

ACE LTD

FORM 8-K (Current report filing)

Filed 01/28/14 for the Period Ending 01/28/14

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Industry	Insurance (Prop. & Casualty)
Sector	Financial
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported) – January 28, 2014

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 January 28, 2014, ACE Limited issued a Press Release reporting its fourth quarter 2013 results and the availability of its fourth 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 January 28, 2014, Reporting Fourth Quarter 2013 Results
99.2	Fourth 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: January 28, 2014

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated January 28, 2014, Reporting Fourth Quarter 2013 Results	Furnished herewith
99.2	Fourth Quarter 2013 Financial Supplement	Furnished herewith



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**News
Release**

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ACE REPORTS FOURTH QUARTER OPERATING INCOME OF \$824 MILLION OR \$2.39 PER SHARE, UP 67%, P&C NET PREMIUMS WRITTEN UP 20% IN CONSTANT DOLLARS, AND OPERATING RETURN ON EQUITY OF 12.1%; RECORD FULL-YEAR OPERATING INCOME OF \$3.2 BILLION, UP 23%; COMBINED RATIO OF 89.3% AND 88%, RESPECTIVELY, FOR QUARTER AND YEAR

- Record full-year operating and net income of \$9.35 per share and \$10.92 per share, respectively
- P&C current accident year combined ratio for the year excluding catastrophe losses was 90%, resulting in P&C underwriting income up 111%
- Book value up 4.7% for the year, or 11.1% excluding unrealized losses, with operating ROE of 12.2%
- Full-year net investment income of over \$2.1 billion, down 1.7%

ZURICH — January 28, 2014 — ACE Limited (NYSE: ACE) today reported net income for the quarter ended December 31, 2013, of \$2.90 per share, compared with \$2.22 per share for the same quarter last year. ⁽¹⁾ Operating income was \$2.39 per share, compared with \$1.43 per share for the same quarter last year. Book value and tangible book value per share increased 2.2% and 3.0%, respectively, from September 30, 2013. Book value and tangible book value per share now stand at \$84.83 and \$68.93, respectively. Operating return on equity for the quarter was 12.1%. The property and casualty (P&C) combined ratio for the quarter was 89.3%.

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

				(Per Share – Diluted)		
	2013	2012	Change	2013	2012	Change
Operating income, net of tax	\$ 824	\$ 492	67.5%	\$ 2.39	\$ 1.43	67.1%
Net realized gains (losses), net of tax	174	273	(36.3)%	0.51	0.79	(35.4)%
Net income	\$ 998	\$ 765	30.5%	\$ 2.90	\$ 2.22	30.6%

For the year ended December 31, 2013, net income was \$10.92 per share, compared with \$7.89 per share for 2012. Operating income was \$9.35 per share, compared with \$7.65 per share for 2012. Book value increased \$1.3 billion, up 4.7% from December 31, 2012, and tangible book value increased \$865 million, up 3.8%, and up 6.5% excluding acquisitions. The P&C combined ratio for the year ended December 31, 2013, was 88.0%.

Full Year Summary
(in millions, except per share amounts)
(Unaudited)

				(Per Share – Diluted)		
	2013	2012	Change	2013	2012	Change
Operating income, net of tax	\$ 3,217	\$ 2,624	22.6%	\$ 9.35	\$ 7.65	22.2%
Net realized gains (losses), net of tax	541	82	NM	1.57	0.24	NM
Net income	\$ 3,758	\$ 2,706	38.9%	\$ 10.92	\$ 7.89	38.4%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had an excellent fourth quarter and a record year. Both our quarterly and annual results were driven by very strong premium revenue growth globally and an exceptional underwriting performance. Put simply, we are growing while achieving good margins – it’s about growth in areas where prices are attractive and securing improved terms including rate in areas where they’re not.

“Record full-year after-tax operating income was \$3.2 billion or \$9.35 per share, up 23%. At our core we are an underwriting company, and our P&C combined ratio for the year of 88% produced \$1.8 billion of underwriting income, up over 110%. On a current accident year basis excluding catastrophe losses, which is an important way to assess the health of our underlying business, the P&C combined ratio was 90% for the year, almost three points better than 2012. Of course, like the rest of the industry, we benefited from light catastrophe losses during the year. In addition, we run our balance sheet prudently starting with our loss reserves, and as a consequence we also benefited from positive prior year reserve development.

“Complementing the excellent underwriting results and a product of our strong cash flow was net investment income of \$2.1 billion, which was down less than 2% for the year – a good result given the low interest rate environment. Our record earnings produced a strong operating ROE of over 12% while per share book value grew 5% for the year, or 11% if you exclude the unrealized losses from our investment portfolio as interest rates rose.

“Excluding crop insurance, P&C net premiums written grew 11% last year on a constant-dollar basis. Premium growth in our commercial and specialty P&C businesses, in particular, continued to benefit from our underwriting portfolio management efforts as well as a favorable U.S. rate environment that has continued into the new year. We are off to a great start in January, and remembering we are in a risk business, I expect we will have a good year in 2014 as we continue to take advantage of the many growth opportunities we see around the globe including the U.S.”

Similar to the third quarter presentation and consistent with how management views the business, the results of the company's agriculture business, given its size and nature, are identified separately from the balance of the company's P&C business, which is called "global P&C." Global P&C includes the company's Insurance – North American P&C, Insurance – Overseas General and Global Reinsurance segments. Operating highlights for the quarter and full year ended December 31, 2013, were as follows: ⁽¹⁾

(in millions of U.S. dollars except for percentages)	4Q 2013	4Q 2012	% Change	Full Year 2013	Full Year 2012	% Change
<u>P&C</u>						
Net premiums written	\$3,712	\$3,140	18.2%	\$ 15,053	\$ 14,096	6.8%
Net premiums written constant-dollar ⁽²⁾		\$3,098	19.8%		\$ 13,958	7.8%
Underwriting income (loss)	\$ 416	\$ (184)	NM	\$ 1,772	\$ 839	111.2%
Combined ratio	89.3%	105.5%		88.0%	93.9%	
Current accident year combined ratio excluding catastrophe losses	91.5%	91.4%		90.0%	92.8%	
<u>Global P&C (excludes Agriculture)</u>						
Net premiums written	\$3,456	\$3,056	13.1%	\$ 13,426	\$ 12,237	9.7%
Net premiums written constant-dollar		\$3,014	14.7%		\$ 12,099	11.0%
Underwriting income (loss)	\$ 438	\$ (185)	NM	\$ 1,683	\$ 899	87.3%
Combined ratio	87.4%	106.0%		87.1%	92.4%	
Current accident year combined ratio excluding catastrophe losses	89.9%	90.8%		89.4%	91.1%	
<u>Agriculture</u>						
Net premiums written	\$ 256	\$ 84	203.6%	\$ 1,627	\$ 1,859	(12.5)%
Underwriting income (loss)	\$ (22)	\$ 1	NM	\$ 89	\$ (60)	NM
Combined ratio	105.2%	99.5%		94.7%	103.2%	

⁽²⁾ Excluding acquisitions, P&C net premiums written increased 15.5% for the quarter and 5.2% for the year on a constant-dollar basis.

- The P&C expense ratio for the quarter was 28.0% compared with 30.0% last year. The global P&C expense ratio (excludes Agriculture) was 31.7% compared with 32.6% last year. For the year, the P&C expense ratio was 28.4% compared with 28.2% last year. The global P&C expense ratio (excludes Agriculture) for the year was 31.5% compared with 32.4% last year.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums for the quarter were \$36 million (1.0 percentage point of the combined ratio) and \$31 million, respectively. Total pre-tax and after-tax catastrophe losses including reinstatement premiums last year were \$511 million and \$400 million, respectively.
- Favorable prior period development pre-tax for the quarter, net of a \$91 million charge for asbestos and environmental and other run-off businesses, was \$122 million, representing 3.2 percentage points of the combined ratio, compared with \$37 million last year.
- Operating cash flow was \$1.3 billion for the quarter and \$4.0 billion for the year.
- Net loss reserves increased \$508 million for the year after adjusting for foreign exchange.

- Net investment income for the quarter was \$557 million compared with \$567 million last year. The current quarterly investment income run rate is estimated at \$540 million. Net investment income for the year was \$2.1 billion, down 1.7% compared to last year.
- Net realized and unrealized losses pre-tax totaled approximately \$21 million for the quarter, which included net realized gains of \$179 million and net unrealized losses of \$200 million. Net realized gains from derivative accounting related to variable annuity reinsurance were \$149 million and included a \$92 million realized gain related to an out-of-period adjustment for an error in a market valuation model.
- Operating return on equity was 12.1% for the quarter and 12.2% for the year. Return on equity computed using net income was 14.0% for the quarter and 13.3% for the year.
- Book value per share increased 2.2% to \$84.83 compared with \$82.98 at September 30, 2013, and increased 4.9% from \$80.90 at December 31, 2012.
- Tangible book value per share increased 3.0% to \$68.93 from \$66.91 at September 30, 2013, and increased 4.0% from \$66.28 at December 31, 2012. Tangible book value was negatively affected by goodwill and intangibles relating to the acquisitions of Fianzas Monterrey and ABA Seguros. Excluding the impact of the acquisitions, tangible book value per share increased 6.7% for the year.

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

- Insurance – North American P&C: Net premiums written increased 11.8% for the quarter. The combined ratio was 86.2% compared with 114.3%. The current accident year combined ratio excluding catastrophe losses was 87.2% compared with 88.4%. For the year, the combined ratio was 86.9% compared with 94.8% last year. The current accident year combined ratio excluding catastrophe losses was 87.6% compared with 89.9% last year.
- Insurance – North American Agriculture: Net premiums written increased 203.6% for the quarter primarily due to decreased premium cessions to the U.S. government as a result of the government's crop insurance profit and loss calculation formula when compared to last year. The combined ratio was 105.2% compared with 99.5%. The current quarter combined ratio was higher than expected primarily due to lower corn yields in a few states. For the year, the combined ratio was 94.7% compared with 103.2%.
- Insurance – Overseas General: Net premiums written increased 15.1% for the quarter, or 18.2% on a constant-dollar basis. The combined ratio was 88.1% compared with 95.4%. The current accident year combined ratio excluding catastrophe losses was 91.6% compared with 92.5%. For the year, the combined ratio was 87.2% compared with 89.7% last year. The current accident year combined ratio excluding catastrophe losses was 90.5% compared with 92.2%.
- Global Reinsurance: Net premiums written increased 5.5% for the quarter. The combined ratio was 68.4% compared with 101.7%. The current accident year combined ratio excluding catastrophe losses was 73.6% compared with 69.9%. For the year, the combined ratio was 65.9% compared with 77.5% last year. The current accident year combined ratio excluding catastrophe losses was 70.9% compared with 72.8%.
- Life segment: Operating income was \$86 million compared with \$74 million for the fourth quarter of last year. Net premiums written and deposits collected, excluding life reinsurance, increased 3.0% on a constant-dollar basis. For the year, net premiums written and deposits collected, excluding life reinsurance, increased 10.8% on a constant-dollar basis.

Please refer to the ACE Limited Financial Supplement, dated December 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 Limited will hold its fourth quarter earnings conference call on Wednesday, January 29, 2014, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live webcast at www.acegroup.com or by dialing 888-300-2318 (within the United States) or 719-325-2325 (international), passcode 6526575. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, February 12, 2014, 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 6526575.

ACE Group is one of the world's largest multiline property and casualty insurers. With operations in 54 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 ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. Additional information can be found at: www.acegroup.com.

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

Regulation G — Non-GAAP Financial Measures

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

Operating income, P&C underwriting income, operating ROE, P&C combined ratio, and P&C combined ratio excluding catastrophe losses and prior period development (PPD) includes realized gains and losses associated with fair value changes on our crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. As such, we view changes in the fair value of these derivatives as part of the results of our operations and therefore realized gains and losses from these derivatives are reclassified to losses and loss expenses. Pre-tax losses from fair value changes in these derivatives were \$1 million for the year ended December 31, 2013.

Global P&C performance metrics comprise consolidated operating results (including corporate) and exclude the operating results of the company's Life and Insurance – North American Agriculture segments. We believe that these measures are useful and meaningful to investors as they are used by management to assess the company's global P&C operations which are the most economically similar. We exclude the Insurance – North American Agriculture and Life segments because the results of these businesses do not always correlate with the results of our global P&C operations.

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

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

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

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

Net premiums written on a constant-dollar basis and P&C net premiums written on a constant-dollar basis are financial measures which exclude the impact of foreign exchange. We believe it is useful to evaluate the trends in net premiums written, exclusive of the effect of fluctuations in exchange rates between the U.S. dollar and the currencies in which our international business is transacted, as these exchange rates could fluctuate significantly between periods and distort the analysis of trends. The impact is determined by assuming constant foreign exchange rates between periods by translating prior period results using the same local currency exchange rates as the comparable current period. P&C net premiums written excluding acquisitions on a constant-dollar basis exclude the net premiums written of Fianzas Monterrey and ABA Seguros acquired in 2013 in order to adjust for the distortive effect of acquisitions.

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

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

Tangible book value excluding acquisitions is shareholders' equity less goodwill and other intangible assets. However, the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros are added back in order to adjust for the distortive effect of acquisitions. Tangible book value per common share excluding acquisitions is tangible book value excluding acquisitions divided by the shares outstanding.

See reconciliation of Non-GAAP Financial Measures on pages 21-22 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 economic outlook and insurance market conditions, and company performance including 2014 performance and growth opportunities, 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, economic, political, regulatory, insurance and reinsurance business conditions, potential strategic opportunities including acquisitions and our ability to achieve and integrate them, 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)

	December 31 2013	December 31 2012
Assets		
Investments	\$ 60,928	\$ 60,264
Cash	579	615
Insurance and reinsurance balances receivable	5,026	4,147
Reinsurance recoverable on losses and loss expenses	11,227	12,078
Other assets	16,750	15,441
Total assets	<u>\$ 94,510</u>	<u>\$ 92,545</u>
Liabilities		
Unpaid losses and loss expenses	\$ 37,443	\$ 37,946
Unearned premiums	7,539	6,864
Other liabilities	20,703	20,204
Total liabilities	<u>65,685</u>	<u>65,014</u>
Shareholders' equity		
Total shareholders' equity	28,825	27,531
Total liabilities and shareholders' equity	<u>\$ 94,510</u>	<u>\$ 92,545</u>
Book value per common share	\$ 84.83	\$ 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 December 31		Year Ended December 31	
	2013	2012	2013	2012
Gross premiums written	\$5,462	\$ 5,146	\$22,828	\$21,593
Net premiums written	4,216	3,657	17,025	16,075
Net premiums earned	4,363	3,848	16,613	15,677
Losses and loss expenses	2,517	2,683	9,348	9,653
Policy benefits	136	142	515	521
Policy acquisition costs	702	636	2,659	2,446
Administrative expenses	570	553	2,211	2,096
Underwriting income (loss)	438	(166)	1,880	961
Net investment income	557	567	2,144	2,181
Net realized gains (losses)	154	272	504	78
Interest expense	70	63	275	250
Other income (expense):				
Gains (losses) from separate account assets	9	11	16	29
Other	(2)	9	(31)	(23)
Income tax expense (benefit)	88	(135)	480	270
Net income	<u>\$ 998</u>	<u>\$ 765</u>	<u>\$ 3,758</u>	<u>\$ 2,706</u>
<i>Diluted earnings per share:</i>				
Operating income	\$ 2.39	\$ 1.43	\$ 9.35	\$ 7.65
Net income	\$ 2.90	\$ 2.22	\$ 10.92	\$ 7.89
Weighted average diluted shares outstanding	344.2	343.7	344.1	342.7
Loss and loss expense ratio	61.3%	75.5%	59.6%	65.7%
Policy acquisition cost ratio	15.6%	16.2%	15.7%	15.3%
Administrative expense ratio	12.4%	13.8%	12.7%	12.9%
Combined ratio	<u>89.3%</u>	<u>105.5%</u>	<u>88.0%</u>	<u>93.9%</u>

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

	Three Months Ended		Year Ended	
	December 31		December 31	
	2013	2012	2013	2012
Gross Premiums Written				
Insurance - North American P&C	\$ 2,439	\$ 2,236	\$ 8,720	\$ 8,120
Insurance - North American Agriculture	217	292	2,661	2,621
Insurance - Overseas General	2,126	1,925	8,314	7,702
Global Reinsurance	154	149	1,057	1,070
Life	526	544	2,076	2,080
<i>Total</i>	<u>\$ 5,462</u>	<u>\$ 5,146</u>	<u>\$ 22,828</u>	<u>\$ 21,593</u>
Net Premiums Written				
Insurance - North American P&C	\$ 1,602	\$ 1,434	\$ 5,915	\$ 5,349
Insurance - North American Agriculture	256	84	1,627	1,859
Insurance - Overseas General	1,699	1,476	6,520	5,863
Global Reinsurance	155	146	991	1,025
Life	504	517	1,972	1,979
<i>Total</i>	<u>\$ 4,216</u>	<u>\$ 3,657</u>	<u>\$ 17,025</u>	<u>\$ 16,075</u>
Net Premiums Earned				
Insurance - North American P&C	\$ 1,511	\$ 1,345	\$ 5,721	\$ 5,147
Insurance - North American Agriculture	426	263	1,678	1,872
Insurance - Overseas General	1,700	1,497	6,333	5,740
Global Reinsurance	245	254	976	1,002
Life	481	489	1,905	1,916
<i>Total</i>	<u>\$ 4,363</u>	<u>\$ 3,848</u>	<u>\$ 16,613</u>	<u>\$ 15,677</u>
Operating Income (loss)				
Insurance - North American P&C	\$ 402	\$ 171	\$ 1,446	\$ 1,100
Insurance - North American Agriculture	(20)	(1)	63	(38)
Insurance - Overseas General	279	246	1,094	994
Global Reinsurance	145	74	576	499
Life	86	74	307	324
Corporate	(68)	(72)	(269)	(255)
<i>Total</i>	<u>\$ 824</u>	<u>\$ 492</u>	<u>\$ 3,217</u>	<u>\$ 2,624</u>

A decorative graphic consisting of three overlapping squares: a green square at the top left, a blue square at the bottom left, and a dark grey horizontal bar extending from the right side of the green square across the middle of the page.

Financial Supplement

December 31, 2013

Investor Contact

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email: investorrelations@acegroup.com

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 December 31		% Change 4Q-13 vs. 4Q-12	Constant \$ % Change		Year ended December 31		% Change 2013 vs. 2012	Constant \$ % Change	
	2013	2012		Constant \$ 2012 ⁽¹⁾	4Q-13 vs. 4Q-12 ⁽¹⁾	2013	2012		Constant \$ 2012 ⁽¹⁾	2013 vs. 2012 ⁽¹⁾
Gross premiums written	\$ 5,462	\$ 5,146	6.1%	\$ 5,089	7.3%	\$22,828	\$21,593	5.7%	\$ 21,413	6.6%
Net premiums written	\$ 4,216	\$ 3,657	15.3%	\$ 3,609	16.8%	\$17,025	\$16,075	5.9%	\$ 15,926	6.9%
P&C net premiums written ⁽²⁾	\$ 3,712	\$ 3,140	18.2%	\$ 3,098	19.8%	\$15,053	\$14,096	6.8%	\$ 13,958	7.8%
Global P&C net premiums written ⁽³⁾	\$ 3,456	\$ 3,056	13.1%	\$ 3,014	14.7%	\$13,426	\$12,237	9.7%	\$ 12,099	11.0%
Net premiums earned	\$ 4,363	\$ 3,848	13.4%	\$ 3,802	14.8%	\$16,613	\$15,677	6.0%	\$ 15,542	6.9%
Net investment income	\$ 557	\$ 567	-1.7%			\$ 2,144	\$ 2,181	-1.7%		
Operating income	\$ 824	\$ 492	67.5%			\$ 3,217	\$ 2,624	22.6%		
Net income	\$ 998	\$ 765	30.5%			\$ 3,758	\$ 2,706	38.9%		
Comprehensive income	\$ 776	\$ 638	21.6%			\$ 2,023	\$ 3,682	-45.1%		
Operating cash flow	\$ 1,286	\$ 970				\$ 4,022	\$ 3,995			
P&C combined ratio										
Loss and loss expense ratio	61.3%	75.5%				59.6%	65.7%			
Underwriting and administrative expense ratio	28.0%	30.0%				28.4%	28.2%			
Combined ratio	89.3%	105.5%				88.0%	93.9%			
Operating return on equity (ROE)	12.1%	8.0%				12.2%	11.0%			
ROE	14.0%	11.2%				13.3%	10.4%			
Operating effective tax rate	9.2%	-46.8% ⁽⁴⁾				11.6%	7.5%			
Effective tax rate	8.1%	-21.4% ⁽⁴⁾				11.3%	9.1%			
Diluted earnings per share										
Operating income	\$ 2.39	\$ 1.43	67.1%			\$ 9.35	\$ 7.65	22.2%		
Net income	\$ 2.90	\$ 2.22	30.6%			\$ 10.92	\$ 7.89	38.4%		
Book value per common share						\$ 84.83	\$ 80.90	4.9%		
Tangible book value per common share						\$ 68.93	\$ 66.28	4.0%		
Tangible book value per common share excluding 2013 acquisitions ⁽⁵⁾						\$ 70.69	\$ 66.28	6.7%		
Weighted average basic common shares outstanding	340.9	340.8				340.9	339.8			
Weighted average diluted common shares outstanding	344.2	343.7				344.1	342.7			
Debt plus trust preferred securities/ tangible capital						20.4%	18.4%			

(1) Prior periods on a constant dollar basis.

(2) P&C net premiums written is defined as consolidated net premiums written excluding net premiums written of the company's Life segment. See non-GAAP financial measures.

(3) Global P&C net premiums written is defined as consolidated net premiums written excluding net premiums written of the company's Life and Insurance—North American Agriculture segments. See non-GAAP financial measures.

(4) For Q4 2012, Operating effective tax rate and Effective tax rate include a \$121 million tax benefit from the favorable resolution of prior years' tax matters.

(5) For 2013, tangible book value per common share excludes the impact from goodwill and intangibles relating to the acquisitions of ABA Seguros and Fianzas Monterrey of \$403 million and \$197 million, respectively.

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

ACE Limited Consolidated

	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>2013</u>	<u>2012</u>
Global P&C (Including Corporate) ⁽¹⁾							
Gross premiums written	\$4,719	\$4,417	\$4,769	\$4,186	\$4,310	\$18,091	\$16,892
Net premiums written	3,456	3,336	3,451	3,183	3,056	13,426	12,237
Net premiums earned	3,456	3,294	3,236	3,044	3,096	13,030	11,889
Losses and loss expenses	1,925	1,768	1,812	1,737	2,272	7,242	7,131
Policy acquisition costs	608	560	550	530	543	2,248	2,084
Administrative expenses	485	473	475	424	466	1,857	1,775
Underwriting income (loss)	438	493	399	353	(185)	1,683	899
Net investment income	486	455	464	462	496	1,867	1,905
Interest expense	66	68	69	56	60	259	238
Other income (expense)—operating ⁽²⁾	(15)	(21)	(23)	(14)	(2)	(73)	(41)
Income tax expense (benefit)	85	127	83	76	(170)	371	187
Global P&C operating income	758	732	688	669	419	2,847	2,338
Insurance—North American Agriculture segment operating income (loss) ⁽³⁾	(20)	50	26	7	(1)	63	(38)
Operating income (including Corporate) excluding Life segment	738	782	714	676	418	2,910	2,300
Life segment operating income	86	75	76	70	74	307	324
Consolidated operating income	824	857	790	746	492	3,217	2,624
Adjusted net realized gains (losses) ⁽³⁾	154	41	104	206	272	505	78
Net realized gains (losses) related to unconsolidated entities	25	22	12	33	23	92	62
Income tax expense on net realized gains (losses)	5	4	15	32	22	56	58
Consolidated net income	<u>\$ 998</u>	<u>\$ 916</u>	<u>\$ 891</u>	<u>\$ 953</u>	<u>\$ 765</u>	<u>\$ 3,758</u>	<u>\$ 2,706</u>
Additional Global P&C financial data ⁽¹⁾							
% Change versus prior year period							
Net premiums written as reported	13.1%	8.9%	9.5%	7.3%	6.9%	9.7%	6.3%
Net premiums earned as reported	11.6%	9.1%	10.7%	6.8%	5.5%	9.6%	2.6%
Net premiums written constant \$	14.7%					11.0%	
Net premiums earned constant \$	13.1%					10.8%	
Other ratios							
Net premiums written/gross premiums written	73%	76%	72%	76%	71%	74%	72%
Combined ratio							
Loss and loss expense ratio	55.7%	53.7%	56.0%	57.1%	73.4%	55.6%	60.0%
Policy acquisition cost ratio	17.6%	17.0%	17.0%	17.4%	17.5%	17.3%	17.5%
Administrative expense ratio	14.1%	14.3%	14.7%	13.9%	15.1%	14.2%	14.9%
Combined ratio	<u>87.4%</u>	<u>85.0%</u>	<u>87.7%</u>	<u>88.4%</u>	<u>106.0%</u>	<u>87.1%</u>	<u>92.4%</u>
Combined ratio excluding catastrophe losses and PPD	89.9%	88.9%	89.2%	89.5%	90.8%	89.4%	91.1%
Expense ratio	31.7%	31.3%	31.7%	31.3%	32.6%	31.5%	32.4%
Expense ratio excluding A&H	27.9%	27.6%	28.3%	27.7%	29.1%	27.9%	28.9%
Catastrophe reinstatement premiums (expensed) collected - pre-tax	\$ 1	\$ 2	\$ —	\$ —	\$ (7)	\$ 3	\$ (5)
Catastrophe losses - pre-tax	\$ 35	\$ 78	\$ 78	\$ 32	\$ 500	\$ 223	\$ 622
Favorable prior period development (PPD) - pre-tax ⁽⁴⁾	\$ (122)	\$ (200)	\$ (128)	\$ (67)	\$ (36)	\$ (517)	\$ (467)
Loss and loss expense ratio excluding catastrophe losses and PPD	58.3%	57.7%	57.6%	58.1%	58.2%	58.0%	58.7%

- (1) Presented excluding the Insurance—North American Agriculture and Life segments. This is a non-GAAP financial measure.
- (2) Excludes portion of net realized investment gains and losses related to unconsolidated entities.
- (3) Losses from fair value changes on crop derivatives are excluded from Adjusted net realized gains (losses) and included in Insurance—North American Agriculture segment operating income (loss) for this presentation. Crop derivative losses for YTD 2013 were \$1 million.
- (4) For Q4 2013 and YTD 2013, favorable prior period development is net of \$5 million and \$28 million, respectively, of net earned premium adjustments on loss sensitive policies.



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

	December 31	September 30	June 30	March 31	December 31
	2013	2013	2013	2013	2012
Assets					
Fixed maturities available for sale, at fair value	\$ 49,254	\$ 48,529	\$47,016	\$47,947	\$ 47,306
Fixed maturities held to maturity, at amortized cost	6,098	6,306	6,576	6,867	7,270
Equity securities, at fair value	837	831	837	832	744
Short-term investments, at fair value	1,763	1,774	2,425	2,893	2,228
Other investments	2,976	2,902	2,836	2,820	2,716
Total investments	60,928	60,342	59,690	61,359	60,264
Cash	579	768	679	855	615
Securities lending collateral	1,632	1,517	1,662	1,786	1,791
Insurance and reinsurance balances receivable	5,026	5,089	5,022	4,154	4,147
Reinsurance recoverable on losses and loss expenses	11,227	11,477	11,442	11,530	12,078
Deferred policy acquisition costs	2,313	2,224	2,077	1,966	1,873
Value of business acquired	536	554	560	583	614
Prepaid reinsurance premiums	1,675	1,724	1,819	1,653	1,617
Goodwill and other intangible assets	5,404	5,465	5,395	4,909	4,975
Deferred tax assets	616	584	753	505	453
Investments in partially-owned insurance companies	470	468	452	449	454
Other assets	4,104	4,372	4,137	3,712	3,664
Total assets	<u>\$ 94,510</u>	<u>\$ 94,584</u>	<u>\$93,688</u>	<u>\$93,461</u>	<u>\$ 92,545</u>
Liabilities					
Unpaid losses and loss expenses	\$ 37,443	\$ 37,882	\$37,343	\$37,082	\$ 37,946
Unearned premiums	7,539	7,794	7,851	7,019	6,864
Future policy benefits	4,615	4,596	4,502	4,465	4,470
Insurance and reinsurance balances payable	3,628	3,627	3,624	3,402	3,472
Securities lending payable	1,633	1,520	1,665	1,789	1,795
Accounts payable, accrued expenses, and other liabilities	4,810	4,929	5,391	5,744	5,397
Short-term debt	1,901	1,902	1,901	1,402	1,401
Long-term debt	3,807	3,807	3,807	4,307	3,360
Trust preferred securities	309	309	309	309	309
Total liabilities	65,685	66,366	66,393	65,519	65,014
Shareholders' equity					
Total shareholders' equity, excl. AOCI	27,673	26,844	26,035	25,292	24,644
Accumulated other comprehensive income (AOCI)	1,152	1,374	1,260	2,650	2,887
Total shareholders' equity	28,825	28,218	27,295	27,942	27,531
Total liabilities and shareholders' equity	<u>\$ 94,510</u>	<u>\$ 94,584</u>	<u>\$93,688</u>	<u>\$93,461</u>	<u>\$ 92,545</u>
Book value per common share	\$ 84.83	\$ 82.98	\$ 80.26	\$ 82.17	\$ 80.90
% change over prior quarter	2.2%	3.4%	-2.3%	1.6%	1.9%
Tangible book value per common share	\$ 68.93	\$ 66.91	\$ 64.40	\$ 67.74	\$ 66.28
% change over prior quarter	3.0%	3.9%	-4.9%	2.2%	2.5%



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

ACE Limited Consolidated

	4Q-13	% of Total Consolidated	4Q-12	% of Total Consolidated	% Change 4Q-13 vs. 4Q-12	Full Year 2013	% of Total Consolidated	Full Year 2012	% of Total Consolidated	% Change 2013 vs. 2012
Net premiums written										
Property and all other	\$1,132	27%	\$ 939	26%	20.6%	\$ 4,855	29%	\$ 4,240	26%	14.5%
Agriculture	256	6%	84	2%	203.6%	1,627	10%	1,859	12%	-12.5%
Casualty	1,644	39%	1,475	40%	11.5%	5,932	34%	5,476	34%	8.3%
Subtotal	3,032	72%	2,498	68%	21.4%	12,414	73%	11,575	72%	7.2%
Personal accident (A&H) ⁽¹⁾	937	22%	911	25%	2.9%	3,655	21%	3,532	22%	3.5%
Life	247	6%	248	7%	-0.9%	956	6%	968	6%	-1.4%
Total consolidated	<u>\$4,216</u>	<u>100%</u>	<u>\$3,657</u>	<u>100%</u>	15.3%	<u>\$17,025</u>	<u>100%</u>	<u>\$16,075</u>	<u>100%</u>	5.9%
Net premiums earned										
Property and all other	\$1,261	29%	\$1,087	28%	16.0%	\$ 4,704	28%	\$ 4,101	26%	14.7%
Agriculture	426	10%	263	7%	62.3%	1,678	10%	1,872	12%	-10.4%
Casualty	1,522	35%	1,367	36%	11.3%	5,759	35%	5,292	34%	8.8%
Subtotal	3,209	74%	2,717	71%	18.1%	12,141	73%	11,265	72%	7.8%
Personal accident (A&H) ⁽¹⁾	920	21%	894	23%	2.8%	3,567	21%	3,499	22%	1.9%
Life	234	5%	237	6%	-1.2%	905	6%	913	6%	-0.9%
Total consolidated	<u>\$4,363</u>	<u>100%</u>	<u>\$3,848</u>	<u>100%</u>	13.4%	<u>\$16,613</u>	<u>100%</u>	<u>\$15,677</u>	<u>100%</u>	6.0%
Operating income (loss)										
Property, casualty, and all other	\$ 680	82%	\$ 314	64%	116.6%	\$ 2,515	78%	\$ 2,002	76%	25.6%
Agriculture	(20)	-2%	(1)	0%	NM	63	2%	(38)	-1%	NM
Personal accident (A&H) ⁽¹⁾	129	16%	141	28%	-7.4% ⁽²⁾	497	15%	494	19%	0.8%
Life	35	4%	38	8%	-8.3%	142	5%	166	6%	-14.3%
Total consolidated	<u>\$ 824</u>	<u>100%</u>	<u>\$ 492</u>	<u>100%</u>	67.5%	<u>\$ 3,217</u>	<u>100%</u>	<u>\$ 2,624</u>	<u>100%</u>	22.6%

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

(2) A&H operating income for Q4 2013 and Q4 2012 includes non-recurring tax items, including a one off tax benefit in Q4 2013 and a Q4 2012 tax benefit from the favorable resolution of prior years' tax matters. Excluding the non-recurring tax items, A&H operating income increased 3.1%.



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

	<u>4Q-13</u>	<u>Constant \$ 4Q-12 ⁽²⁾</u>	<u>Constant \$ % Change 4Q-13 vs. 4Q-12</u>	<u>Full Year 2013</u>	<u>Constant \$ Full Year 2012 ⁽²⁾</u>	<u>Constant \$ % Change 2013 vs. 2012 ⁽²⁾</u>
Net premiums written						
Property, casualty, agriculture, and all other	\$3,032	\$ 2,468	22.9%	\$12,414	\$ 11,470	8.2%
Personal accident (A&H) ⁽¹⁾	937	896	4.7%	3,655	3,493	4.7%
Life	247	245	0.6%	956	963	-0.8%
Total consolidated	<u>\$4,216</u>	<u>\$ 3,609</u>	16.8%	<u>\$17,025</u>	<u>\$ 15,926</u>	6.9%
Net premiums earned						
Property, casualty, agriculture, and all other	\$3,209	\$ 2,690	19.3%	\$12,141	\$ 11,171	8.7%
Personal accident (A&H) ⁽¹⁾	920	878	4.6%	3,567	3,462	3.0%
Life	234	234	0.0%	905	909	-0.5%
Total consolidated	<u>\$4,363</u>	<u>\$ 3,802</u>	14.8%	<u>\$16,613</u>	<u>\$ 15,542</u>	6.9%
Operating income						
Property, casualty, agriculture, and all other	\$ 660	\$ 311	112.2%	\$ 2,578	\$ 1,955	31.9%
Personal accident (A&H) ⁽¹⁾	129	139	-7.0%	497	490	1.3%
Life	35	39	-9.2%	142	167	-14.7%
Total consolidated	<u>\$ 824</u>	<u>\$ 489</u>	68.4%	<u>\$ 3,217</u>	<u>\$ 2,612</u>	23.1%

(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.



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		Full Year	
	4Q-13	3Q-13	2Q-13	1Q-13	4Q-12	2013	2012	
Gross premiums written	\$2,656	\$3,581	\$3,076	\$2,068	\$2,528	\$11,381	\$10,741	
Net premiums written	1,858	2,305	1,982	1,397	1,518	7,542	7,208	
Net premiums earned	1,937	2,293	1,779	1,390	1,608	7,399	7,019	
Losses and loss expenses	1,438	1,710	1,243	910	1,504	5,301	5,626	
Policy acquisition costs	150	191	162	147	142	650	586	
Administrative expenses	162	158	162	130	153	612	601	
Underwriting income (loss)	187	234	212	203	(191)	836	206	
Net investment income	273	260	257	257	283	1,047	1,091	
Interest expense	2	3	3	(2)	3	6	12	
Other income (expense)—operating	(7)	(11)	(12)	(7)	(8)	(37)	(49)	
Income tax expense (benefit)	69	88	87	87	(89)	331	174	
Operating income	382	392	367	368	170	1,509	1,062	
Net realized gains (losses)	9	10	29	26	26	74	42	
Net realized gains (losses) related to unconsolidated entities	19	16	14	14	21	63	58	
Income tax expense on net realized gains (losses)	10	5	12	9	10	36	26	
Net income	<u>\$ 400</u>	<u>\$ 413</u>	<u>\$ 398</u>	<u>\$ 399</u>	<u>\$ 207</u>	<u>\$ 1,610</u>	<u>\$ 1,136</u>	
Combined ratio								
Loss and loss expense ratio	74.2%	74.6%	69.9%	65.5%	93.6%	71.6%	80.2%	
Policy acquisition cost ratio	7.7%	8.4%	9.1%	10.5%	8.8%	8.8%	8.3%	
Administrative expense ratio	8.5%	6.8%	9.1%	9.4%	9.5%	8.3%	8.6%	
Combined ratio	<u>90.4%</u>	<u>89.8%</u>	<u>88.1%</u>	<u>85.4%</u>	<u>111.9%</u>	<u>88.7%</u>	<u>97.1%</u>	
Combined ratio excluding catastrophe losses and PPD	91.1%	90.1%	87.7%	87.6%	90.0%	89.3%	93.4%	
Catastrophe reinstatement premiums expensed - pre-tax	\$ —	\$ —	\$ (1)	\$ —	\$ (8)	\$ (1)	\$ (8)	
Catastrophe losses - pre-tax	\$ 14	\$ 23	\$ 53	\$ 11	\$ 338	\$ 101	\$ 441	
Unfavorable (favorable) prior period development (PPD) - pre-tax	\$ (28)	\$ (29)	\$ (47)	\$ (43)	\$ 7	\$ (147)	\$ (192)	
Loss and loss expense ratio excluding catastrophe losses and PPD	75.0%	75.0%	69.7%	67.6%	71.8%	72.4%	76.6%	
% Change versus prior year period								
Net premiums written	22.5%	-9.1%	6.6%	8.0%	-6.5%	4.6%	5.2%	
Net premiums earned	20.4%	-7.2%	7.7%	7.9%	-3.2%	5.4%	1.6%	
Other ratios								
Net premiums written/gross premiums written	70%	64%	64%	68%	60%	66%	67%	



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

Insurance—North American P&C ⁽¹⁾

	4Q-13	3Q-13	2Q-13	1Q-13	4Q-12	Full Year 2013	Full Year 2012
Gross premiums written	\$2,439	\$2,135	\$2,327	\$1,819	\$2,236	\$ 8,720	\$ 8,120
Net premiums written	1,602	1,500	1,529	1,284	1,434	5,915	5,349
Net premiums earned	1,511	1,444	1,428	1,338	1,345	5,721	5,147
Losses and loss expenses	985	963	950	878	1,241	3,776	3,715
Policy acquisition costs	153	159	142	143	139	597	558
Administrative expenses	164	153	159	125	157	601	608
Underwriting income (loss)	209	169	177	192	(192)	747	266
Net investment income	266	254	250	251	277	1,021	1,066
Interest expense	1	3	3	(2)	3	5	12
Other income (expense)—operating	1	(3)	(4)	1	—	(5)	(17)
Income tax expense (benefit)	73	75	79	85	(89)	312	203
Operating income	402	342	341	361	171	1,446	1,100
Net realized gains (losses)	9	9	28	26	26	72	41
Net realized gains (losses) related to unconsolidated entities	19	16	14	14	21	63	58
Income tax expense on net realized gains (losses)	10	4	12	9	10	35	26
Net income	<u>\$ 420</u>	<u>\$ 363</u>	<u>\$ 371</u>	<u>\$ 392</u>	<u>\$ 208</u>	<u>\$ 1,546</u>	<u>\$ 1,173</u>
Combined ratio							
Loss and loss expense ratio	65.2%	66.7%	66.6%	65.6%	92.2%	66.0%	72.2%
Policy acquisition cost ratio	10.1%	11.1%	9.9%	10.7%	10.3%	10.4%	10.8%
Administrative expense ratio	10.9%	10.5%	11.1%	9.4%	11.8%	10.5%	11.8%
Combined ratio	<u>86.2%</u>	<u>88.3%</u>	<u>87.6%</u>	<u>85.7%</u>	<u>114.3%</u>	<u>86.9%</u>	<u>94.8%</u>
Combined ratio excluding catastrophe losses and PPD	87.2%	88.3%	87.3%	87.7%	88.4%	87.6%	89.9%
Catastrophe reinstatement premiums expensed - pre-tax	\$ —	\$ —	\$ (1)	\$ —	\$ (8)	\$ (1)	\$ (8)
Catastrophe losses - pre-tax	\$ 12	\$ 21	\$ 50	\$ 11	\$ 334	\$ 94	\$ 430
Unfavorable (favorable) prior period development (PPD) - pre-tax ⁽²⁾	\$ (28)	\$ (19)	\$ (47)	\$ (40)	\$ 8	\$ (134)	\$ (180)
Loss and loss expense ratio excluding catastrophe losses and PPD	66.3%	66.9%	66.5%	67.6%	66.4%	66.8%	67.4%
% Change versus prior year period							
Net premiums written	11.8%	9.3%	11.8%	9.3%	6.0%	10.6%	9.2%
Net premiums earned	12.3%	10.6%	12.7%	8.9%	9.0%	11.1%	3.6%
Other ratios							
Net premiums written/gross premiums written	66%	70%	66%	71%	64%	68%	66%

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

(2) For Q4 2013 and YTD 2013, favorable prior period development is net of \$5 million and \$20 million, respectively, of net earned premium adjustments on loss sensitive policies.



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

Insurance—North American Agriculture ⁽¹⁾

	4Q-13	3Q-13	2Q-13	1Q-13	4Q-12	Full Year 2013	Full Year 2012
Gross premiums written	\$ 217	\$1,446	\$ 749	\$ 249	\$ 292	\$ 2,661	\$ 2,621
Net premiums written	256	805	453	113	84	1,627	1,859
Net premiums earned	426	849	351	52	263	1,678	1,872
Losses and loss expenses ⁽²⁾	453	747	293	32	263	1,525	1,911
Policy acquisition costs	(3)	32	20	4	3	53	28
Administrative expenses	(2)	5	3	5	(4)	11	(7)
Underwriting income (loss)	(22)	65	35	11	1	89	(60)
Net investment income	7	6	7	6	6	26	25
Interest expense	1	—	—	—	—	1	—
Other income (expense)—operating	(8)	(8)	(8)	(8)	(8)	(32)	(32)
Income tax expense (benefit)	(4)	13	8	2	—	19	(29)
Operating income (loss)	(20)	50	26	7	(1)	63	(38)
Net realized gains (losses) ⁽²⁾	—	1	1	—	—	2	1
Net realized gains (losses) related to unconsolidated entities	—	—	—	—	—	—	—
Income tax expense on net realized gains (losses)	—	1	—	—	—	1	—
Net income (loss)	<u>\$ (20)</u>	<u>\$ 50</u>	<u>\$ 27</u>	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ 64</u>	<u>\$ (37)</u>
Combined ratio							
Loss and loss expense ratio	106.3%	88.0%	83.4%	61.9%	100.3%	90.9%	102.1%
Policy acquisition cost ratio	-0.5%	3.8%	5.6%	7.5%	1.2%	3.2%	1.5%
Administrative expense ratio	-0.6%	0.5%	0.9%	9.9%	-2.0%	0.6%	-0.4%
Combined ratio	<u>105.2%</u>	<u>92.3%</u>	<u>89.9%</u>	<u>79.3%</u>	<u>99.5%</u>	<u>94.7%</u>	<u>103.2%</u>
Catastrophe reinstatement premiums - pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses - pre-tax	\$ 2	\$ 2	\$ 3	\$ —	\$ 4	\$ 7	\$ 11
Favorable prior period development (PPD) - pre-tax	\$ —	\$ (10)	\$ —	\$ (3)	\$ (1)	\$ (13)	\$ (12)
Loss and loss expense ratio excluding catastrophe losses and PPD	105.8%	88.9%	82.6%	67.9%	99.3%	91.3%	102.2%
% Change versus prior year period							
Net premiums written	203.6%	-30.8%	-8.0%	-5.1%	-69.0%	-12.5%	-4.7%
Net premiums earned	62.3%	-27.2%	-8.8%	-11.1%	-38.6%	-10.4%	-3.6%
Other ratios							
Net premiums written/gross premiums written	118%	56%	60%	45%	29%	61%	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) Losses from fair value changes on crop derivatives are reclassified from Net realized gains (losses) to Losses and loss expenses for this presentation. Crop derivative losses for YTD 2013 were \$1 million.



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

Insurance—Overseas General

						Full Year	Full Year
	4Q-13	3Q-13	2Q-13	1Q-13	4Q-12	2013	2012
Gross premiums written	\$2,126	\$2,018	\$2,097	\$2,073	\$1,925	\$ 8,314	\$ 7,702
Net premiums written	1,699	1,571	1,630	1,620	1,476	6,520	5,863
Net premiums earned	1,700	1,611	1,563	1,459	1,497	6,333	5,740
Losses and loss expenses	835	712	768	747	832	3,062	2,862
Policy acquisition costs	405	349	360	339	357	1,453	1,353
Administrative expenses	258	263	251	236	239	1,008	935
Underwriting income	202	287	184	137	69	810	590
Net investment income	143	128	136	132	135	539	521
Interest expense	1	1	2	1	1	5	5
Other income (expense)—operating	(13)	(16)	(14)	(5)	(1)	(48)	(6)
Income tax expense (benefit)	52	78	48	24	(44)	202	106
Operating income	279	320	256	239	246	1,094	994
Net realized gains (losses)	(16)	(8)	8	34	44	18	103
Net realized gains (losses) related to unconsolidated entities	4	2	(3)	6	1	9	3
Income tax expense on net realized gains (losses)	(4)	—	2	22	11	20	27
Net income	<u>\$ 271</u>	<u>\$ 314</u>	<u>\$ 259</u>	<u>\$ 257</u>	<u>\$ 280</u>	<u>\$ 1,101</u>	<u>\$ 1,073</u>
Combined ratio							
Loss and loss expense ratio	49.2%	44.2%	49.1%	51.2%	55.5%	48.4%	49.8%
Policy acquisition cost ratio	23.8%	21.6%	23.0%	23.2%	23.8%	22.9%	23.6%
Administrative expense ratio	15.1%	16.4%	16.1%	16.2%	16.1%	15.9%	16.3%
Combined ratio	<u>88.1%</u>	<u>82.2%</u>	<u>88.2%</u>	<u>90.6%</u>	<u>95.4%</u>	<u>87.2%</u>	<u>89.7%</u>
Combined ratio excluding catastrophe losses and PPD	91.6%	89.4%	90.5%	90.7%	92.5%	90.5%	92.2%
Catastrophe reinstatement premiums expensed - pre-tax	\$ —	\$ —	\$ —	\$ —	\$ (8)	\$ —	\$ (8)
Catastrophe losses - pre-tax	\$ 17	\$ 33	\$ 17	\$ 21	\$ 65	\$ 88	\$ 76
Favorable prior period development (PPD) - pre-tax	\$ (76)	\$ (149)	\$ (52)	\$ (22)	\$ (30)	\$ (299)	\$ (226)
Loss and loss expense ratio excluding catastrophe losses and PPD	52.6%	51.4%	51.3%	51.3%	52.9%	51.7%	52.4%
% Change versus prior year period							
Net premiums written as reported	15.1%	13.5%	10.5%	6.0%	7.1%	11.2%	4.2%
Net premiums earned as reported	13.5%	12.5%	10.1%	4.9%	3.2%	10.3%	2.2%
Net premiums written constant \$	18.2%					13.7%	
Net premiums earned constant \$	16.5%					12.7%	
Other ratios							
Net premiums written/gross premiums written	80%	78%	78%	78%	77%	78%	76%



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

Global Reinsurance

						Full Year	Full Year
	4Q-13	3Q-13	2Q-13	1Q-13	4Q-12	2013	2012
Gross premiums written	\$ 154	\$ 264	\$ 345	\$ 294	\$ 149	\$ 1,057	\$ 1,070
Net premiums written	155	265	292	279	146	991	1,025
Net premiums earned	245	239	245	247	254	976	1,002
Losses and loss expenses	104	93	93	106	198	396	553
Policy acquisition costs	49	52	48	48	47	197	172
Administrative expenses	14	12	12	12	13	50	51
Underwriting income (loss)	78	82	92	81	(4)	333	226
Net investment income	71	66	71	72	77	280	290
Interest expense	1	2	1	1	1	5	4
Other income (expense)—operating	2	1	1	—	—	4	1
Income tax expense (benefit)	5	16	7	8	(2)	36	14
Operating income	145	131	156	144	74	576	499
Net realized gains (losses)	7	(5)	31	20	12	53	6
Net realized gains (losses) related to unconsolidated entities	4	6	(3)	8	8	15	14
Income tax expense on net realized gains (losses)	—	—	—	—	—	—	1
Net income	<u>\$ 156</u>	<u>\$ 132</u>	<u>\$ 184</u>	<u>\$ 172</u>	<u>\$ 94</u>	<u>\$ 644</u>	<u>\$ 518</u>
Combined ratio							
Loss and loss expense ratio	42.5%	38.9%	37.7%	43.0%	78.2%	40.5%	55.2%
Policy acquisition cost ratio	20.4%	21.7%	19.9%	19.3%	18.3%	20.3%	17.1%
Administrative expense ratio	5.5%	5.2%	4.6%	5.0%	5.2%	5.1%	5.2%
Combined ratio	<u>68.4%</u>	<u>65.8%</u>	<u>62.2%</u>	<u>67.3%</u>	<u>101.7%</u>	<u>65.9%</u>	<u>77.5%</u>
Combined ratio excluding catastrophe losses and PPD	73.6%	71.0%	70.0%	69.2%	69.9%	70.9%	72.8%
Catastrophe reinstatement premiums collected - pre-tax	\$ 1	\$ 2	\$ 1	\$ —	\$ 9	\$ 4	\$ 11
Catastrophe losses - pre-tax	\$ 6	\$ 24	\$ 11	\$ —	\$ 101	\$ 41	\$ 116
Favorable prior period development (PPD) - pre-tax ⁽¹⁾	\$ (18)	\$ (32)	\$ (29)	\$ (5)	\$ (14)	\$ (84)	\$ (61)
Loss and loss expense ratio excluding catastrophe losses and PPD	47.7%	44.6%	45.3%	44.8%	45.6%	45.6%	50.4%
% Change versus prior year period							
Net premiums written as reported	5.5%	-13.6%	-5.3%	6.1%	12.0%	-3.3%	4.7%
Net premiums earned as reported	-3.7%	-15.0%	3.6%	7.3%	2.3%	-2.6%	0.0%
Net premiums written constant \$	5.3%					-3.3%	
Net premiums earned constant \$	-3.6%					-2.5%	
Other ratios							
Net premiums written/gross premiums written	101%	100%	85%	95%	99%	94%	96%

(1) For YTD 2013, favorable prior period development is net of \$8 million of net earned premium adjustments on loss sensitive policies.



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

Life

	4Q-13	3Q-13	2Q-13	1Q-13	4Q-12	Full Year 2013	Full Year 2012
Gross premiums written	\$526	\$510	\$512	\$528	\$544	\$ 2,076	\$ 2,080
Net premiums written	504	479	487	502	517	1,972	1,979
Net premiums earned	481	467	480	477	489	1,905	1,916
Losses and loss expenses	139	141	145	157	148	582	611
Policy benefits ⁽¹⁾	136	138	110	131	142	515	521
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	(9)	(14)	11	(4)	(11)	(16)	(29)
Policy acquisition costs	97	86	95	80	90	358	334
Administrative expenses	87	85	86	85	91	343	328
Net investment income	64	61	63	63	65	251	251
Life underwriting income ⁽²⁾	95	92	96	91	94	374	402
Interest expense	3	4	4	4	3	15	12
Other income (expense)—operating ⁽¹⁾	(4)	(2)	(7)	(5)	(4)	(18)	(12)
Income tax expense	2	11	9	12	13	34	54
Operating income	86	75	76	70	74	307	324
Net realized gains (losses):							
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	149	39	33	78	138	299	(126)
Foreign exchange gains (losses) and all other	5	4	3	49	51	61	54
Net realized gains (losses) related to unconsolidated entities	(2)	(2)	4	5	(7)	5	(13)
Income tax expense (benefit) on net realized gains (losses)	(1)	(1)	1	1	1	—	4
Net income	<u>\$239</u>	<u>\$117</u>	<u>\$115</u>	<u>\$201</u>	<u>\$255</u>	<u>\$ 672</u>	<u>\$ 235</u>
% Change versus prior year period							
Net premiums written as reported	-2.6%	-1.9%	0.2%	3.0%	3.9%	-0.4%	3.4%
Net premiums earned as reported	-1.5%	-2.7%	0.9%	1.1%	4.2%	-0.6%	3.1%
Net premiums written constant \$ ⁽³⁾	-1.4%					0.2%	
Net premiums earned constant \$	-0.4%					-0.1%	

- (1) (Gains) losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP are reclassified from Other income (expense) for purposes of presenting Life underwriting income. The offsetting movement in the separate account liabilities is included in Policy benefits.
- (2) We assess the performance of our Life business based on Life underwriting income which includes Net investment income and (Gains) losses from fair value changes in separate account assets.
- (3) Net premiums written and deposits breakdown:

	4Q-13	Constant \$ 4Q-12	Constant \$ % Change 4Q-13 vs. 4Q-12	Full Year 2013	Constant \$ Full Year 2012	Constant \$ % Change 2013 vs. 2012
Life excluding life reinsurance ⁽⁴⁾	\$650	\$ 631	3.0%	\$ 2,509	\$ 2,265	10.8%
Life reinsurance including variable annuity	68	76	-11.9%	284	314	-9.8%
Total Life	<u>\$718</u>	<u>\$ 707</u>	<u>1.4%</u>	<u>\$ 2,793</u>	<u>\$ 2,579</u>	<u>8.3%</u>

- (4) Includes deposits collected on universal life and investment contracts of \$214 million for Q4 2013 and \$197 million for Q4 2012 on a constant-dollar basis. For the year, includes deposits of \$821 million for 2013 and \$611 million for 2012 on a constant-dollar basis. Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from revenues.



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

	Unpaid Losses			Net Paid to Incurred Ratio
	Gross	Ceded	Net	
Balance at December 31, 2011	\$37,477	\$11,602	\$25,875	
Losses and loss expenses incurred	2,361	557	1,804	
Losses and loss expenses paid	(2,876)	(931)	(1,945)	108%
Other (incl. foreign exch. revaluation)	285	90	195	
Balance at March 31, 2012	\$37,247	\$11,318	\$25,929	
Losses and loss expenses incurred	2,851	732	2,119	
Losses and loss expenses paid	(2,916)	(893)	(2,023)	95%
Other (incl. foreign exch. revaluation)	(332)	(171)	(161)	
Balance at June 30, 2012	\$36,850	\$10,986	\$25,864	
Losses and loss expenses incurred	4,073	1,026	3,047	
Losses and loss expenses paid	(3,078)	(1,013)	(2,065)	68%
Other (incl. foreign exch. revaluation)	355	163	192	
Balance at September 30, 2012	\$38,200	\$11,162	\$27,038	
Losses and loss expenses incurred	4,642	1,959	2,683	
Losses and loss expenses paid	(4,913)	(1,727)	(3,186)	119%
Other (incl. foreign exch. revaluation)	17	5	12	
Balance at December 31, 2012	\$37,946	\$11,399	\$26,547	
Losses and loss expenses incurred	2,483	557	1,926	
Losses and loss expenses paid	(2,987)	(932)	(2,055)	107%
Other (incl. foreign exch. revaluation)	(360)	(106)	(254)	
Balance at March 31, 2013	\$37,082	\$10,918	\$26,164	
Losses and loss expenses incurred	3,007	757	2,250	
Losses and loss expenses paid	(2,797)	(941)	(1,856)	83%
Other (incl. foreign exch. revaluation)	51	4	47	
Balance at June 30, 2013	\$37,343	\$10,738	\$26,605	
Losses and loss expenses incurred	3,617	962	2,655	
Losses and loss expenses paid	(3,285)	(942)	(2,343)	88%
Other (incl. foreign exch. revaluation)	207	61	146	
Balance at September 30, 2013	\$37,882	\$10,819	\$27,063	
Losses and loss expenses incurred	3,322	805	2,517	
Losses and loss expenses paid	(3,716)	(993)	(2,723)	108%
Other (incl. foreign exch. revaluation)	(45)	(19)	(26)	
Balance at December 31, 2013	\$37,443	\$10,612	\$26,831	
Add net recoverable on paid losses	—	615	(615)	
Balance including net recoverable on paid losses	\$37,443	\$11,227	\$26,216	



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

Net Reinsurance Recoverable by Division

	<u>December 31</u> 2013	<u>September 30</u> 2013	<u>June 30</u> 2013	<u>March 31</u> 2013	<u>December 31</u> 2012
Reinsurance recoverable on paid losses and loss expenses					
Active operations	\$ 376	\$ 387	\$ 450	\$ 409	\$ 464
Brandywine and Other Run-off	356	338	326	284	303
Total	<u>\$ 732</u>	<u>\$ 725</u>	<u>\$ 776</u>	<u>\$ 693</u>	<u>\$ 767</u>
Reinsurance recoverable on unpaid losses and loss expenses					
Active operations	\$ 9,576	\$ 9,843	\$ 9,720	\$ 9,786	\$ 10,199
Brandywine and Other Run-off	1,309	1,335	1,374	1,484	1,551
Total	<u>\$ 10,885</u>	<u>\$ 11,178</u>	<u>\$11,094</u>	<u>\$11,270</u>	<u>\$ 11,750</u>
Gross reinsurance recoverable					
Active operations	\$ 9,952	\$ 10,230	\$10,170	\$10,195	\$ 10,663
Brandywine and Other Run-off	1,665	1,673	1,700	1,768	1,854
Total	<u>\$ 11,617</u>	<u>\$ 11,903</u>	<u>\$11,870</u>	<u>\$11,963</u>	<u>\$ 12,517</u>
Provision for uncollectible reinsurance ⁽¹⁾					
Active operations	\$ (251)	\$ (286)	\$ (274)	\$ (274)	\$ (277)
Brandywine and Other Run-off	(139)	(140)	(154)	(159)	(162)
Total	<u>\$ (390)</u>	<u>\$ (426)</u>	<u>\$ (428)</u>	<u>\$ (433)</u>	<u>\$ (439)</u>
Net reinsurance recoverable					
Active operations	\$ 9,701	\$ 9,944	\$ 9,896	\$ 9,921	\$ 10,386
Brandywine and Other Run-off	1,526	1,533	1,546	1,609	1,692
Total	<u>\$ 11,227</u>	<u>\$ 11,477</u>	<u>\$11,442</u>	<u>\$11,530</u>	<u>\$ 12,078</u>

(1) The provision for uncollectible reinsurance is based on a default analysis applied to gross reinsurance recoverables, net of approximately \$2.5 billion of collateral.



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

	December 31 2013		September 30 2013		June 30 2013		March 31 2013		December 31 2012	
Market Value										
Fixed maturities available for sale	\$ 49,254		\$ 48,529		\$ 47,016		\$ 47,947		\$ 47,306	
Fixed maturities held to maturity	6,263		6,493		6,762		7,213		7,633	
Short-term investments	1,763		1,774		2,425		2,893		2,228	
Total fixed maturities	<u>\$ 57,280</u>		<u>\$ 56,796</u>		<u>\$ 56,203</u>		<u>\$ 58,053</u>		<u>\$ 57,167</u>	
Asset Allocation by Market Value										
Treasury	\$ 2,327	4%	\$ 2,367	4%	\$ 2,578	5%	\$ 2,750	5%	\$ 2,794	5%
Agency	1,454	3%	1,471	3%	1,586	3%	2,090	4%	2,024	4%
Corporate and asset-backed	19,475	34%	19,313	34%	18,972	34%	19,123	33%	18,983	33%
Mortgage-backed	12,273	21%	11,862	21%	11,445	20%	12,064	21%	12,589	22%
Municipal	4,500	8%	4,496	8%	4,451	8%	4,532	7%	3,872	7%
Non-U.S.	15,488	27%	15,513	27%	14,746	26%	14,601	25%	14,677	25%
Short-term investments	1,763	3%	1,774	3%	2,425	4%	2,893	5%	2,228	4%
Total fixed maturities	<u>\$ 57,280</u>	<u>100%</u>	<u>\$ 56,796</u>	<u>100%</u>	<u>\$ 56,203</u>	<u>100%</u>	<u>\$ 58,053</u>	<u>100%</u>	<u>\$ 57,167</u>	<u>100%</u>
Credit Quality by Market Value										
AAA	\$ 8,677	15%	\$ 9,089	16%	\$ 9,408	17%	\$ 9,948	17%	\$ 9,285	16%
AA	21,520	38%	20,716	36%	20,557	36%	22,036	38%	22,014	39%
A	11,168	19%	11,267	20%	11,105	20%	11,150	19%	10,760	19%
BBB	7,193	12%	7,147	13%	6,765	12%	6,596	11%	6,591	12%
BB	4,418	8%	4,120	7%	3,940	7%	4,010	7%	4,146	7%
B	3,940	7%	4,088	7%	4,056	7%	3,956	7%	3,846	6%
Other	364	1%	369	1%	372	1%	357	1%	525	1%
Total fixed maturities	<u>\$ 57,280</u>	<u>100%</u>	<u>\$ 56,796</u>	<u>100%</u>	<u>\$ 56,203</u>	<u>100%</u>	<u>\$ 58,053</u>	<u>100%</u>	<u>\$ 57,167</u>	<u>100%</u>
Cost/Amortized Cost										
Fixed maturities available for sale	\$ 48,406		\$ 47,481		\$ 45,988		\$ 45,470		\$ 44,666	
Fixed maturities held to maturity	6,098		6,306		6,576		6,867		7,270	
Short-term investments	1,763		1,774		2,425		2,893		2,228	
Subtotal fixed maturities	56,267		55,561		54,989		55,230		54,164	
Equity securities	841		835		843		781		707	
Other investments	2,671		2,616		2,543		2,544		2,465	
Total investment portfolio	<u>\$ 59,779</u>		<u>\$ 59,012</u>		<u>\$ 58,375</u>		<u>\$ 58,555</u>		<u>\$ 57,336</u>	
Avg. duration of fixed maturities	4.0 years		4.0 years		4.1 years		4.0 years		3.9 years	
Avg. market yield of fixed maturities	3.0%		2.9%		2.9%		2.3%		2.3%	
Avg. credit quality	A/Aa		A/Aa		A/Aa		A/Aa		A/Aa	
Avg. yield on invested assets	3.8%		3.6%		3.7%		3.7%		3.8%	

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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 December 31, 2013						
Agency residential mortgage-backed (RMBS)	\$ —	\$10,141	\$—	\$—	\$ —	\$10,141
Non-agency RMBS	56	8	26	15	186	291
Commercial mortgage-backed	1,811	13	10	7	—	1,841
Total mortgage-backed securities at market value	\$1,867	\$10,162	\$ 36	\$ 22	\$ 186	\$12,273

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

	S&P Credit Rating					Total
	Investment Grade					
	AAA	AA	A	BBB		
Market Value at December 31, 2013						
Asset-backed		\$542	\$ 91	\$ —	\$ —	\$ 633
Banks		—	—	2,380	320	2,700
Basic Materials		—	—	94	330	424
Communications		—	49	473	773	1,295
Consumer, Cyclical		—	97	288	315	700
Consumer, Non-Cyclical		52	571	867	669	2,159
Diversified Financial Services		—	77	223	114	414
Energy		33	34	192	668	927
Industrial		—	355	328	272	955
Utilities		—	10	541	480	1,031
All Others		54	134	566	549	1,303
Total		\$681	\$1,418	\$5,952	\$4,490	\$12,541

	S&P Credit Rating				Total
	Below Investment Grade				
	BB	B	CCC		
Market Value at December 31, 2013					
Asset-backed		\$ —	\$ 4	\$ 17	\$ 21
Banks		1	4	—	5
Basic Materials		169	136	10	315
Communications		557	439	15	1,011
Consumer, Cyclical		485	619	14	1,118
Consumer, Non-Cyclical		545	873	37	1,455
Diversified Financial Services		134	72	—	206
Energy		730	334	34	1,098
Industrial		345	405	30	780
Utilities		277	22	—	299
All Others		228	385	13	626
Total		\$3,471	\$3,293	\$170	\$6,934



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

Non-U.S. Fixed Income Portfolio

December 31, 2013

Non-U.S. Government Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$1,225	\$ —	\$ —	\$ —	\$ —	\$1,225
Republic of Korea	—	633	44	—	—	677
Canada	566	—	—	—	—	566
United Mexican States	—	1	363	108	—	472
Germany	352	4	—	—	—	356
Province of Ontario	—	337	—	—	—	337
Japan	—	289	—	—	—	289
Federative Republic of Brazil	—	—	201	58	—	259
Kingdom of Thailand	—	—	194	58	—	252
Province of Quebec	—	—	252	—	—	252
Other Non-U.S. Government Securities	706	1,102	223	252	287	2,570
Total	\$2,849	\$2,366	\$1,277	\$ 476	\$ 287	\$7,255

Non-U.S. Corporate Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$ 96	\$ 67	\$ 769	\$ 346	\$ 196	\$1,474
Canada	158	124	300	374	167	1,123
Australia	88	89	304	115	75	671
United States	7	130	102	214	140	593
France	71	61	197	129	75	533
Netherlands	18	258	102	86	24	488
Germany	155	40	131	100	58	484
Euro Supranational	186	50	—	1	—	237
Switzerland	2	22	54	113	39	230
Sweden	58	109	44	3	4	218
Other Non-U.S. Corporate Securities	95	260	736	679	412	2,182
Total	\$ 934	\$1,210	\$2,739	\$2,160	\$ 1,190	\$8,233

Non-U.S. Corporate Investment Portfolio

Countries represent the ultimate parent company's country of risk. Non-U.S. corporate securities could be issued by foreign subsidiaries of U.S. corporations.

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

Fixed Maturity Investment Portfolio

Top 10 Global Corporate Exposures

		Market	
December 31, 2013		Value	Rating
1	JP Morgan Chase & Co	\$ 504	A
2	Goldman Sachs Group Inc	444	A-
3	General Electric Co	414	AA+
4	Wells Fargo & Co	283	A+
5	Citigroup Inc	278	A-
6	Morgan Stanley	274	A-
7	Verizon Communications Inc	263	BBB+
8	Bank of America Corp	258	A-
9	HSBC Holdings Plc	224	A+
10	AT&T INC	198	A-

Investments 4

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

	Three months ended December 31, 2013			Year ended December 31, 2013		
	Net Realized	Net Unrealized	Net Impact	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽¹⁾	Gains (Losses)		Gains (Losses) ⁽¹⁾	Gains (Losses)	
Fixed maturities	\$ 6	\$ (219)	\$ (213)	\$ 90	\$ (1,880)	\$(1,790)
Fixed income derivatives	16	—	16	78	—	78
Total fixed maturities	<u>22</u>	<u>(219)</u>	<u>(197)</u>	<u>168</u>	<u>(1,880)</u>	<u>(1,712)</u>
Public equity	2	—	2	15	(41)	(26)
Private equity	27	17	44	90	51	141
Total equity	<u>29</u>	<u>17</u>	<u>46</u>	<u>105</u>	<u>10</u>	<u>115</u>
Mark-to-market gains from derivative transactions ⁽²⁾	149	—	149	298	—	298
Foreign exchange gains (losses) ⁽²⁾	(16)	—	(16)	29	—	29
Other	(3)	2	(1)	(3)	3	—
Partially-owned entities ⁽³⁾	(2)	—	(2)	—	—	—
Income tax expense (benefit)	5	(55)	(50)	56	(408)	(352)
Net gains (losses)	<u>\$ 174</u>	<u>\$ (145)</u>	<u>\$ 29</u>	<u>\$ 541</u>	<u>\$ (1,459)</u>	<u>\$ (918)</u>

- (1) Other-than-temporary impairments for the quarter includes \$7 million for fixed maturities and \$1 million for public equity. Year to date other-than-temporary impairments includes \$18 million of fixed maturities, \$2 million for private equity, and \$2 million for public equity.
- (2) Includes \$149 million of realized gains from variable annuity reinsurance for the quarter which comprises \$315 million in mark-to-market gains from derivative transactions (including a \$92 million realized gain related to an out-of-period adjustment for an error in a market valuation model), net of \$166 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$6 million. For the year, mark-to-market gains from derivative transactions of \$298 million includes \$299 million of realized gains from variable annuity reinsurance which comprises \$878 million in mark-to-market gains from derivative transactions, net of \$579 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$51 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 December 31, 2012			Year ended December 31, 2012		
	Net Realized	Net Unrealized	Net Impact	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽⁴⁾	Gains (Losses)		Gains (Losses) ⁽⁴⁾	Gains (Losses)	
Fixed maturities	\$ 81	\$ (131)	\$ (50)	\$ 230	\$ 1,005	\$1,235
Fixed income derivatives	(3)	—	(3)	(6)	—	(6)
Total fixed maturities	<u>78</u>	<u>(131)</u>	<u>(53)</u>	<u>224</u>	<u>1,005</u>	<u>1,229</u>
Public equity	6	9	15	4	61	65
Private equity	36	16	52	79	49	128
Total equity	<u>42</u>	<u>25</u>	<u>67</u>	<u>83</u>	<u>110</u>	<u>193</u>
Mark-to-market (losses) from derivative transactions ⁽⁵⁾	138	—	138	(130)	—	(130)
Foreign exchange gains (losses) ⁽⁵⁾	48	—	48	(16)	—	(16)
Other	2	—	2	3	5	8
Partially-owned entities ⁽⁶⁾	(13)	—	(13)	(24)	(4)	(28)
Income tax expense (benefit)	22	(36)	(14)	58	198	256
Net gains (losses)	<u>\$ 273</u>	<u>\$ (70)</u>	<u>\$ 203</u>	<u>\$ 82</u>	<u>\$ 918</u>	<u>\$1,000</u>

- (4) Other-than-temporary impairments for the quarter includes \$7 million for fixed maturities. Year to date other-than-temporary impairments includes \$25 million of fixed maturities, \$7 million for private equity, and \$5 million for public equity.
- (5) Includes \$138 million of realized gains from variable annuity reinsurance for the quarter which comprises \$127 million in mark-to-market gains from derivative transactions and \$11 million of gains on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$35 million. For the year, mark-to-market losses from derivative transactions of \$130 million includes \$126 million of realized losses from variable annuity reinsurance which comprises \$171 million in mark-to-market gains from derivative transactions, net of \$297 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$33 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)

	December 31	September 30	June 30	March 31	December 31	December 31
	2013	2013	2013	2013	2012	2011
Total short-term debt ⁽¹⁾	\$ 1,901	\$ 1,902	\$ 1,901	\$ 1,402	\$ 1,401	\$ 1,251
Total long-term debt	3,807	3,807	3,807	4,307	3,360	3,360
Total debt	\$ 5,708	\$ 5,709	\$ 5,708	\$ 5,709	\$ 4,761	\$ 4,611
Total trust preferred securities	\$ 309	\$ 309	\$ 309	\$ 309	\$ 309	\$ 309
Total shareholders' equity	\$ 28,825	\$ 28,218	\$27,295	\$27,942	\$ 27,531	\$ 24,332
Total capitalization	\$ 34,842	\$ 34,236	\$33,312	\$33,960	\$ 32,601	\$ 29,252
Tangible capital ⁽²⁾	\$ 29,438	\$ 28,771	\$27,917	\$29,051	\$ 27,626	\$ 24,453
Leverage ratios						
Debt/ total capitalization	16.4%	16.7%	17.1%	16.8%	14.6%	15.8%
Debt plus trust preferred securities/ total capitalization	17.3%	17.6%	18.1%	17.7%	15.6%	16.8%
Debt/ tangible capital	19.4%	19.8%	20.4%	19.7%	17.2%	18.9%
Debt plus trust preferred securities/ tangible capital	20.4%	20.9%	21.6%	20.7%	18.4%	20.1%

Note: As of December 31, 2013, there was \$1.2 billion usage of credit facilities on a total commitment of \$1.9 billion.

- (1) Repurchase agreements in the amount of \$851 million matured during the quarter, and there were new repurchase agreements in the amount of \$850 million.
- (2) 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 December 31		Year ended December 31	
	2013	2012	2013	2012
Numerator				
Operating income to common shares	\$ 824	\$ 492	\$ 3,217	\$ 2,624
Net realized gains (losses), net of income tax	174	273	541	82
Net income	<u>\$ 998</u>	<u>\$ 765</u>	<u>\$ 3,758</u>	<u>\$ 2,706</u>
Rollforward of Common Shares Outstanding				
Shares—beginning of period	340,069,972	339,735,109	340,321,534	336,927,276
Repurchase of shares ⁽¹⁾	(564,911)	—	(3,266,531)	(100,000)
Shares issued, excluding option exercises	12,988	55,188	1,080,261	1,092,389
Issued for option exercises	275,886	531,237	1,658,671	2,401,869
Shares—end of period	<u>339,793,935</u>	<u>340,321,534</u>	<u>339,793,935</u>	<u>340,321,534</u>
Denominator				
Weighted average shares outstanding	340,897,890	340,821,273	340,906,490	339,843,438
Effect of other dilutive securities	3,309,307	2,920,626	3,241,085	2,903,512
Adj. wtd. avg. shares outstanding and assumed conversions	<u>344,207,197</u>	<u>343,741,899</u>	<u>344,147,575</u>	<u>342,746,950</u>
Basic earnings per share				
Operating income	\$ 2.41	\$ 1.44	\$ 9.43	\$ 7.72
Net realized gains (losses), net of income tax	0.52	0.80	1.59	0.24
Net income	<u>\$ 2.93</u>	<u>\$ 2.24</u>	<u>\$ 11.02</u>	<u>\$ 7.96</u>
Diluted earnings per share				
Operating income	\$ 2.39	\$ 1.43	\$ 9.35	\$ 7.65
Net realized gains (losses), net of income tax	0.51	0.79	1.57	0.24
Net income	<u>\$ 2.90</u>	<u>\$ 2.22</u>	<u>\$ 10.92</u>	<u>\$ 7.89</u>

(1) For the period January 1, 2014 through January 27, 2014 we repurchased 1 million shares totaling \$97 million, pursuant to a plan adopted under SEC Rule 10b5-1 and in accordance with the provisions of SEC Rule 10b-18.



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

Regulation G — Non-GAAP Financial Measures

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

Operating income, P&C underwriting income, adjusted losses and loss expenses, adjusted realized gains (losses), operating ROE, P&C combined ratio, and P&C combined ratio excluding catastrophe losses and prior period development (PPD) are non-GAAP financial measures and include realized gains and losses associated with fair value changes on our crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. As such, we view changes in the fair value of these derivatives as part of the results of our operations and therefore realized gains and losses from these derivatives are reclassified to losses and loss expenses. Pre-tax losses from fair value changes in these derivatives were \$1 million for YTD 2013.

Global P&C net premiums written is a non-GAAP financial measure and is defined as consolidated net premiums written excluding net premiums written of the company's Life and Insurance – North American Agriculture segments. We believe that this measure is useful and meaningful to investors as it is used by management to assess the company's global P&C operations which are the most economically similar. We exclude the Insurance – North American Agriculture and Life segments because the results of these businesses do not always correlate with the results of our global P&C operations.

Other income (expense) – operating is a non-GAAP financial measure and excludes the portion of net realized gains and losses related to unconsolidated entities from other income (expense). These gains and losses are reported within Net realized gains (losses) and represent the non-operating activities of entities where we hold more than an insignificant percentage of the investee's shares. We exclude these gains and losses from other income (expense) to enhance the understanding of our core results of operations as they are heavily influenced by, and fluctuate in part according to market conditions.

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

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

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

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

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

Life net premiums written and deposits collected, excluding life reinsurance, is a non-GAAP financial measure. Deposits collected on universal life and investment contracts (life deposits) are properly not reflected as revenues in our consolidated statements of operations in accordance with GAAP. However, we include life deposits in presenting growth in our Life business because new life deposits are an important component

of production and key to our efforts to grow our business. However, we exclude results associated with life reinsurance as there is no new life reinsurance business currently being written.

Operating 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.

Book value excluding unrealized gains (losses) on investments, or Adjusted shareholders' equity, is a non-GAAP financial measure and is shareholders' equity excluding unrealized gains (losses) on investments, net of tax. We believe this measure is useful as it removes the effect of changing prices on invested assets which is heavily influenced by market conditions.

Operating return on equity (ROE) or ROE calculated using income excluding net realized gains (losses) is an annualized non-GAAP financial measure and is calculated as operating income divided by average shareholders' equity, as adjusted, for the period. 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 effective tax rate is a non-GAAP financial measure. The numerator excludes tax on net realized gains (losses). The denominator excludes net realized gains (losses), before tax. We exclude net realized gains (losses) and the related tax impact because these amounts are heavily influenced by, and fluctuate in part according to, the availability of market opportunities. Operating effective tax rate should not be viewed as a substitute for effective tax rate determined in accordance with GAAP.

Tangible book value per common share is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. We believe that goodwill and other intangible assets are not indicative of our underlying insurance results or trends and make book value comparisons to less acquisitive peer companies less meaningful. A reconciliation of tangible book value per share is provided on page 23. Tangible book value per common share excluding 2013 acquisitions is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros in order to adjust for the distortive effect of acquisitions.



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

Regulation G—Non-GAAP Financial Measures (continued)

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

	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>2013</u>	<u>2012</u>
Net income, as reported	\$ 998	\$ 916	\$ 891	\$ 953	\$ 765	\$ 3,758	\$ 2,706
Adjusted net realized gains (losses)	154	41	104	206	272	505	78
Net realized gains (losses) related to unconsolidated entities ⁽¹⁾	25	22	12	33	23	92	62
Income tax expense on net realized gains (losses)	5	4	15	32	22	56	58
Operating income	<u>\$ 824</u>	<u>\$ 857</u>	<u>\$ 790</u>	<u>\$ 746</u>	<u>\$ 492</u>	<u>\$ 3,217</u>	<u>\$ 2,624</u>

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

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

	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>2013</u>	<u>2012</u>
Tax expense (benefit), as reported	\$ 88	\$ 155	\$ 115	\$ 122	\$ (135)	\$ 480	\$ 270
Tax expense on net realized gains (losses)	5	4	15	32	22	56	58
Tax expense (benefit), adjusted	<u>\$ 83</u>	<u>\$ 151</u>	<u>\$ 100</u>	<u>\$ 90</u>	<u>\$ (157)</u>	<u>\$ 424</u>	<u>\$ 212</u>
Income before tax, as reported	\$ 1,086	\$1,071	\$1,006	\$1,075	\$ 630	\$ 4,238	\$ 2,976
Less: realized gains (losses)	154	41	104	206	272	505	78
Less: realized gains (losses) related to unconsolidated entities	25	22	12	33	23	92	62
Operating income before tax	<u>\$ 907</u>	<u>\$1,008</u>	<u>\$ 890</u>	<u>\$ 836</u>	<u>\$ 335</u>	<u>\$ 3,641</u>	<u>\$ 2,836</u>
Effective tax rate	8.1%	14.4%	11.5%	11.3%	-21.4%	11.3%	9.1%
Adjustment for tax impact of net realized gains (losses)	1.1%	0.5%	-0.3%	-0.5%	-25.4%	0.3%	-1.6%
Operating effective tax rate	<u>9.2%</u>	<u>14.9%</u>	<u>11.2%</u>	<u>10.8%</u>	<u>-46.8%</u>	<u>11.6%</u>	<u>7.5%</u>

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

	<u>4Q-13</u>	<u>4Q-12</u>	<u>2013</u>	<u>2012</u>
Net income	\$ 998	\$ 765	\$ 3,758	\$ 2,706
Operating income	\$ 824	\$ 492	\$ 3,217	\$ 2,624
Equity—beginning of period, as reported	\$28,218	\$26,963	\$27,531	\$24,332
Less: unrealized gains (losses) on investments, net of deferred tax	1,319	2,703	2,633	1,715
Equity—beginning of period, as adjusted	\$26,899	\$24,260	\$24,898	\$22,617
Equity—end of period, as reported	\$28,825	\$27,531	\$28,825	\$27,531
Less: unrealized gains (losses) on investments, net of deferred tax	1,174	2,633	1,174	2,633
Equity—end of period, as adjusted	\$27,651	\$24,898	\$27,651	\$24,898
Average equity, as reported	\$28,522	\$27,247	\$28,178	\$25,932
Average equity, as adjusted	\$27,275	\$24,579	\$26,275	\$23,758
Operating ROE	12.1%	8.0%	12.2%	11.0%
ROE	14.0%	11.2%	13.3%	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

	December 31 2013	September 30 2013	June 30 2013	March 31 2013	December 31 2012
Shareholders' equity	\$ 28,825	\$ 28,218	\$ 27,295	\$ 27,942	\$ 27,531
Less: goodwill and other intangible assets	5,404	5,465	5,395	4,909	4,975
Numerator for tangible book value per share	<u>\$ 23,421</u>	<u>\$ 22,753</u>	<u>\$ 21,900</u>	<u>\$ 23,033</u>	<u>\$ 22,556</u>
Book value—% change over prior quarter ⁽¹⁾	2.2%	3.4%	-2.3%	1.5%	2.1%
Tangible book value—% change over prior quarter ⁽¹⁾	2.9%	3.9%	-4.9%	2.1%	2.7%
Denominator	<u>339,793,935</u>	<u>340,069,972</u>	<u>340,086,269</u>	<u>340,045,256</u>	<u>340,321,534</u>
Book value per common share	\$ 84.83	\$ 82.98	\$ 80.26	\$ 82.17	\$ 80.90
Tangible book value per common share	\$ 68.93	\$ 66.91	\$ 64.40	\$ 67.74	\$ 66.28

Reconciliation of Book Value

Shareholders' equity, beginning of quarter	\$ 28,218	\$ 27,295	\$ 27,942	\$ 27,531	\$ 26,963
Operating income	824	857	790	746	492
Net realized gains (losses), net of tax	174	59	101	207	273
Net unrealized gains (losses), net of tax	(145)	1	(1,220)	(95)	(70)
Repurchase of shares	(57)	(21)	(58)	(154)	—
Dividend declared on common shares	(174)	(176)	(174)	(168)	(168)
Cumulative translation, net of tax	(66)	114	(168)	(156)	(37)
Pension liability	(11)	(1)	(2)	14	(20)
Other ⁽²⁾	62	90	84	17	98
	<u>\$ 28,825</u>	<u>\$ 28,218</u>	<u>\$ 27,295</u>	<u>\$ 27,942</u>	<u>\$ 27,531</u>

(1) At December 31, 2013, book value increased 4.7% and tangible book value increased 3.8% from December 31, 2012. At December 31, 2013, book value excluding unrealized gains (losses) on investments increased 11.1% from December 31, 2012. Unrealized gains (losses) on investments at December 31, 2013 and 2012 were \$1,174 million and \$2,633 million, respectively.

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



ACE Limited
Glossary

ACE Limited Consolidated comprises all segments including Corporate.

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 ratio: The sum of the loss and loss expense ratio, acquisition cost ratio and the administrative expense ratio excluding life business.

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.

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

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

Average market yield of fixed maturities: Weighted average yield to maturity of our fixed income portfolio based on the market prices of the holdings as of that date.

Average yield on invested assets: Net investment income, excluding non-recurring items, divided by average cost of fixed maturities and other investments, and average market value of equity securities.

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

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

NM: Not meaningful.