71	88	—	—	—
Balance at March 31, 2008	\$37,182	\$13,070	\$24,112	\$31,444	\$9,224	\$22,220	\$5,738	\$3,846	\$1,892
Losses and loss expenses incurred	2,736	841	1,895	2,727	837	1,890	9	4	5
Losses and loss expenses paid	(2,620)	(1,024)	(1,596)	(2,391)	(801)	(1,590)	(229)	(223)	(6)
Other (incl. foreign exch. revaluation)	12	12	—	11	12	(1)	1	—	1
Losses and loss expenses acquired ⁽²⁾	386	33	353	386	33	353	—	—	—
Balance at June 30, 2008	\$37,696	\$12,932	\$24,764	\$32,177	\$9,305	\$22,872	\$5,519	\$3,627	\$1,892
Losses and loss expenses incurred	3,995	1,626	2,369	3,976	1,615	2,361	19	11	8
Losses and loss expenses paid	(2,767)	(1,025)	(1,742)	(2,544)	(818)	(1,726)	(223)	(207)	(16)
Other (incl. foreign exch. revaluation)	(551)	(200)	(351)	(551)	(200)	(351)	—	—	—
Balance at September 30, 2008	\$38,373	\$13,333	\$25,040	\$33,058	\$9,902	\$23,156	\$5,315	\$3,431	\$1,884
Losses and loss expenses incurred	2,554	794	1,760	2,625	907	1,718	(71)	(113)	42
Losses and loss expenses paid	(2,764)	(922)	(1,842)	(2,651)	(773)	(1,878)	(113)	(149)	36
Other (incl. foreign exch. revaluation)	(987)	(270)	(717)	(987)	(270)	(717)	—	—	—
Balance at December 31, 2008	\$37,176	\$12,935	\$24,241	\$32,045	\$9,766	\$22,279	\$5,131	\$3,169	\$1,962
Losses and loss expenses incurred	2,454	638	1,816	2,433	629	1,804	21	9	12
Losses and loss expenses paid	(2,504)	(762)	(1,742)	(2,246)	(667)	(1,579)	(258)	(95)	(163) ⁽³⁾
Other (incl. foreign exch. revaluation)	(195)	(57)	(138)	(195)	(57)	(138)	—	—	—
Balance at March 31, 2009	\$36,931	\$12,754	\$24,177	\$32,037	\$9,671	\$22,366	\$4,894	\$3,083	\$1,811
Add net recoverable on paid losses		959							
Reinsurance Recoverable		<u>\$13,713</u>							

(1) The run-off reserves primarily include the Brandywine group, the Commercial Insurance Service - Middle Market Workers' Comp. reserves and the pre-1997 Westchester Specialty reserves.

(2) Combined Insurance.

(3) The net paid of \$163 million for the quarter does not reflect the NICO billing of \$125 million which will be processed in the second quarter.



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

Net Reinsurance Recoverable by Division

	March 31	December 31
	<u>2009</u>	<u>2008</u>
Reinsurance recoverable on paid losses and loss expenses		
Active operations	\$ 725	\$ 745
Brandywine	313	331
Westchester Run-off	38	34
Other Run-off	13	12
Total	<u>\$ 1,089</u>	<u>\$ 1,122</u>
Reinsurance recoverable on unpaid losses and loss expenses		
Active operations	\$10,006	\$ 10,124
Brandywine	2,566	2,608
Westchester Run-off	539	550
Other Run-off	100	104
Total	<u>\$13,211</u>	<u>\$ 13,386</u>
Gross reinsurance recoverable		
Active operations	\$10,731	\$ 10,869
Brandywine	2,879	2,939
Westchester Run-off	577	584
Other Run-off	113	116
Total	<u>\$14,300</u>	<u>\$ 14,508</u>
Provision for uncollectible reinsurance		
Active operations	\$ (379)	\$ (398)
Brandywine	(168)	(155)
Westchester Run-off	(27)	(27)
Other Run-off	(13)	(11)
Total	<u>\$ (587)</u>	<u>\$ (591)</u>
Net reinsurance recoverable		
Active operations	\$10,352	\$ 10,471
Brandywine	2,711	2,784
Westchester Run-off	550	557
Other Run-off	100	105
Total	<u>\$13,713</u>	<u>\$ 13,917</u>



ACE Limited
Reinsurance Recoverable Analysis - 2
(in millions of U.S. dollars)
(Unaudited)

Consolidated Reinsurance Recoverable

Categories	December 31, 2008		
	Recoverable	Provision (5)	% Of Gross
Largest Reinsurers (1)	\$ 9,189	\$ 144	1.6%
Other reinsurers balances rated A- or better	1,966	26	1.3%
Other reinsurers balances with rating lower than A- or not rated	553	125	22.6%
Other Pools and Government Agencies	142	10	7.0%
Structured Settlements	561	20	3.6%
Other Captives	1,515	13	0.9%
Others (2)	582	253	43.5%
Total	\$ 14,508	\$ 591	4.1%

At December 31, 2008, \$10.6 billion of ACE Limited recoverables were from rated reinsurers, of which 94.3% were rated the equivalent of A- or better by internationally recognized rating agencies.

Largest Reinsurers (3)	S&P Rating (4)	AM Best Rating (4)
AGRI General Insurance Co	BBBpi	A
American International Group (AIG) (6)	A+	A
Berkshire Hathaway Insurance Group	AAA	A++
Chubb Insurance Group	AA	A++
Equitas	NL	NL
Everest Re Group	AA-	A+
Fairfax Financial Holdings Ltd.	A-	A-
Federal Crop Insurance Corp	U.S. Federal Gov.	U.S. Federal Gov.
Hartford Insurance Group	AA-	A+
HDI (Hannover Re)	AA-	A
Lloyd's of London	A+	A
Munich Re Group	AA-	A+
National Workers Compensation Reinsurance Pool	Mandatory Pool	Mandatory Pool
Partner Re	AA-	A+
Swiss Re Group	AA-	A+
WR Berkley Corp	A+	A+
XL Capital Group (7)	A	A

- (1) The Largest Reinsurers includes all reinsurers where gross recoverable exceeds 1% of ACE shareholders' equity. Total ACE shareholders' equity at December 31, 2008 was \$14.446 billion.
- (2) Others principally includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation, or liquidation. Our estimate of provision for uncollectible reinsurance associated with Others considers the merits of the underlying matter, the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as multi-beneficiary trusts and parental guarantees.
- (3) The Largest Reinsurers includes all reinsurers where gross recoverable (net of collateral) exceeds 1% of ACE shareholders' equity. The Largest Reinsurers account for 59.3% of total recoverables at December 31, 2008.
- (4) S&P and AM Best ratings as of December 31, 2008 are based on each group's predominant reinsurer.
- (5) See MD&A reported in the 2008 Form 10-K for a discussion on how ACE determines the provision for uncollectible reinsurance.
- (6) Gross recoverables with American International Group (AIG) were \$553.0 million at December 31, 2008, of which \$439.3 million (79.4%) were with Transatlantic Reinsurance Co.
- (7) Gross recoverables with XL Capital Group were \$357.5 million at December 31, 2008.



ACE Limited
Reinsurance Recoverable Analysis - 3
(in millions of U.S. dollars)
(Unaudited)

Detail on Reinsurance Recoverable on Paid Losses and Loss Expenses

	General Collections (1)	Other (2)	Total
Gross balance at December 31, 2008	\$ 775	\$ 347	\$1,122
Provision at 12/31/08	29	111	140
% of gross	3.7%	32.0%	12.5%
Net balance at December 31, 2008	<u>\$ 746</u>	<u>\$ 236</u>	<u>\$ 982</u>
Gross balance at March 31, 2009	\$ 756	\$ 333	\$1,089
Provision at 3/31/09	27	103	130
% of gross	3.6%	30.9%	11.9%
Net balance at March 31, 2009 ⁽³⁾	<u>\$ 729</u>	<u>\$ 230</u>	<u>\$ 959</u>

- (1) General Collections balances represent amounts in process of collection in the normal course of business, for which we have no indication of dispute or credit issues.
- (2) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation, or liquidation for Brandywine Group and active operations. Our estimation of the reserve for Other, considers the merits of the underlying matter, the credit quality of the reinsurer, and whether we have received collateral or other credit protections such multi-beneficiary trusts and parental guarantees.
- (3) The current quarter split between General Collections and Other is estimated based on prior quarter balances. Balances are adjusted to actual in the next quarter.



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

	March 31 2009		December 31 2008	
Market Value				
Fixed maturities available for sale	\$ 31,355		\$ 31,155	
Fixed maturities held to maturity	2,827		2,865	
Short-term investments	3,909		3,350	
Total	<u>\$ 38,091</u>		<u>\$ 37,370</u>	
Asset Allocation by Market Value				
Treasury	\$ 1,224	3%	\$ 1,018	3%
Agency	2,157	6%	2,027	5%
Corporate	8,974	24%	8,744	23%
Mortgage-backed securities	10,796	28%	10,986	29%
Asset-backed securities	611	2%	709	2%
Municipal	2,101	5%	2,124	6%
Non-U.S.	8,319	22%	8,412	23%
Short-term investments	3,909	10%	3,350	9%
Total	<u>\$ 38,091</u>	<u>100%</u>	<u>\$ 37,370</u>	<u>100%</u>

Note: Insured municipal bonds represent \$940 million, or 45% of our municipal bond holdings.

Credit Quality by Market Value				
AAA	\$ 22,875	60%	\$ 22,960	61%
AA	3,605	10%	3,374	9%
A	5,497	14%	5,497	15%
BBB	3,560	9%	3,388	9%
BB	1,384	4%	1,119	3%
B	1,040	3%	934	3%
Other	130	0%	98	0%
Total	<u>\$ 38,091</u>	<u>100%</u>	<u>\$ 37,370</u>	<u>100%</u>

Cost/Amortized Cost				
Fixed maturities available for sale	\$ 33,503		\$ 33,109	
Fixed maturities held to maturity	2,824		2,860	
Short-term investments	3,909		3,350	
Subtotal	40,236		39,319	
Equity securities	1,026		1,132	
Other investments	1,325		1,368	
Total	<u>\$ 42,587</u>		<u>\$ 41,819</u>	
Avg. duration of fixed maturities	3.6 years		3.6 years	
Avg. market yield of fixed maturities	6.3%		6.4%	
Avg. credit quality	AA		AA	



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

Mortgage-backed and Asset-backed Fixed Income Portfolio
Market Value at March 31, 2009

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Mortgage-backed securities						
Residential mortgage-backed (RMBS)						
GNMA	\$ 551	\$—	\$—	\$—	\$ —	\$ 551
FNMA	4,512	—	—	—	—	4,512
Freddie Mac	2,050	—	—	—	—	2,050
Total agency RMBS	7,113	—	—	—	—	7,113
Non-agency RMBS	1,270	123	71	22	125	1,611
Total residential mortgage-backed	8,383	123	71	22	125	8,724
Commercial mortgage-backed	2,056	4	9	3	—	2,072
Total mortgage-backed securities	\$10,439	\$127	\$ 80	\$ 25	\$ 125	\$10,796
Asset-backed securities						
Sub-prime	\$ 52	\$ 4	\$ 5	\$ 1	\$ 2	\$ 64
Credit cards	40	6	9	4	—	59
Autos	263	30	7	16	2	318
Other	164	1	3	2	—	170
Total asset-backed securities	\$ 519	\$ 41	\$ 24	\$ 23	\$ 4	\$ 611

Insured asset-backed securities represent \$93 million, or 15% of our asset-backed security holdings.



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

Mortgage-backed and Asset-backed Fixed Income Portfolio
Market Value at March 31, 2009

Mortgage-backed securities total \$10.8 billion, are rated predominantly AAA and comprise 28% of the fixed income portfolio. This compares to a 45% mortgage-backed weighting in representative indices of the U.S. fixed income market. The minimum rating for initial purchases of mortgage and asset backed securities is AAA.

ACE suspended new investments in sub-prime backed securities in 3Q 2007 and ALT-A, credit card, and auto backed securities in 1Q 2008 and suspended new investments in CMBS in Q1 2009.

Securities issued by Federal agencies with implied or explicit government guarantees total \$7.1 billion and represent 82% of the residential mortgage-backed portfolio.

Non-agency residential mortgage-backed securities are rated predominantly AAA, backed by prime collateral, and broadly diversified in over 300,000 loans. The portfolio's loan-to-value ratio is approximately 68% with an average FICO score of 735. With this conservative loan-to-value ratio and subordinated collateral of 12%, the cumulative 5-year foreclosure rate would have to rise to 21% and real estate values would have to fall 45% before principal is impaired. The comparable historical cumulative foreclosure rate is 6% for prime mortgages.

Within the portfolio of prime non-agency RMBS are \$144 million of holdings classified as ALT-A. These ALT-A holdings are broadly diversified with over 70% issued prior to 2006. The average FICO score is 715 with a relatively conservative loan-to-value ratio of 70%. With subordinated collateral of 19%, the cumulative 5-year foreclosure rate would have to rise to 30% and real estate values would have to fall more than 45% before principal is impaired. The comparable historical cumulative foreclosure rate is approximately 10%.

Commercial mortgage-backed securities of \$2.1 billion are rated predominantly AAA, broadly diversified with over 26,000 loans and seasoned with 72% of the portfolio issued before 2006. The average loan-to-value ratio is approximately 63% with a debt service coverage ratio in excess of 1.7 and weighted average subordinated collateral of 27%. The cumulative foreclosure rate would have to rise to 62% and commercial real estate values would have to fall more than 64% before principal is impaired. The historical annual delinquency rate is 1%.

Sub-prime asset-backed securities (current holdings of \$64 million) are rated predominantly AAA, broadly diversified in over 115,000 loans with an average loan-to-value ratio of approximately 81% and an average FICO score of 604. With subordinated collateral of 32%, the cumulative 5-year foreclosure rate would have to rise to 49% and real estate values would have to fall more than 40% before principal is impaired. The comparable historical cumulative 5-year foreclosure rate is 32%.

Auto loan asset-backed securities are rated predominantly AAA with a short duration of approximately 0.8 years and average subordinated collateral of 14%. Annual default rates would have to rise to 15 times their current level of about 1.9% before principal is impaired.



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

Mortgage-backed and Asset-backed Fixed Income Portfolio
Amortized Cost at March 31, 2009

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Mortgage-backed securities						
Residential mortgage-backed (RMBS)						
GNMA	\$ 533	\$—	\$—	\$—	\$ —	\$ 533
FNMA	4,339	—	—	—	—	4,339
Freddie Mac	1,966	—	—	—	—	1,966
Total agency RMBS	6,838	—	—	—	—	6,838
Non-agency RMBS	1,892	173	137	41	200	2,443
Total residential mortgage-backed	8,730	173	137	41	200	9,281
Commercial mortgage-backed	2,405	4	10	3	—	2,422
Total mortgage-backed securities	<u>\$11,135</u>	<u>\$177</u>	<u>\$147</u>	<u>\$ 44</u>	<u>\$ 200</u>	<u>\$11,703</u>
Asset-backed securities						
Sub-prime	\$ 74	\$ 5	\$ 7	\$ 1	\$ 4	\$ 91
Credit cards	40	7	10	7	—	64
Autos	265	32	9	18	3	327
Other	165	1	3	5	—	174
Total asset-backed securities	<u>\$ 544</u>	<u>\$ 45</u>	<u>\$ 29</u>	<u>\$ 31</u>	<u>\$ 7</u>	<u>\$ 656</u>

Insured asset-backed securities represent \$105 million, or 16% of our asset-backed security holdings.



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

Market Value at March 31, 2009

	S&P Credit Rating				Total
	AAA	AA	A	BBB	
U.S. Investment Grade Corporate Fixed Income Portfolio					
Banks	\$309	\$311	\$1,450	\$ 108	\$2,178
Basic Materials	—	—	18	73	91
Communications	—	1	409	475	885
Consumer, Cyclical	6	67	134	108	315
Consumer, Non-Cyclical	20	92	323	195	630
Diversified Financial Services	26	66	136	135	363
Energy	—	8	141	441	590
Industrial	51	341	187	127	706
Utilities	—	7	237	394	638
All Others	47	103	219	134	503
Total	<u>\$459</u>	<u>\$996</u>	<u>\$3,254</u>	<u>\$2,190</u>	<u>\$6,899</u>

U.S. Investment Grade Corporate Fixed Income Portfolio

The average credit quality of ACE's US investment grade bond portfolio is very high at AA+. 68% of investment grade securities holdings are rated AAA or guaranteed by governments or quasi-government agencies.

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.



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

Market Value at March 31, 2009

	S&P Credit Rating				
	BB	B	CCC	Other	Total
Below Investment Grade Corporate Fixed Income Portfolio					
Basic Materials	\$ 74	\$ 48	\$ 5	\$ 1	\$ 128
Communications	221	161	6	19	407
Consumer, Cyclical	64	112	24	4	204
Consumer, Non-Cyclical	154	241	20	1	416
Diversified Financial Services	74	6	5	9	94
Energy	253	82	5	1	341
Industrial	135	101	2	2	240
Utilities	82	87	—	—	169
All Others	31	39	3	3	76
Total	<u>\$1,088</u>	<u>\$877</u>	<u>\$ 70</u>	<u>\$ 40</u>	<u>\$2,075</u>

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.

Four 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 (or 0.1% of total portfolio). The portfolio is comprised of over 500 issuers with our largest current issuer exposure at \$37 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 - 7
(in millions of U.S. dollars)
(Unaudited)

Market Value at March 31, 2009

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Non-U.S. Fixed Income Portfolio						
United Kingdom	\$1,046	\$ —	\$ —	\$ —	\$ —	\$1,046
Germany	292	—	—	—	—	292
France	289	—	—	—	—	289
Canada	707	—	—	—	—	707
Japan	—	205	—	—	—	205
Other Foreign Government	601	485	346	175	23	1,630
Non-U.S. Corporate	594	624	1,566	1,047	319	4,150
	<u>\$3,529</u>	<u>\$1,314</u>	<u>\$1,912</u>	<u>\$1,222</u>	<u>\$ 342</u>	<u>\$8,319</u>

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. 88% of ACE's non-U.S. fixed income is denominated in G7 currencies.

Average credit quality of non-U.S. fixed income securities is very high at AA and 57% 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 - 8
(in millions of U.S. dollars)
(Unaudited)

Investment portfolio

Top 25 Exposures - Fixed Maturity Investments

March 31, 2009

		<u>Rating</u>
General Electric Co	\$406	AA+
JP Morgan Chase & Co	339	A+
Bank of America Corp	302	A
Wells Fargo & Co	280	AA
AT&T INC	214	A
Citigroup Inc	191	A
Verizon Communications Inc	176	A
Goldman Sachs Group Inc	174	A
Comcast Corp	166	BBB+
Morgan Stanley	165	A
HSBC Holdings Plc	147	AA-
ConocoPhillips	128	A
Royal Bank of Scotland Group Plc	115	A
Lloyds TSB Group Plc	102	A
Credit Suisse Group	102	A
XTO Energy Inc	100	BBB
Telecom Italia SpA	99	BBB
Deutsche Telekom AG	85	BBB+
Time Warner Cable Inc	84	BBB
Dominion Resources Inc/VA	84	A-
Banco Santander SA	83	AA
American Express Co	77	A
Barclays PLC	75	A+
Time Warner Inc	74	BBB
Telefonica SA	72	A-



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

	Three months ended March 31, 2009		
	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽¹⁾	Gains (Losses)	
Fixed maturities	\$ (48)	\$ (214)	\$(262)
Equity securities	(100)	(28)	(128)
Equity and fixed income derivatives	55	—	55
Foreign exchange gains (losses)	—	—	—
Other	(25)	(39)	(64)
Sub-total	(118)	(281)	(399)
Mark-to-market gains (losses) from derivative transactions ⁽²⁾	(3)	—	(3)
Total gains (losses)	(121)	(281)	(402)
Partially-owned insurance companies ⁽³⁾	3	14	17
Income tax expense (benefit)	(16)	(78)	(94)
Net gains (losses)	<u>\$ (102)</u>	<u>\$ (189)</u>	<u>\$(291)</u>

- (1) Impairments for the quarter of \$192M include \$88M for fixed maturities, \$25M for equities, and \$79M for other investments.
- (2) Includes \$24M of realized gains on the life reinsurance operations which is comprised of a \$1M loss on guaranteed minimum income benefit derivatives offset by \$25M of gains on the S&P put options and futures. Also included is a \$25M loss related to derivatives on our short-term and long-term debt.
- (3) Net realized and unrealized gains (losses) on partially-owned insurance companies that meet the requirements for equity accounting. The net income or loss is included in other income (expense).

	Three months ended March 31, 2008		
	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽⁴⁾	Gains (Losses)	
Fixed maturities	\$ (105)	\$ (184)	\$(289)
Equity securities	(54)	(156)	(210)
Equity and fixed income derivatives	(9)	—	(9)
Foreign exchange gains (losses)	6	—	6
Other	(26)	(5)	(31)
Sub-total	(188)	(345)	(533)
Mark-to-market gains (losses) from derivative transactions ⁽⁵⁾	(165)	—	(165)
Total gains (losses)	(353)	(345)	(698)
Partially-owned insurance companies ⁽⁶⁾	(28)	21	(7)
Income tax expense (benefit)	(33)	(22)	(55)
Net gains (losses)	<u>\$ (348)</u>	<u>\$ (302)</u>	<u>\$(650)</u>

- (4) Impairments for the quarter of \$189M include \$128M for fixed maturities, \$36M for equities, and \$25M for other investments.
- (5) Includes \$183M of realized losses primarily on the guaranteed minimum income benefit derivatives from our life reinsurance operations.
- (6) Net realized and unrealized gains (losses) on partially-owned insurance companies that meet the requirements for equity accounting. The net income or loss is included in other income (expense).



ACE Limited
Investment Portfolio Net Realized Gains (Losses) and Other-than-Temporary Impairments
(in millions of U.S. dollars)
(Unaudited)

	Three months ended March 31, 2009			All Other Activity
	Gains (Losses)	Price Impairment	Credit Impairment	
Investment Grade Corp	\$ (32)	\$ (40)	\$ (27)	\$ 35
High Yield Corp	(42)	(21)	—	(21)
MBS / ABS	35	—	—	35
Convertible Bonds	(9)	—	—	(9)
Fixed maturities	(48)	(61)	(27)	40
Equity securities	(100)	(25)	—	(75)
Equity and fixed income derivatives	55	—	—	55
Foreign exchange gains (losses)	32	—	—	32
Other	(57)	(79)	—	22
Sub-total	<u>\$ (118)</u>	<u>\$ (165)</u>	<u>\$ (27)</u>	<u>\$ 74</u>

Investment Gains (Losses) OTTI

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

	March 31	December 31	December 31
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total short-term debt	\$ 466	\$ 471	\$ 372
Total long-term debt	2,802	2,806	1,811
Total debt	<u>\$ 3,268</u>	<u>\$ 3,277</u>	<u>\$ 2,183</u>
Total trust preferred securities	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>
Perpetual preferred shares	\$ —	\$ —	\$ 557
Common shareholders' equity	14,718	14,446	16,120
Total shareholders' equity	<u>\$14,718</u>	<u>\$ 14,446</u>	<u>\$ 16,677</u>
Total capitalization	\$18,295	\$ 18,032	\$ 19,169
Tangible shareholders' equity ⁽¹⁾	\$10,983	\$ 10,699	\$ 13,839
Leverage ratios			
Debt/ total capitalization	17.9%	18.2%	11.4%
Debt plus trust preferred securities/ total capitalization	19.6%	19.9%	13.0%
Debt/ tangible equity	29.8%	30.6%	15.8%
Debt plus trust preferred securities/ tangible equity	32.6%	33.5%	18.0%
Debt plus total preferred stock/ total capitalization	19.6%	19.9%	15.9%

(1) Tangible equity is equal to shareholders' equity less goodwill and other intangible assets.



ACE Limited
Debt, Trust Preferred and Credit Facilities
(in millions of U.S. dollars)
(Unaudited)

	<u>Par amount outstanding</u>	<u>Coupon</u>	<u>Maturity Date</u>
Debt and Trust Preferred			
Reverse Repurchase Agreements	\$ 250	0.62%	May 5, 2009
ACE INA Holdings Inc. Term Loan	\$ 16	3.02%	September 18, 2009
ACE INA Holdings Inc Subordinated Notes	\$ 200	8.41%	December 6, 2009
ACE European Holdings No2 Limited Term Loan	\$ 145	5.25%	December 13, 2010
ACE INA Holdings Inc. Term Loan	\$ 50	5.61%	December 19, 2011
ACE INA Holdings Inc. Term Loan	\$ 450	4.15%	April 1, 2013
ACE INA Holdings Inc. Senior Notes	\$ 500	5.88%	June 15, 2014
ACE INA Holdings Inc. Senior Notes	\$ 450	5.60%	May 15, 2015
ACE INA Holdings Inc. Senior Notes	\$ 500	5.70%	February 15, 2017
ACE INA Holdings Inc. Senior Notes	\$ 300	5.80%	March 15, 2018
ACE INA Holdings Inc. Debentures	\$ 100	8.88%	August 15, 2029
ACE Capital Trust II Capital Securities	\$ 300	9.70%	April 1, 2030
ACE INA Holdings Inc. Senior Notes	\$ 300	6.70%	May 15, 2036
	<u>Commitment</u>	<u>LOC Usage</u>	<u>Maturity Date</u>
Credit Facilities			
Syndicated Letter of Credit Facility	\$ 1,000	\$ 762	November 8, 2012
Revolving Credit / LOC Facility	\$ 500	\$ 142	November 8, 2012
Funds at Lloyds Capital Facility	\$ 434	\$ 354	December 31, 2013



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 March 31	
	2009	2008
Numerator		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 669	\$ 725
Perpetual preferred dividend	—	(11)
Income to common shares, excl. net realized gains (losses)	669	714
Net realized gains (losses), net of income tax	(102)	(348)
Net income available to the holders of common shares	<u>567</u>	<u>366</u>
Rollforward of Common Shares Outstanding		
Shares - beginning of period	333,645,471	329,704,531
Issued under employee stock purchase plan	113,616	93,228
Shares (cancelled) granted	2,105,193	1,174,680
Issued for option exercises	26,364	1,534,108
Shares - end of period	<u>335,890,644</u>	<u>332,506,547</u>
Denominator ⁽²⁾		
Weighted average shares outstanding	335,474,828	330,749,894
Effect of other dilutive securities	640,736	2,294,700
Adj. wtd. avg. shares outstanding and assumed conversions	<u>336,115,564</u>	<u>333,044,594</u>
Basic earnings per share		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.99	\$ 2.16
Net realized gains (losses), net of income tax	(0.30)	(1.05)
Net income	<u>\$ 1.69</u>	<u>\$ 1.11</u>
Diluted earnings per share		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.99	\$ 2.14
Net realized gains (losses), net of income tax	(0.30)	(1.04)
Net income	<u>\$ 1.69</u>	<u>\$ 1.10</u>

(1) See page 28 Non-GAAP Financial Measures.

(2) The current and prior year calculations have been amended due to the adoption of FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 provides additional guidance in the calculation of earnings per share under FAS No. 128, Earnings Per Share, and requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be included in the computation of earnings per share pursuant to the two-class method.



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. However, they should not be viewed as a substitute for measures determined in accordance with generally accepted accounting principles (GAAP). A reconciliation of book value per share is provided on page 29.

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).

The following non-GAAP measure is a common performance measurement and is defined as income excluding net realized gains (losses) and the related tax expense (benefit). 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 insurance companies because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities. Income excluding net realized gains (losses) should not be viewed as a substitute for net income determined in accordance with GAAP.

	<u>1Q-09</u>	<u>4Q-08</u>	<u>3Q-08</u>	<u>2Q-08</u>	<u>1Q-08</u>	<u>2008</u>
Net income, as reported	\$ 567	\$ 20	\$ 54	\$ 746	\$ 377	\$ 1,197
Net realized gains (losses)	(121)	(644)	(510)	(126)	(353)	(1,633)
Net realized gains (losses) in other income (expense) ⁽¹⁾	3	(48)	(23)	120	(28)	21
Income tax expense (benefit) on net realized gains (losses)	(16)	(88)	(83)	(14)	(33)	(218)
Income excluding net realized gains (losses)	<u>\$ 669</u>	<u>\$ 624</u>	<u>\$ 504</u>	<u>\$ 738</u>	<u>\$ 725</u>	<u>\$ 2,591</u>

(1) Realized gains (losses) on partially-owned insurance companies that meet the requirements for equity accounting. The net income or loss is included in other income (expense).



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

	<u>March 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>	<u>March 31</u> <u>2008</u>
Shareholders' equity	\$ 14,718	\$ 14,446	\$ 16,735
Perpetual Preferred shares	—	—	(557)
Numerator for book value per share calculation	14,718	14,446	16,178
Less: goodwill and other intangible assets	3,735	3,747	2,763
Numerator for tangible book value per share	<u>\$ 10,983</u>	<u>\$ 10,699</u>	<u>\$ 13,415</u>
Denominator	<u>335,890,644</u>	<u>333,645,471</u>	<u>332,506,547</u>
Book value per common share	\$ 43.82	\$ 43.30	\$ 48.65
Tangible book value per common share	\$ 32.70	\$ 32.07	\$ 40.35

Reconciliation of Book Value

Opening shareholders' equity	\$ 14,446	\$ 15,356	\$ 16,677
Income excluding net realized gains (losses)	669	624	725
Net realized gains (losses), net of tax	(102)	(604)	(348)
Net unrealized gains (losses), net of tax	(189)	(594)	(302)
Cumulative translation, net of tax	(38)	(310)	13
Dividend declared on common shares	(88)	(91)	(90)
Other ⁽¹⁾	20	65	60
	<u>\$ 14,718</u>	<u>\$ 14,446</u>	<u>\$ 16,735</u>

(1) Other includes proceeds from exercise of stock options, change in minimum pension liability, and stock compensation.



ACE Limited
Comprehensive Income
(in millions of U.S. dollars)
(Unaudited)

Consolidated Statement of Comprehensive Income

	Full Year					
	<u>1Q-09</u>	<u>4Q-08</u>	<u>3Q-08</u>	<u>2Q-08</u>	<u>1Q-08</u>	<u>2008</u>
Net income	\$ 567	\$ 20	\$ 54	\$ 746	\$ 377	\$ 1,197
Net unrealized appreciation (depreciation) on investments						
Unrealized appreciation (depreciation) on investments	(446)	(1,198)	(1,522)	(731)	(497)	(3,948)
Reclassification adjustment for net realized gains (losses) included in net income	179	464	383	169	173	1,189
Change in cumulative translation adjustments	(58)	(468)	(155)	6	27	(590)
Change in minimum pension liability	(4)	17	5	1	—	23
Income tax (expense) benefit related to other comprehensive income items	99	292	320	27	8	647
Other comprehensive income (loss)	(230)	(893)	(969)	(528)	(289)	(2,679)
Comprehensive income (loss)	<u>\$ 337</u>	<u>\$ (873)</u>	<u>\$ (915)</u>	<u>\$ 218</u>	<u>\$ 88</u>	<u>\$ (1,482)</u>

Comprehensive Income

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ACE Limited Glossary

Annualized return on ordinary shareholders' equity (ROE): Income excluding net realized gains (losses) less perpetual preferred securities divided by average common shareholders' equity for the period. To annualize a quarterly rate multiply by four.

Book value per common share: Common 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.

Effective tax rate: Income tax expense divided by the sum of income tax expense and income excluding net realized gains (losses).

FAS 115: Unrealized gains (losses) on investments and the deferred tax component included in shareholders' equity.

Life underwriting income: Net premium earned and net investment income less policy benefits, acquisition costs, and administrative expenses.

NM: Not meaningful.

Common shareholders' equity: Shareholders' equity less perpetual preferred shares.

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

Tangible equity: Shareholders' equity less goodwill and other intangible assets.

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