

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 22, 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 April 22, 2013, ACE Limited issued a Press Release reporting its first quarter 2013 results and the availability of its first 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 April 22, 2013, Reporting First Quarter 2013 Results
99.2	First 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: April 22, 2013

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated April 22, 2013, Reporting First Quarter 2013 Results	Furnished herewith
99.2	First Quarter 2013 Financial Supplement	Furnished herewith



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**News
Release**

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**ACE REPORTS FIRST QUARTER NET INCOME OF \$953 MILLION,
OPERATING INCOME OF \$746 MILLION AND P&C COMBINED RATIO OF 88.2%;
OPERATING RETURN ON EQUITY IS 11.9%**

- **Operating income of \$2.17 per share, up 6%**
- **Book value up 1.5% and tangible book value up 2.1%**
- **Total net premiums written up 6.3%; P&C net premiums written up 6.9%**
- **P&C current accident year underwriting income, excluding catastrophe losses, up 36.9%**
- **North American business now presented in two reporting segments:
Insurance - North American P&C and Insurance - North American Agriculture**
- **Full-year 2013 guidance increased to \$7.10 to \$7.50 per share in after-tax operating income**

ZURICH -- April 22, 2013 -- ACE Limited (NYSE: ACE) today reported net income for the quarter ended March 31, 2013, of \$2.77 per share, compared with \$2.84 per share for the same quarter last year. ⁽¹⁾ Operating income was \$2.17 per share, compared with \$2.05 per share for the same quarter last year. ⁽²⁾ Book value and tangible book value per share increased 1.6% and 2.2%, respectively, from December 31, 2012. Book value and tangible book value per share now stand at \$82.17 and \$67.74, respectively. Operating return on equity for the quarter was 11.9%. ⁽²⁾ The property and casualty (P&C) combined ratio for the quarter was 88.2%.

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

	2013	2012	Change	(Per Share - Diluted)		
				2013	2012	Change
Net income	\$ 953	\$ 973	(2)%	\$ 2.77	\$ 2.84	(3)%
Net realized gains (losses), net of tax	207	272	(24)%	0.60	0.79	(24)%
Operating income, net of tax ⁽²⁾	\$ 746	\$ 701	7%	\$ 2.17	\$ 2.05	6%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had an excellent first quarter and strong start to the year. We produced \$746 million in after-tax operating income and our operating ROE was 12%, driven by strong underwriting results. We had a P&C combined ratio of 88.2% that benefited from excellent current accident year underwriting income as a result of both improved margin and growth in our U.S. and international businesses.

“Premium revenue growth across the company was very good, with total net premiums up over 6%. We are taking full advantage of the improved commercial P&C pricing environment in the U.S. and our strong presence in areas of the world where economic fundamentals are superior, such as Asia and Latin America. We completed our acquisition of Mexican surety company Fianzas Monterrey and anticipate closing our acquisition of ABA Seguros, Mexico’s fourth-largest personal lines company, over the next few weeks. We are optimistic about our growth prospects for the balance of the year.”

Operating highlights for the quarter ended March 31, 2013, were as follows: ⁽¹⁾

- Total company net premiums written increased 6.3%.
- P&C net premiums written increased 6.9%.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums for the quarter were \$32 million (one percentage point of the combined ratio) and \$28 million, respectively, compared with \$19 million and \$14 million, respectively, in 2012.
- P&C underwriting income was \$364 million compared with \$314 million in 2012.
- The P&C combined ratio was 88.2% compared with 89.2% last year.
- P&C current accident year underwriting income excluding catastrophe losses increased 36.9% to \$328 million. Results included a net favorable benefit of \$14 million, which comprised two one-time items: a \$29 million legal settlement benefit partially offset by a \$15 million expense adjustment.
- Favorable prior period development pre-tax was \$70 million, representing 2.2 percentage points of the combined ratio, compared with \$93 million last year.
- The P&C current accident year combined ratio excluding catastrophe losses improved to 89.4% compared with 91.7% last year.
- The P&C expense ratio for the quarter improved to 31.1% compared with 32.3% last year, and benefited by 0.6 percentage point related to the one-time items noted above.
- Operating cash flow was \$913 million for the quarter.
- Net loss reserves decreased \$60 million in the quarter after adjusting for foreign exchange due to payments related to Superstorm Sandy and prior year crop insurance losses.
- Net investment income for the quarter decreased 2.4% to \$531 million due primarily to lower reinvestment rates offset by higher distributions from private equity funds.
- Net realized and unrealized gains pre-tax totaled approximately \$88 million, which included net realized gains from derivative accounting related to variable annuity reinsurance of \$119 million, including the effect of foreign exchange.
- Operating return on equity was 11.9% for the quarter. ⁽²⁾ Return on equity computed using net income was 13.7%.
- Share repurchases totaled \$154 million, or approximately 1.8 million shares, during the quarter.
- Book value per share ⁽²⁾ increased 1.6% to \$82.17 from \$80.90 at December 31, 2012.
- Tangible book value per share ⁽²⁾ increased 2.2% to \$67.74 from \$66.28 at December 31, 2012.
- Debt plus trust preferred securities to tangible capital ratio was 20.7% compared to 18.4% at December 31, 2012, primarily due to new debt issuances totaling \$950 million during the quarter.
- Effective with the first quarter of 2013, the company’s North American segment is split and 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.

Details of financial results by business segment are available in the ACE Limited Financial Supplement. Key segment items for the quarter ended March 31, 2013, include:

- Insurance - North American P&C: Net premiums written increased 9.3%. The combined ratio was 85.7% compared with 89.4%.
- Insurance - North American Agriculture: Net premiums written decreased 5.1%, or \$6 million. The combined ratio was 79.3% compared with 42.8%.
- Insurance - Overseas General: Net premiums written increased 6.0%. On a constant-dollar basis, net premiums written increased 6.3%. The combined ratio was 90.6% compared with 91.2%.
- Global Reinsurance: Net premiums written increased 6.1%. The combined ratio was 67.3% compared with 68.3%.
- Life: Operating income was \$70 million compared with \$84 million. On a constant-dollar basis, Life net premiums written and deposits collected, excluding life reinsurance run-off products, ⁽²⁾ increased 17.8%.

The company is issuing updated guidance for full-year 2013 to account for the positive first quarter prior period reserve development, lower-than-planned catastrophe losses realized in the first quarter and better-than-expected current accident year results excluding catastrophe losses. The range is \$7.10 to \$7.50 per share in after-tax operating income for the year. This includes estimated catastrophe losses of \$330 million after tax for the second through fourth quarters. Guidance for the balance of the year is for the current accident year only.

Please refer to the ACE Limited Financial Supplement, dated March 31, 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 host its first quarter earnings conference call and webcast on Tuesday, April 23, 2013, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live and archived webcast at www.acegroup.com or by dialing 888-299-7205 (within the United States) or 719-457-1517 (international); passcode 3476384. 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 Tuesday, May 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 3476384.

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.

(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 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). 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 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 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. 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.

Life net premiums written and deposits collected, excluding life reinsurance run-off products, 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 our life reinsurance run-off products as there is no new life reinsurance business currently being written.

Book value per common share is shareholders' equity divided by the shares outstanding.

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

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, acquisition activity, 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)

	March 31	December 31
	2013	2012
Assets		
Investments	\$ 61,359	\$ 60,264
Cash	855	615
Insurance and reinsurance balances receivable	4,154	4,147
Reinsurance recoverable on losses and loss expenses	11,530	12,078
Other assets	15,563	15,441
Total assets	<u>\$ 93,461</u>	<u>\$ 92,545</u>
Liabilities		
Unpaid losses and loss expenses	\$ 37,082	\$ 37,946
Unearned premiums	7,019	6,864
Other liabilities	21,418	20,204
Total liabilities	<u>65,519</u>	<u>65,014</u>
Shareholders' equity		
Total shareholders' equity	27,942	27,531
Total liabilities and shareholders' equity	<u>\$ 93,461</u>	<u>\$ 92,545</u>
Book value per common share ⁽²⁾	\$ 82.17	\$ 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 March 31	
	2013	2012
Gross premiums written	\$ 4,963	\$ 4,787
Net premiums written	3,798	3,572
Net premiums earned	3,573	3,381
Losses and loss expenses	1,926	1,804
Policy benefits	131	147
Policy acquisition costs	614	582
Administrative expenses	514	510
Underwriting income ⁽²⁾	388	338
Net investment income	531	544
Net realized gains (losses)	206	260
Interest expense	60	62
Other income (expense):		
Gains (losses) from separate account assets ⁽²⁾	4	18
Other	6	(15)
Income tax expense	122	110
Net income	<u>\$ 953</u>	<u>\$ 973</u>
<i>Diluted earnings per share:</i>		
Operating income ⁽²⁾	\$ 2.17	\$ 2.05
Net income	\$ 2.77	\$ 2.84
Weighted average diluted shares outstanding	343.9	341.7
Loss and loss expense ratio	57.1%	56.9%
Policy acquisition cost ratio	17.2%	17.4%
Administrative expense ratio	13.9%	14.9%
Combined ratio	<u>88.2%</u>	<u>89.2%</u>

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

	Three Months Ended March 31	
	2013	2012
<u>Gross Premiums Written</u>		
Insurance - North American P&C	\$ 1,819	\$ 1,829
Insurance - North American Agriculture	249	183
Insurance - Overseas General	2,073	1,984
Global Reinsurance	294	279
Life	528	512
<i>Total</i>	<u>\$ 4,963</u>	<u>\$ 4,787</u>
<u>Net Premiums Written</u>		
Insurance - North American P&C	\$ 1,284	\$ 1,174
Insurance - North American Agriculture	113	119
Insurance - Overseas General	1,620	1,528
Global Reinsurance	279	263
Life	502	488
<i>Total</i>	<u>\$ 3,798</u>	<u>\$ 3,572</u>
<u>Net Premiums Earned</u>		
Insurance - North American P&C	\$ 1,338	\$ 1,228
Insurance - North American Agriculture	52	59
Insurance - Overseas General	1,459	1,391
Global Reinsurance	247	230
Life	477	473
<i>Total</i>	<u>\$ 3,573</u>	<u>\$ 3,381</u>
<u>Operating Income</u> ⁽²⁾		
Insurance - North American P&C	\$ 361	\$ 309
Insurance - North American Agriculture	7	25
Insurance - Overseas General	239	214
Global Reinsurance	144	137
Life	70	84
Corporate	(75)	(68)
<i>Total</i>	<u>\$ 746</u>	<u>\$ 701</u>



Financial Supplement

March 31, 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.

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

Note: All dollar amounts in the Financial Supplement are rounded. However, percent changes and ratios are calculated using whole dollars. Accordingly, calculations using rounded dollars may differ.

	Three months ended March 31		% Change	Constant \$	Constant \$
	2013	2012	1Q-13 vs. 1Q-12	2012 ⁽²⁾	1Q-13 vs. 1Q-12 ⁽²⁾
Gross premiums written	\$ 4,963	\$ 4,787	3.7%	\$ 4,789	3.6%
Net premiums written	\$ 3,798	\$ 3,572	6.3%	\$ 3,573	6.3%
Net premiums earned	\$ 3,573	\$ 3,381	5.7%	\$ 3,374	5.9%
Net investment income	\$ 531	\$ 544	-2.4%		
Net income	\$ 953	\$ 973	-2.0%		
Operating income ⁽¹⁾	\$ 746	\$ 701	6.5%		
Comprehensive income	\$ 716	\$ 1,271	-43.7%		
Operating cash flow	\$ 913	\$ 572			
P&C combined ratio					
Loss and loss expense ratio	57.1%	56.9%			
Underwriting and administrative expense ratio	31.1%	32.3%			
Combined ratio	88.2%	89.2%			
Operating return on equity (ROE) ⁽¹⁾	11.9%	12.2%			
ROE	13.7%	15.6%			
Operating effective tax rate ⁽¹⁾	10.8%	13.0%			
Effective tax rate	11.3%	10.2%			
Diluted earnings per share					
Operating income ⁽¹⁾	\$ 2.17	\$ 2.05	5.9%		
Net income	\$ 2.77	\$ 2.84	-2.5%		

				December 31	% Change
				2012	1Q-13 vs. 4Q-12
Book value per common share ⁽¹⁾	\$ 82.17	\$ 75.09	9.4%	\$ 80.90	1.6%
Tangible book value per common share ⁽¹⁾	\$ 67.74	\$ 60.74	11.5%	\$ 66.28	2.2%
Weighted average basic common shares outstanding	340.8	338.6			
Weighted average diluted common shares outstanding	343.9	341.7			
Debt plus trust preferred securities/ tangible capital	20.7%	20.2%		18.4%	

(1) See Non-GAAP Financial Measures.

(2) Prior periods on a constant dollar basis.



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

ACE Limited Consolidated

	1Q-13	4Q-12	3Q-12	2Q-12	1Q-12	Full Year 2012
Consolidated Results Excluding Life Segment						
Gross premiums written	\$4,435	\$4,602	\$5,496	\$5,140	\$4,275	\$19,513
Net premiums written	3,296	3,140	4,228	3,644	3,084	14,096
Net premiums earned	3,096	3,359	4,185	3,309	2,908	13,761
Losses and loss expenses	1,769	2,535	2,883	1,968	1,656	9,042
Policy acquisition costs	534	546	529	531	506	2,112
Administrative expenses	429	462	438	436	432	1,768
Underwriting income (loss) ⁽¹⁾	364	(184)	335	374	314	839
Net investment income	468	502	470	475	483	1,930
Net realized gains (losses)	79	83	11	27	29	150
Interest expense	56	60	60	59	59	238
Other income (expense)	6	20	3	(15)	(6)	2
Income tax expense (benefit)	109	(149)	133	129	99	212
Net income	752	510	626	673	662	2,471
Net realized gains (losses)	79	83	11	27	29	150
Net realized gains (losses) in other income (expense) ⁽¹⁾⁽²⁾	28	30	23	(1)	23	75
Tax expense on net realized gains (losses)	31	21	9	17	7	54
Operating income ⁽¹⁾	676	418	601	664	617	2,300
Life segment operating income ⁽¹⁾	70	74	87	79	84	324
Consolidated operating income ⁽¹⁾	<u>\$ 746</u>	<u>\$ 492</u>	<u>\$ 688</u>	<u>\$ 743</u>	<u>\$ 701</u>	<u>\$ 2,624</u>
% Change versus prior year period ⁽³⁾						
Net premiums written as reported	6.9%	0.3%	9.6%	5.3%	2.5%	4.7%
Net premiums earned as reported	6.4%	-0.1%	4.4%	1.1%	0.8%	1.7%
Net premiums written constant \$	6.9%					6.3%
Net premiums earned constant \$	6.7%					3.3%
Other ratios						
Net premiums written/gross premiums written ⁽³⁾	74%	68%	77%	71%	72%	72%
Operating effective tax rate ⁽¹⁾	10.8%	-46.8%	16.7%	14.6%	13.0%	7.5%
P&C combined ratio ⁽³⁾						
Loss and loss expense ratio	57.1%	75.5%	68.9%	59.5%	56.9%	65.7%
Policy acquisition cost ratio	17.2%	16.2%	12.7%	16.1%	17.4%	15.3%
Administrative expense ratio	13.9%	13.8%	10.4%	13.1%	14.9%	12.9%
Combined ratio	<u>88.2%</u>	<u>105.5%</u>	<u>92.0%</u>	<u>88.7%</u>	<u>89.2%</u>	<u>93.9%</u>
Combined ratio excluding catastrophe losses and PPD ⁽¹⁾	89.4%	91.4%	96.5%	90.4%	91.7%	92.8%
P&C expense ratio	31.1%	30.0%	23.1%	29.2%	32.3%	28.2%
P&C expense ratio excluding A&H	27.4%	26.2%	19.3%	25.3%	28.4%	24.3%
Large losses and other items (before tax) ⁽³⁾						
Reinstatement premiums (expensed) collected	\$ —	\$ (7)	\$ 2	\$ —	\$ —	\$ (5)
Catastrophe losses	\$ 32	\$ 504	\$ 55	\$ 55	\$ 19	\$ 633
Favorable prior period development (PPD) ⁽⁴⁾	\$ (70)	\$ (37)	\$ (236)	\$ (113)	\$ (93)	\$ (479)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽¹⁾	58.3%	61.4%	73.4%	61.2%	59.5%	64.6%

(1) See Non-GAAP Financial Measures.

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

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

(4) Q1 2013 favorable PPD is gross of a \$2 million unfavorable profit commission adjustment.



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

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

(1) See Non-GAAP Financial Measures.



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

ACE Limited Consolidated

	<u>1Q-13</u>	<u>% of Total Consolidated</u>	<u>1Q-12</u>	<u>% of Total Consolidated</u>	<u>% Change 1Q-13 vs. 1Q-12</u>
Net premiums written					
Property and all other	\$1,222	32%	\$1,112	31%	9.9%
Agriculture	113	3%	119	3%	-5.1%
Casualty	<u>1,308</u>	<u>35%</u>	<u>1,214</u>	<u>34%</u>	<u>7.7%</u>
Subtotal	2,643	70%	2,445	68%	8.1%
Personal accident (A&H) ⁽¹⁾	914	24%	882	25%	3.7%
Life	241	6%	245	7%	-1.6%
Total consolidated	<u>\$3,798</u>	<u>100%</u>	<u>\$3,572</u>	<u>100%</u>	<u>6.3%</u>
Net premiums earned					
Property and all other	\$1,067	30%	\$ 970	29%	10.0%
Agriculture	52	1%	59	2%	-11.1%
Casualty	<u>1,353</u>	<u>38%</u>	<u>1,270</u>	<u>37%</u>	<u>6.5%</u>
Subtotal	2,472	69%	2,299	68%	7.5%
Personal accident (A&H) ⁽¹⁾	874	25%	852	25%	2.6%
Life	227	6%	230	7%	-1.3%
Total consolidated	<u>\$3,573</u>	<u>100%</u>	<u>\$3,381</u>	<u>100%</u>	<u>5.7%</u>
Operating income ⁽²⁾					
Property, casualty, and all other	\$ 581	78%	\$ 517	74%	12.4%
Agriculture	7	1%	25	3%	-72.4%
Personal accident (A&H) ⁽¹⁾	124	16%	118	17%	5.4%
Life	34	5%	41	6%	-17.1%
Total consolidated	<u>\$ 746</u>	<u>100%</u>	<u>\$ 701</u>	<u>100%</u>	<u>6.5%</u>

(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) See Non-GAAP Financial Measures.



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

	Constant \$	Constant \$	% Change
	1Q-13	1Q-12 ⁽²⁾	1Q-13 vs. 1Q-12
Net premiums written			
Property, casualty, agriculture, and all other	\$2,643	\$ 2,441	8.3%
Personal accident (A&H) ⁽¹⁾	914	887	3.1%
Life	241	245	-1.6%
Total consolidated	<u>\$3,798</u>	<u>\$ 3,573</u>	6.3%
Net premiums earned			
Property, casualty, agriculture, and all other	\$2,472	\$ 2,288	8.0%
Personal accident (A&H) ⁽¹⁾	874	855	2.2%
Life	227	231	-1.7%
Total consolidated	<u>\$3,573</u>	<u>\$ 3,374</u>	5.9%
Operating income ⁽³⁾			
Property, casualty, agriculture, and all other	\$ 588	\$ 542	8.5%
Personal accident (A&H) ⁽¹⁾	124	119	4.4%
Life	34	42	-19.0%
Total consolidated	<u>\$ 746</u>	<u>\$ 703</u>	6.1%

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

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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

	Full Year					
	1Q-13	4Q-12	3Q-12	2Q-12	1Q-12	2012
Gross premiums written	\$2,068	\$2,528	\$3,345	\$2,856	\$2,012	\$10,741
Net premiums written	1,397	1,518	2,537	1,860	1,293	7,208
Net premiums earned	1,390	1,608	2,472	1,652	1,287	7,019
Losses and loss expenses	910	1,504	2,110	1,163	849	5,626
Policy acquisition costs	147	142	160	157	127	586
Administrative expenses	130	153	148	153	147	601
Underwriting income (loss)	203	(191)	54	179	164	206
Net investment income	257	283	263	271	274	1,091
Net realized gains (losses)	26	26	(1)	18	(1)	42
Interest expense	(2)	3	3	3	3	12
Other income (expense)	7	13	5	(10)	1	9
Income tax expense (benefit)	96	(79)	81	107	91	200
Net income	399	207	237	348	344	1,136
Net realized gains (losses)	26	26	(1)	18	(1)	42
Net realized gains (losses) in other income (expense) ⁽¹⁾	14	21	17	5	15	58
Tax expense on net realized gains (losses)	9	10	2	10	4	26
Operating income ⁽¹⁾	<u>\$ 368</u>	<u>\$ 170</u>	<u>\$ 223</u>	<u>\$ 335</u>	<u>\$ 334</u>	<u>\$ 1,062</u>
Combined ratio						
Loss and loss expense ratio	65.5%	93.6%	85.3%	70.4%	66.0%	80.2%
Policy acquisition cost ratio	10.5%	8.8%	6.5%	9.5%	9.9%	8.3%
Administrative expense ratio	9.4%	9.5%	6.0%	9.3%	11.4%	8.6%
Combined ratio	<u>85.4%</u>	<u>111.9%</u>	<u>97.8%</u>	<u>89.2%</u>	<u>87.3%</u>	<u>97.1%</u>
Combined ratio excluding catastrophe losses & PPD ⁽¹⁾	87.6%	90.0%	99.5%			93.4%
Large losses and other items (before tax)						
Reinstatement premiums (expensed) collected	\$ —	\$ (8)	\$ —	\$ —	\$ —	\$ (8)
Catastrophe losses	\$ 11	\$ 338	\$ 38	\$ 49	\$ 16	\$ 441
Unfavorable (favorable) prior period development (PPD)	\$ (43)	\$ 7	\$ (80)	\$ (59)	\$ (60)	\$ (192)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽¹⁾	67.6%	71.8%	87.2%	71.1%	69.3%	76.6%
% Change versus prior year period						
Net premiums written	8.0%	-6.5%	14.9%	7.2%	0.6%	5.2%
Net premiums earned	7.9%	-3.2%	7.5%	3.0%	-4.4%	1.6%
Other ratios						
Net premiums written/gross premiums written	68%	60%	76%	65%	64%	67%

(1) See Non-GAAP Financial Measures.



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

Insurance—North American P&C ⁽¹⁾

	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>2012</u>
Gross premiums written	\$1,819	\$2,236	\$1,921	\$2,134	\$1,829	\$ 8,120
Net premiums written	1,284	1,434	1,373	1,368	1,174	5,349
Net premiums earned	1,338	1,345	1,306	1,268	1,228	5,147
Losses and loss expenses	878	1,241	819	844	811	3,715
Policy acquisition costs	143	139	147	135	137	558
Administrative expenses	125	157	148	153	150	608
Underwriting income (loss)	192	(192)	192	136	130	266
Net investment income	251	277	257	265	267	1,066
Net realized gains (losses)	26	26	(2)	18	(1)	41
Interest expense	(2)	3	3	3	3	12
Other income (expense)	15	21	13	(2)	9	41
Income tax expense (benefit)	94	(79)	129	96	83	229
Net income	392	208	328	318	319	1,173
Net realized gains (losses)	26	26	(2)	18	(1)	41
Net realized gains (losses) in other income (expense) ⁽²⁾	14	21	17	5	15	58
Tax expense on net realized gains (losses)	9	10	2	10	4	26
Operating income ⁽²⁾	<u>\$ 361</u>	<u>\$ 171</u>	<u>\$ 315</u>	<u>\$ 305</u>	<u>\$ 309</u>	<u>\$ 1,100</u>

Combined ratio

Loss and loss expense ratio	65.6%	92.2%	62.7%	66.6%	66.0%	72.2%
Policy acquisition cost ratio	10.7%	10.3%	11.3%	10.6%	11.2%	10.8%
Administrative expense ratio	9.4%	11.8%	11.3%	12.1%	12.2%	11.8%
Combined ratio	<u>85.7%</u>	<u>114.3%</u>	<u>85.3%</u>	<u>89.3%</u>	<u>89.4%</u>	<u>94.8%</u>
Combined ratio excluding catastrophe losses and PPD ⁽²⁾	87.7%	88.4%	88.8%			89.9%

Large losses and other items (before tax)

Reinstatement premiums (expensed) collected	\$ —	\$ (8)	\$ —	\$ —	\$ —	\$ (8)
Catastrophe losses	\$ 11	\$ 335	\$ 38	\$ 45	\$ 14	\$ 430
Unfavorable (favorable) prior period development (PPD) ⁽³⁾	\$ (40)	\$ 8	\$ (80)	\$ (57)	\$ (51)	\$ (180)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽²⁾	67.6%	66.4%	66.7%	67.6%	69.0%	67.4%

% Change versus prior year period

Net premiums written	9.3%	6.0%	20.3%	10.3%	0.6%	9.2%
Net premiums earned	8.9%	9.0%	7.1%	1.6%	-4.4%	3.6%

Other ratios

Net premiums written/gross premiums written	71%	64%	71%	64%	64%	66%
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(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) See Non-GAAP Financial Measures.

(3) Q1 2013 favorable PPD is gross of a \$2 million unfavorable profit commission adjustment.

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

Insurance—North American Agriculture ⁽¹⁾

	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>2012</u>
						Full Year
Gross premiums written	\$ 249	\$ 292	\$1,424	\$ 722	\$ 183	\$ 2,621
Net premiums written	113	84	1,164	492	119	1,859
Net premiums earned	52	263	1,166	384	59	1,872
Losses and loss expenses	32	263	1,291	319	38	1,911
Policy acquisition costs	4	3	13	22	(10)	28
Administrative expenses	5	(4)	—	—	(3)	(7)
Underwriting income (loss)	11	1	(138)	43	34	(60)
Net investment income	6	6	6	6	7	25
Net realized gains (losses)	—	—	1	—	—	1
Interest expense	—	—	—	—	—	—
Other income (expense)	(8)	(8)	(8)	(8)	(8)	(32)
Income tax expense (benefit)	2	—	(48)	11	8	(29)
Net income (loss)	7	(1)	(91)	30	25	(37)
Net realized gains (losses)	—	—	1	—	—	1
Net realized gains (losses) in other income (expense) ⁽²⁾	—	—	—	—	—	—
Tax expense on net realized gains (losses)	—	—	—	—	—	—
Operating income ⁽²⁾	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ (92)</u>	<u>\$ 30</u>	<u>\$ 25</u>	<u>\$ (38)</u>
Combined ratio						
Loss and loss expense ratio	61.9%	100.3%	110.7%	83.0%	64.2%	102.1%
Policy acquisition cost ratio	7.5%	1.2%	1.1%	5.9%	-17.7%	1.5%
Administrative expense ratio	9.9%	-2.0%	0.0%	-0.2%	-3.7%	-0.4%
Combined ratio	<u>79.3%</u>	<u>99.5%</u>	<u>111.8%</u>	<u>88.7%</u>	<u>42.8%</u>	<u>103.2%</u>
Combined ratio excluding PPD & certain items ⁽³⁾	85.6%				88.1%	
Large losses and other items (before tax)						
Reinstatement premiums (expensed) collected	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses	\$ —	\$ 4	\$ 1	\$ 4	\$ 2	\$ 11
Favorable prior period development (PPD)	\$ (3)	\$ (1)	\$ —	\$ (2)	\$ (9)	\$ (12)
Loss and loss expense ratio excluding catastrophe losses ⁽²⁾	67.9%	99.3%	110.6%	82.4%	76.1%	102.2%
% Change versus prior year period						
Net premiums written	-5.1%	-69.0%	9.2%	-0.5%	0.9%	-4.7%
Net premiums earned	-11.1%	-38.6%	7.9%	7.8%	-24.3%	-3.6%
Other ratios						
Net premiums written/gross premiums written	45%	29%	82%	68%	65%	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.

(2) See Non-GAAP Financial Measures.

(3) Q1 2012 benefited from favorable prior period development, a favorable agent profit share commission adjustment, and higher administrative and operating expense reimbursements related to the 2011 crop year. This is a non-GAAP financial measure.

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

Insurance—Overseas General

	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>2012</u>
						Full Year
Gross premiums written	\$2,073	\$1,925	\$1,841	\$1,952	\$1,984	\$ 7,702
Net premiums written	1,620	1,476	1,384	1,475	1,528	5,863
Net premiums earned	1,459	1,497	1,432	1,420	1,391	5,740
Losses and loss expenses	747	832	622	703	705	2,862
Policy acquisition costs	339	357	329	332	335	1,353
Administrative expenses	236	239	234	233	229	935
Underwriting income	137	69	247	152	122	590
Net investment income	132	135	127	128	131	521
Net realized gains (losses)	34	44	13	26	20	103
Interest expense	1	1	2	1	1	5
Other income (expense)	1	—	3	(6)	—	(3)
Income tax expense (benefit)	46	(33)	77	51	38	133
Net income	257	280	311	248	234	1,073
Net realized gains (losses)	34	44	13	26	20	103
Net realized gains (losses) in other income (expense) ⁽¹⁾	6	1	2	(3)	3	3
Tax expense on net realized gains (losses)	22	11	6	7	3	27
Operating income ⁽¹⁾	<u>\$ 239</u>	<u>\$ 246</u>	<u>\$ 302</u>	<u>\$ 232</u>	<u>\$ 214</u>	<u>\$ 994</u>
Combined ratio						
Loss and loss expense ratio	51.2%	55.5%	43.4%	49.6%	50.7%	49.8%
Policy acquisition cost ratio	23.2%	23.8%	23.1%	23.4%	24.1%	23.6%
Administrative expense ratio	16.2%	16.1%	16.2%	16.3%	16.4%	16.3%
Combined ratio	<u>90.6%</u>	<u>95.4%</u>	<u>82.7%</u>	<u>89.3%</u>	<u>91.2%</u>	<u>89.7%</u>
Large losses and other items (before tax)						
Reinstatement premiums (expensed) collected	\$ —	\$ (8)	\$ —	\$ —	\$ —	\$ (8)
Catastrophe losses	\$ 21	\$ 65	\$ 4	\$ 5	\$ 2	\$ 76
Favorable prior period development (PPD)	\$ (22)	\$ (30)	\$ (135)	\$ (39)	\$ (22)	\$ (226)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽¹⁾	51.3%	52.9%	52.6%	51.9%	52.1%	52.4%
% Change versus prior year period						
Net premiums written as reported	6.0%	7.1%	-1.0%	2.2%	8.4%	4.2%
Net premiums earned as reported	4.9%	3.2%	-2.6%	0.3%	8.8%	2.2%
Net premiums written constant \$	6.3%					7.7%
Net premiums earned constant \$	5.7%					6.0%
Other ratios						
Net premiums written/gross premiums written	78%	77%	75%	76%	77%	76%

(1) See Non-GAAP Financial Measures.



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

Global Reinsurance

	1Q-13	4Q-12	3Q-12	2Q-12	1Q-12	Full Year 2012
Gross premiums written	\$ 294	\$ 149	\$ 310	\$ 332	\$ 279	\$ 1,070
Net premiums written	279	146	307	309	263	1,025
Net premiums earned	247	254	281	237	230	1,002
Losses and loss expenses	106	198	151	102	102	553
Policy acquisition costs	48	47	40	42	43	172
Administrative expenses	12	13	13	13	12	51
Underwriting income (loss)	81	(4)	77	80	73	226
Net investment income	72	77	72	70	71	290
Net realized gains (losses)	20	12	(2)	(17)	13	6
Interest expense	1	1	1	1	1	4
Other income (expense)	8	8	5	(3)	5	15
Income tax expense (benefit)	8	(2)	11	—	6	15
Net income	172	94	140	129	155	518
Net realized gains (losses)	20	12	(2)	(17)	13	6
Net realized gains (losses) in other income (expense) ⁽¹⁾	8	8	4	(3)	5	14
Tax expense (benefit) on net realized gains (losses)	—	—	1	—	—	1
Operating income ⁽¹⁾	<u>\$ 144</u>	<u>\$ 74</u>	<u>\$ 139</u>	<u>\$ 149</u>	<u>\$ 137</u>	<u>\$ 499</u>
Combined ratio						
Loss and loss expense ratio	43.0%	78.2%	53.9%	42.5%	44.4%	55.2%
Policy acquisition cost ratio	19.3%	18.3%	14.1%	17.8%	18.7%	17.1%
Administrative expense ratio	5.0%	5.2%	4.7%	5.8%	5.2%	5.2%
Combined ratio	<u>67.3%</u>	<u>101.7%</u>	<u>72.7%</u>	<u>66.1%</u>	<u>68.3%</u>	<u>77.5%</u>
Large losses and other items (before tax)						
Reinstatement premiums (expensed) collected	\$ —	\$ 9	\$ 2	\$ —	\$ —	\$ 11
Catastrophe losses	\$ —	\$ 101	\$ 13	\$ 1	\$ 1	\$ 116
Favorable prior period development (PPD)	\$ (5)	\$ (14)	\$ (21)	\$ (15)	\$ (11)	\$ (61)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽¹⁾	44.8%	45.6%	57.7%	48.3%	48.7%	50.4%
% Change versus prior year period						
Net premiums written as reported	6.1%	12.0%	22.2%	9.4%	-16.5%	4.7%
Net premiums earned as reported	7.3%	2.3%	16.8%	-6.5%	-11.5%	0.0%
Net premiums written constant \$	4.8%					5.3%
Net premiums earned constant \$	7.0%					0.4%
Other ratios						
Net premiums written/gross premiums written	95%	99%	99%	93%	94%	96%

(1) See Non-GAAP Financial Measures.

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

Life

	1Q-13	4Q-12	3Q-12	2Q-12	1Q-12	Full Year 2012
Gross premiums written	\$528	\$544	\$511	\$ 513	\$ 512	\$ 2,080
Net premiums written	502	517	488	486	488	1,979
Net premiums earned	477	489	480	474	473	1,916
Losses and loss expenses	157	148	164	151	148	611
Policy benefits ⁽¹⁾	131	142	130	102	147	521
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	(4)	(11)	(14)	14	(18)	(29)
Policy acquisition costs	80	90	80	88	76	334
Administrative expenses	85	91	81	78	78	328
Net investment income	<u>63</u>	<u>65</u>	<u>63</u>	<u>62</u>	<u>61</u>	<u>251</u>
Life underwriting income ⁽²⁾	91	94	102	103	103	402
Net realized gains (losses):						
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	78	138	(64)	(397)	197	(126)
Foreign exchange gains (losses) and all other	49	51	(7)	(24)	34	54
Interest expense	4	3	3	3	3	12
Other income (expense) ⁽¹⁾	—	(11)	—	(5)	(9)	(25)
Income tax expense	<u>13</u>	<u>14</u>	<u>14</u>	<u>19</u>	<u>11</u>	<u>58</u>
Net income (loss)	201	255	14	(345)	311	235
Net realized gains (losses)	127	189	(71)	(421)	231	(72)
Net realized gains (losses) in other income (expense) ⁽³⁾	5	(7)	(3)	2	(5)	(13)
Tax expense (benefit) on net realized gains (losses)	<u>1</u>	<u>1</u>	<u>(1)</u>	<u>5</u>	<u>(1)</u>	<u>4</u>
Operating income ⁽³⁾	<u>\$ 70</u>	<u>\$ 74</u>	<u>\$ 87</u>	<u>\$ 79</u>	<u>\$ 84</u>	<u>\$ 324</u>
% Change versus prior year period						
Net premiums written as reported	3.0%	3.9%	0.0%	-1.2%	11.9%	3.4%
Net premiums earned as reported	1.1%	4.2%	0.0%	-1.9%	11.3%	3.1%
Net premiums written constant \$ ⁽⁴⁾	2.7%					4.5%
Net premiums earned constant \$	0.8%					4.2%

- (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) See Non-GAAP Financial Measures.
- (4) Net premiums written and deposits breakdown:

	1Q-13	Constant \$ 1Q-12	Constant \$ % Change
Life excluding life reinsurance run-off products ⁽³⁾⁽⁵⁾	\$630	\$ 535	17.8%
Life reinsurance run-off products including variable annuity	74	85	-12.9%
Total Life ⁽³⁾	<u>\$704</u>	<u>\$ 620</u>	<u>13.5%</u>

- (5) Includes deposits collected on universal life and investment contracts of \$202 million for Q1 2013 and \$131 million for Q1 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	
Add net recoverable on paid losses	—	612	(612)	
Balance including net recoverable on paid losses	\$37,082	\$11,530	\$25,552	



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

Net Reinsurance Recoverable by Division

	<u>March 31 2013</u>	<u>December 31 2012</u>
Reinsurance recoverable on paid losses and loss expenses		
Active operations	\$ 409	\$ 464
Brandywine and Other Run-off	284	303
Total	<u>\$ 693</u>	<u>\$ 767</u>
Reinsurance recoverable on unpaid losses and loss expenses		
Active operations	\$ 9,786	\$ 10,199
Brandywine and Other Run-off	1,484	1,551
Total	<u>\$11,270</u>	<u>\$ 11,750</u>
Gross reinsurance recoverable		
Active operations	\$10,195	\$ 10,663
Brandywine and Other Run-off	1,768	1,854
Total	<u>\$11,963</u>	<u>\$ 12,517</u>
Provision for uncollectible reinsurance ⁽¹⁾		
Active operations	\$ (274)	\$ (277)
Brandywine and Other Run-off	(159)	(162)
Total	<u>\$ (433)</u>	<u>\$ (439)</u>
Net reinsurance recoverable		
Active operations	\$ 9,921	\$ 10,386
Brandywine and Other Run-off	1,609	1,692
Total	<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 \$2.5 billion of collateral.

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

	March 31 2013		December 31 2012	
Market Value				
Fixed maturities available for sale	\$ 47,947		\$ 47,306	
Fixed maturities held to maturity	7,213		7,633	
Short-term investments	2,893		2,228	
Total	<u>\$ 58,053</u>		<u>\$ 57,167</u>	
Asset Allocation by Market Value				
Treasury	\$ 2,750	5%	\$ 2,794	5%
Agency	2,090	4%	2,024	4%
Corporate and asset-backed	19,123	33%	18,983	33%
Mortgage-backed	12,064	21%	12,589	22%
Municipal ⁽¹⁾	4,532	7%	3,872	7%
Non-U.S.	14,601	25%	14,677	25%
Short-term investments	2,893	5%	2,228	4%
Total	<u>\$ 58,053</u>	<u>100%</u>	<u>\$ 57,167</u>	<u>100%</u>
Note: Insured municipal bonds represent \$749 million, or 17% of our municipal bond holdings.				
Credit Quality by Market Value				
AAA	\$ 9,948	17%	\$ 9,285	16%
AA	22,036	38%	22,014	39%
A	11,150	19%	10,760	19%
BBB	6,596	11%	6,591	12%
BB	4,010	7%	4,146	7%
B	3,956	7%	3,846	6%
Other	357	1%	525	1%
Total	<u>\$ 58,053</u>	<u>100%</u>	<u>\$ 57,167</u>	<u>100%</u>
Cost/Amortized Cost				
Fixed maturities available for sale	\$ 45,470		\$ 44,666	
Fixed maturities held to maturity	6,867		7,270	
Short-term investments	2,893		2,228	
Subtotal	55,230		54,164	
Equity securities	781		707	
Other investments	2,544		2,465	
Total	<u>\$ 58,555</u>		<u>\$ 57,336</u>	
Avg. duration of fixed maturities	4.0 years		3.9 years	
Avg. market yield of fixed maturities ⁽²⁾	2.3%		2.3%	
Avg. credit quality ⁽³⁾	A/Aa		A/Aa	
Avg. yield on invested assets ⁽⁴⁾	3.7%		3.8%	

- (1) The rating of the municipal portfolio is AA with 7% 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 \$24 million and \$29 million for Q1 2013 and Q4 2012, 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 March 31, 2013						
Agency residential mortgage-backed (RMBS)	\$ —	\$10,274	\$—	\$—	\$ —	\$10,274
Non-agency RMBS	70	15	33	26	213	357
Commercial mortgage-backed	1,403	13	10	7	—	1,433
Total mortgage-backed securities at market value	\$1,473	\$10,302	\$ 43	\$ 33	\$ 213	\$12,064

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Amortized Cost at March 31, 2013						
Agency RMBS	\$ —	\$9,901	\$—	\$—	\$ —	\$ 9,901
Non-agency RMBS	69	14	32	25	220	360
Commercial mortgage-backed	1,338	11	9	6	—	1,364
Total mortgage-backed securities at amortized cost	\$1,407	\$9,926	\$ 41	\$ 31	\$ 220	\$11,625

Mortgage-backed securities total \$12.1 billion, are rated predominantly AA and comprise 21% 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 \$10.3 billion and represent 97% of the residential mortgage-backed portfolio.

Non-agency residential mortgage-backed securities are backed by prime collateral, and broadly diversified in over 33,000 loans. The portfolio's original loan-to-value ratio is approximately 65% with an average FICO score of 731. With this conservative loan-to-value ratio and subordinated collateral of 5%, the cumulative 5-year foreclosure rate would have to rise to 17% before principal is significantly impaired. The foreclosure rate of ACE's non-agency RMBS portfolio at March 31, 2013 was 6%.

Commercial mortgage-backed securities of \$1.4 billion are rated predominantly AAA, broadly diversified with over 13,000 loans and seasoned with 31% 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 30%. The cumulative foreclosure rate would have to rise to 43% before principal is impaired. The foreclosure rate of ACE's commercial mortgage-backed securities portfolio at March 31, 2013 was 1.7%.

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

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

Market Value at March 31, 2013

	S&P Credit Rating				Total
	Investment Grade				
	AAA	AA	A	BBB	
Asset-backed	\$613	\$ 67	\$ 1	\$ —	\$ 681
Banks	—	—	2,412	350	2,762
Basic Materials	—	—	88	246	334
Communications	—	—	789	573	1,362
Consumer, Cyclical	—	88	282	241	611
Consumer, Non-Cyclical	63	506	943	591	2,103
Diversified Financial Services	—	54	218	106	378
Energy	35	27	217	683	962
Industrial	—	309	352	220	881
Utilities	—	12	555	505	1,072
All Others	49	144	436	592	1,221
Total	<u>\$760</u>	<u>\$1,207</u>	<u>\$6,293</u>	<u>\$4,107</u>	<u>\$12,367</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 March 31, 2013

	S&P Credit Rating			Total
	Below Investment Grade			
	BB	B	CCC	
Asset-backed	\$ —	\$ 4	\$ 18	\$ 22
Banks	—	3	—	3
Basic Materials	142	167	6	315
Communications	448	529	27	1,004
Consumer, Cyclical	537	534	35	1,106
Consumer, Non-Cyclical	570	858	26	1,454
Diversified Financial Services	74	107	9	190
Energy	681	398	15	1,094
Industrial	390	418	10	818
Utilities	258	14	—	272
All Others	177	296	5	478
Total	<u>\$3,277</u>	<u>\$3,328</u>	<u>\$151</u>	<u>\$6,756</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 750 issuers with our largest current issuer exposure at \$90 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.

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

Non-U.S. Fixed Income Portfolio

March 31, 2013

	<u>Market Value by S&P Credit Rating</u>					<u>Amortized</u>	
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB and below</u>	<u>Total</u>	<u>Cost</u>
United Kingdom	\$1,054	\$ —	\$ —	\$ —	\$ —	\$ 1,054	\$ 1,019
Canada	908	—	—	—	—	908	883
Republic of Korea	—	531	63	—	—	594	529
Germany	432	—	—	—	—	432	423
France	—	323	—	—	—	323	313
Japan	—	321	—	—	—	321	320
Kingdom of Thailand	—	—	194	50	—	244	240
Federative Republic of Brazil	—	—	—	243	—	243	233
Province of Ontario	—	212	—	—	—	212	202
Province of Quebec	—	—	188	—	—	188	178
Commonwealth of Australia	186	1	—	—	—	187	176
State of Queensland	58	88	—	—	—	146	138
Federation of Malaysia	—	—	129	—	—	129	129
United Mexican States	—	—	62	58	—	120	113
Swiss Confederation	116	—	—	—	—	116	111
People's Republic of China	67	48	1	—	—	116	112
State of New South Wales	85	—	—	—	—	85	81
Taiwan	—	82	2	—	—	84	83
Socialist Republic of Vietnam	—	—	—	—	74	74	69
Russian Federation	—	—	—	64	—	64	63
State of Victoria	53	—	—	—	—	53	50
Republic of Indonesia	—	—	—	—	50	50	49
Republic of Colombia	—	—	—	49	—	49	48
Province of British Columbia	41	—	—	—	—	41	39
Dominion of New Zealand	—	38	1	—	—	39	39
Other Non-U.S. Government	207	235	95	47	150	734	715
Non-U.S. Government Securities	\$3,207	\$1,879	\$ 735	\$ 511	\$ 274	\$ 6,606	\$ 6,355
Eurozone Non-U.S. Corporate ⁽¹⁾	545	357	502	480	406	2,290	2,158
Other Non-U.S. Corporate	712	600	2,396	1,391	606	5,705	5,377
	<u>\$4,464</u>	<u>\$2,836</u>	<u>\$3,633</u>	<u>\$2,382</u>	<u>\$ 1,286</u>	<u>\$14,601</u>	<u>\$ 13,890</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.

75% 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.

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

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

March 31, 2013

	<u>Market Value by Industry</u>					<u>Amortized</u>
	<u>Bank</u>	<u>Financial</u>	<u>Industrial</u>	<u>Utility</u>	<u>Total</u>	<u>Cost</u>
Netherlands	\$182	\$ 144	\$ 339	\$142	\$ 807	\$ 754
France	116	35	179	157	487	463
Luxembourg	10	5	229	72	316	296
Germany	214	—	60	5	279	267
Euro Supranational	175	—	—	—	175	167
Ireland	12	1	105	12	130	120
Belgium	10	—	30	—	40	37
Finland	16	—	9	3	28	27
Austria	18	—	3	—	21	21
Spain	6	—	—	—	6	6
Portugal	—	—	1	—	1	—
Eurozone Non-U.S. Corporate Securities	<u>\$759</u>	<u>\$ 185</u>	<u>\$ 955</u>	<u>\$391</u>	<u>\$2,290</u>	<u>\$ 2,158</u>

Note: ACE has no investments in Greece and Italy.

Top 10 Exposures—Eurozone Banks (Excluding United Kingdom)

<u>March 31, 2013</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Rating</u>
European Investment Bank	\$ 142	\$ 135	AAA
KFW	140	134	AAA
Rabobank Nederland NV	107	98	AA-
Bank Nederlandse Gemeenten	39	38	AAA
BNP Paribas SA	33	31	A+
Credit Agricole Groupe	33	32	A
Groupe BPCE	24	23	A
Erste Abwicklungsanstalt	24	23	AA-
EUROFIMA	18	17	AA+
Societe Generale SA	17	17	A

Top 10 Exposures—Eurozone Corporate (Excluding United Kingdom)

<u>March 31, 2013</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Rating</u>
Electricite de France SA	\$ 91	\$ 86	A+
ING Groep NV	81	77	A
Intelsat SA	76	71	B
Royal Dutch Shell PLC	74	70	AA
Deutsche Telekom AG	64	58	BBB+
LyondellBasell Industries NV	57	49	BBB-
France Telecom SA	41	39	A-
General Electric Co	34	30	AA+
NIBC Holding NV	33	32	BBB-
Porsche Automobil Holding SE	31	31	A-



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

Investment portfolio

Top 25 Exposures—Fixed Maturity Investments

<u>March 31, 2013</u>		<u>Market</u>	
		<u>Value</u>	<u>Rating</u>
1	JP Morgan Chase & Co	\$ 508	A
2	Goldman Sachs Group Inc	418	A-
3	General Electric Co	375	AA+
4	Citigroup Inc	345	A-
5	Bank of America Corp	304	A-
6	Morgan Stanley	282	A-
7	Wells Fargo & Co	265	A+
8	Verizon Communications Inc	260	A-
9	AT&T INC	218	A-
10	HSBC Holdings Plc	214	A+
11	Comcast Corp	187	A-
12	Mondelez International Inc	159	BBB
13	Anheuser-Busch InBev NV	143	A
14	BP Plc	135	A
15	Philip Morris International Inc	134	A
16	Duke Energy Corp	128	BBB+
17	Time Warner Cable Inc	125	BBB
18	Pfizer Inc	123	AA
19	Barclays Plc	118	A
20	Enterprise Products Partners LP	117	BBB+
21	Credit Suisse Group	113	A
22	Royal Bank of Scotland Group Plc	113	A-
23	American Express Co	113	BBB+
24	Rabobank Nederland NV	107	AA-
25	UBS AG	105	A



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

	Three months ended March 31, 2013		
	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 36	\$ (191)	\$ (155)
Fixed income derivatives	18	—	18
Total fixed maturities	<u>54</u>	<u>(191)</u>	<u>(137)</u>
Public equity	(1)	14	13
Private equity	28	25	53
Total equity	<u>27</u>	<u>39</u>	<u>66</u>
Mark-to-market gains from derivative transactions ⁽²⁾	78	—	78
Foreign exchange gains ⁽²⁾	76	—	76
Other	—	1	1
Partially-owned entities ⁽³⁾	4	—	4
Income tax expense (benefit)	32	(56)	(24)
Net gains (losses)	<u>\$ 207</u>	<u>\$ (95)</u>	<u>\$ 112</u>

- (1) Other-than-temporary impairments for the quarter includes \$1 million for fixed maturities, \$1 million for public equity, and \$1 million for private equity.
- (2) Includes \$78 million of realized gains from variable annuity reinsurance for the quarter which comprises \$328 million in mark-to-market gains from derivative transactions, net of \$250 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter 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 March 31, 2012		
	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 34	\$ 243	\$ 277
Fixed income derivatives	42	—	42
Total fixed maturities	<u>76</u>	<u>243</u>	<u>319</u>
Public equity	1	38	39
Private equity	23	7	30
Total equity	<u>24</u>	<u>45</u>	<u>69</u>
Mark-to-market gains from derivative transactions ⁽⁵⁾	192	—	192
Foreign exchange losses ⁽⁵⁾	(5)	—	(5)
Other	(2)	4	2
Partially-owned entities ⁽⁶⁾	(7)	—	(7)
Income tax expense	6	49	55
Net gains	<u>\$ 272</u>	<u>\$ 243</u>	<u>\$ 515</u>

- (4) Other-than-temporary impairments for the quarter includes \$7 million for fixed maturities, \$2 million for private equity, and \$1 million for public equity.
- (5) Includes \$197 million of realized gains from variable annuity reinsurance for the quarter which comprises \$428 million in mark-to-market gains from derivatives transactions, net of \$231 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$34 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)

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

Note: As of March 31, 2013, there was \$1.4 billion usage of credit facilities on a total commitment of \$1.9 billion.

- (1) Repurchase agreements in the amount of \$608 million matured during the quarter, and there were new repurchase agreements in the amount of \$609 million.
- (2) During Q1 2013, we issued \$950 million par value of 10-year and 30-year senior 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 March 31	
	2013	2012
Numerator		
Operating income to common shares ⁽¹⁾	\$ 746	\$ 701
Net realized gains (losses), net of income tax	207	272
Net income	<u>\$ 953</u>	<u>\$ 973</u>
Rollforward of Common Shares Outstanding		
Shares—beginning of period	340,321,534	336,927,276
Repurchase of shares	(1,808,300)	(100,000)
Shares issued, excluding option exercises	947,536	1,036,709
Issued for option exercises	584,486	789,397
Shares—end of period	<u>340,045,256</u>	<u>338,653,382</u>
Denominator		
Weighted average shares outstanding	340,778,142	338,567,341
Effect of other dilutive securities	3,128,226	3,123,641
Adj. wtd. avg. shares outstanding and assumed conversions	<u>343,906,368</u>	<u>341,690,982</u>
Basic earnings per share		
Operating income ⁽¹⁾	\$ 2.19	\$ 2.07
Net realized gains (losses), net of income tax	0.61	0.80
Net income	<u>\$ 2.80</u>	<u>\$ 2.87</u>
Diluted earnings per share		
Operating income ⁽¹⁾	\$ 2.17	\$ 2.05
Net realized gains (losses), net of income tax	0.60	0.79
Net income	<u>\$ 2.77</u>	<u>\$ 2.84</u>

(1) See Non-GAAP Financial Measures.



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 common share is provided on page 25.

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.

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 run-off products, 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 our life reinsurance run-off products 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.

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

	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>Full Year 2012</u>
Net income, as reported	\$953	\$765	\$640	\$ 328	\$973	\$ 2,706
Net realized gains (losses)	206	272	(60)	(394)	260	78
Net realized gains (losses) in other income (expense) ⁽¹⁾	33	23	20	1	18	62
Income tax expense on net realized gains (losses)	32	22	8	22	6	58
Operating income	<u>\$746</u>	<u>\$492</u>	<u>\$688</u>	<u>\$ 743</u>	<u>\$701</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).



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 effective tax rate to the operating effective tax rate:

	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>Full Year 2012</u>
Tax expense (benefit), as reported	\$ 122	\$ (135)	\$ 147	\$ 148	\$ 110	\$ 270
Tax expense on net realized gains (losses)	32	22	8	22	6	58
Tax expense (benefit), adjusted	<u>\$ 90</u>	<u>\$ (157)</u>	<u>\$ 139</u>	<u>\$ 126</u>	<u>\$ 104</u>	<u>\$ 212</u>
Income before tax, as reported	\$ 1,075	\$ 630	\$ 787	\$ 476	\$ 1,083	\$ 2,976
Less: realized gains (losses)	206	272	(60)	(394)	260	78
Less: realized gains (losses) in other income (expense)	33	23	20	1	18	62
Operating income before tax	<u>\$ 836</u>	<u>\$ 335</u>	<u>\$ 827</u>	<u>\$ 869</u>	<u>\$ 805</u>	<u>\$ 2,836</u>
Effective tax rate	11.3%	-21.4%	18.7%	31.0%	10.2%	9.1%
Adjustment for tax impact of net realized gains (losses)	-0.5%	-25.4%	-2.0%	-16.4%	2.8%	-1.6%
Operating effective tax rate	<u>10.8%</u>	<u>-46.8%</u>	<u>16.7%</u>	<u>14.6%</u>	<u>13.0%</u>	<u>7.5%</u>

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

	<u>1Q-13</u>	<u>1Q-12</u>	<u>Full Year 2012</u>
Net income	\$ 953	\$ 973	\$ 2,706
Operating income	\$ 746	\$ 701	\$ 2,624
Equity—beginning of period, as reported	\$27,531	\$24,332	\$24,332
Less: unrealized gains (losses) on investments, net of deferred tax	2,633	1,715	1,715
Equity—beginning of period, as adjusted	<u>\$24,898</u>	<u>\$22,617</u>	<u>\$22,617</u>
Equity—end of period, as reported	\$27,942	\$25,431	\$27,531
Less: unrealized gains (losses) on investments, net of deferred tax	2,538	1,958	2,633
Equity—end of period, as adjusted	<u>\$25,404</u>	<u>\$23,473</u>	<u>\$24,898</u>
Average equity, as reported	\$27,737	\$24,882	\$25,932
Average equity, as adjusted	\$25,151	\$23,045	\$23,758
Operating ROE	11.9%	12.2%	11.0%
ROE	13.7%	15.6%	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

	March 31 2013	December 31 2012	March 31 2012
Shareholders' equity	\$ 27,942	\$ 27,531	\$ 25,431
Less: goodwill and other intangible assets	4,909	4,975	4,860
Numerator for tangible book value per share	<u>\$ 23,033</u>	<u>\$ 22,556</u>	<u>\$ 20,571</u>
Book value—% change over prior quarter	1.5%	2.1%	4.5%
Tangible book value—% change over prior quarter	2.1%	2.7%	5.3%
Denominator	<u>340,045,256</u>	<u>340,321,534</u>	<u>338,653,382</u>
Book value per common share	\$ 82.17	\$ 80.90	\$ 75.09
Tangible book value per common share	\$ 67.74	\$ 66.28	\$ 60.74
<u>Reconciliation of Book Value</u>			
Shareholders' equity, beginning of quarter	\$ 27,531	\$ 26,963	\$ 24,332
Operating income	746	492	701
Net realized gains (losses), net of tax	207	273	272
Net unrealized gains (losses), net of tax	(95)	(70)	243
Repurchase of shares	(154)	—	(7)
Dividend declared on common shares	(168)	(168)	(200)
Cumulative translation, net of tax	(156)	(37)	56
Pension liability	14	(20)	(1)
Other ⁽¹⁾	17	98	35
	<u>\$ 27,942</u>	<u>\$ 27,531</u>	<u>\$ 25,431</u>

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



ACE Limited
Glossary

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 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.