

ACE LTD

FORM 8-K (Current report filing)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) – July 22, 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 July 22, 2014, ACE Limited issued a Press Release reporting its second quarter 2014 results and the availability of its second quarter 2014 Financial Supplement. The Press Release and the Financial Supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, Dated July 22, 2014, Reporting Second Quarter 2014 Results
99.2	Second Quarter 2014 Financial Supplement

SIGNATURES

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

ACE LIMITED

By: /s/ Philip V. Bancroft

Philip V. Bancroft
Chief Financial Officer

DATE: July 22, 2014

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated July 22, 2014, Reporting Second Quarter 2014 Results	Furnished herewith
99.2	Second Quarter 2014 Financial Supplement	Furnished herewith



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News Release

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**ACE REPORTS SECOND QUARTER OPERATING INCOME OF \$825 MILLION, UP 4.5%,
 GLOBAL P&C NET PREMIUMS UP 7% IN CONSTANT DOLLARS;
 P&C COMBINED RATIO IS 87.5% AND OPERATING RETURN ON EQUITY IS 11.8%**

- P&C underwriting income up 10%, driven by strong current accident year underwriting income excluding catastrophe losses, which was up 12%, and a current accident year combined ratio of 88.7%
- Net investment income of \$556 million, up over 4%
- Operating cash flow of \$846 million
- Book value per share up 3.8%; book value now exceeds \$30 billion. Tangible book value per share up 3.9% in the quarter and 7% for the year.

ZURICH – July 22, 2014 – ACE Limited (NYSE: ACE) today reported net income for the quarter ended June 30, 2014, of \$2.28 per share, compared with \$2.59 per share for the same quarter last year ⁽¹⁾. Operating income was \$2.42 per share, compared with \$2.29 per share for the same quarter last year. Book value and tangible book value per share increased 3.8% and 3.9%, respectively, from March 31, 2014. Book value and tangible book value per share now stand at \$90.19 and \$73.77, respectively. Operating return on equity for the quarter was 11.8%. The property and casualty (P&C) combined ratio for the quarter was 87.5%.

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

	(Per Share – Diluted)					
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Operating income, net of tax	\$825	\$790	4.5%	\$ 2.42	\$2.29	5.7%
Adjusted net realized gains (losses), net of tax	(46)	101	NM	(0.14)	0.30	NM
Net income	\$779	\$891	(12.5)%	\$ 2.28	\$2.59	(12.0)%

For the six months ended June 30, 2014, net income was \$4.43 per share, compared with \$5.36 per share for 2013. Operating income was \$4.69 per share, compared with \$4.46 per share for 2013. Book value increased \$1.5 billion, up 5.2% from December 31, 2013, and tangible book value increased almost \$1.4 billion, up 5.9%. The P&C combined ratio for the six months ended June 30, 2014, was 88.2%.

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

	(Per Share – Diluted)					
	2014	2013	Change	2014	2013	Change
Operating income, net of tax	\$1,602	\$1,536	4.3%	\$ 4.69	\$4.46	5.2%
Adjusted net realized gains (losses), net of tax	(89)	308	NM	(0.26)	0.90	NM
Net income	<u>\$1,513</u>	<u>\$1,844</u>	<u>(18.0)%</u>	<u>\$ 4.43</u>	<u>\$5.36</u>	<u>(17.4)%</u>

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE’s excellent second quarter results were marked by strong earnings, very good premium revenue growth globally and continued expansion of our business in the majority of markets in which we operate – both developed and developing. After-tax operating income of \$825 million was driven by strong growth in underwriting and good investment income results, which together produced an operating ROE of about 12%. Per share book value increased nearly 4% in the quarter and over 6% for the year.

“P&C underwriting income was up 10% with a combined ratio of 87.5%. The growth in underwriting was driven by current accident year underwriting income before catastrophe losses, which was up nearly 12% as a result of global P&C net earned premium growth of 8.5%, as well as margin improvement in our international business. On the investment side, net investment income was up over 4% – a very good result in this environment which benefited from our strong growth in invested assets.

“P&C net premiums written excluding agriculture were up 7% in constant dollars. This premium growth was well-distributed across the company by territory, product line and customer segment with double-digit contributions from Asia and Latin America and solid single-digit growth in North America and the continent of Europe. Our ability to generate sustained premium revenue growth reflects our deepening presence and capabilities in important long-term growth markets of the world. In two of these, Thailand and Brazil, we either completed or announced acquisitions in the quarter that meaningfully advance our company strategically. With the addition of Samaggi Insurance, ACE is now the largest foreign-owned P&C insurer in Thailand. Similarly, the combination of our existing business in Brazil and Itaú Seguros’s corporate P&C business, which we plan to acquire early next year, will make ACE the largest commercial P&C insurer in that country.”

Operating highlights for the quarter ended June 30, 2014, were as follows:

(in millions of U.S. dollars except for percentages)	<u>2Q 2014</u>	<u>2Q 2013</u>	<u>Change</u>
<u>P&C</u>			
Net premiums written	\$4,061	\$3,904	4.0%
Net premiums written constant-dollar		\$3,885	4.5%
Underwriting income	\$ 478	\$ 434	10.3%
GAAP combined ratio	87.7%	87.9%	
Combined ratio	87.5%	87.9%	
Current accident year underwriting income excluding catastrophe losses	\$ 432	\$ 387	11.9%
Current accident year combined ratio excluding catastrophe losses	88.7%	89.2%	
<u>Global P&C (excludes Agriculture)</u>			
Net premiums written	\$3,673	\$3,451	6.4%
Net premiums written constant-dollar		\$3,432	7.0%
Underwriting income	\$ 451	\$ 399	13.2%
Combined ratio	87.1%	87.7%	
Current accident year underwriting income excluding catastrophe losses	\$ 396	\$ 349	13.8%
Current accident year combined ratio excluding catastrophe losses	88.7%	89.2%	
<u>Agriculture</u>			
Net premiums written	\$ 388	\$ 453	(14.2)%
Underwriting income	\$ 27	\$ 35	(22.7)%
Combined ratio	91.8%	89.9%	
Current accident year underwriting income excluding catastrophe losses	\$ 36	\$ 38	(5.5)%
Current accident year combined ratio excluding catastrophe losses	89.1%	89.1%	

- P&C net premiums earned increased 7.1%, or 7.4% on a constant-dollar basis. Global P&C net premiums earned increased 8.5%, or 8.8% on a constant-dollar basis.
- The P&C expense ratio for the quarter was 29.3% compared with 29.2% last year. The Global P&C expense ratio, which excludes Agriculture, was 31.4% compared with 31.7% last year.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums were \$80 million (2.1 percentage points of the combined ratio) and \$67 million, respectively, compared with \$81 million (2.3 percentage points of the combined ratio) and \$66 million, respectively, last year.
- Favorable prior period development pre-tax and after-tax for the quarter were \$126 million (3.3 percentage points of the combined ratio) and \$106 million, respectively, compared with \$128 million (3.6 percentage points of the combined ratio) and \$109 million, respectively, last year.
- Operating cash flow was \$846 million for the quarter.
- Net loss reserves increased \$298 million in the quarter and the net paid-to-incurred ratio was 90% for the quarter.

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- Net investment income for the quarter increased 4.2% to \$556 million.
 - Net realized and unrealized gains pre-tax totaled \$523 million for the quarter, which included net realized losses of \$45 million and net unrealized gains of \$568 million.
 - Operating return on equity was 11.8% for the quarter and 11.5% year-to-date. Return on equity computed using net income was 10.4% for the quarter and 10.2% year-to-date.
 - Share repurchases totaled \$237 million, or approximately 2.3 million shares, during the quarter. Since the inception of the November 2013 share repurchase authorization, the company has repurchased approximately 7.1 million shares for \$699 million through July 21, 2014.
 - Book value per share increased 3.8% to \$90.19 from \$86.90 at March 31, 2014, and increased 6.3% from \$84.83 at December 31, 2013.
 - Tangible book value per share increased 3.9% to \$73.77 from \$70.97 at March 31, 2014, and increased 7.0% from \$68.93 at December 31, 2013.

Details of financial results by business segment are available in the ACE Limited Financial Supplement. Key segment items for the quarter ended June 30, 2014, include:

- Insurance – North American P&C: Net premiums written increased 6.9%. The combined ratio was 87.1% compared with 87.6%. The current accident year combined ratio excluding catastrophe losses was 87.3%, unchanged from last year.
- Insurance – North American Agriculture: Net premiums written decreased 14.2% driven by lower commodity prices. The combined ratio was 91.8% compared with 89.9%. The current accident year combined ratio excluding catastrophe losses was 89.1%, unchanged from last year.
- Insurance – Overseas General: Net premiums written increased 8.0%, or 8.8% on a constant-dollar basis. The combined ratio was 87.1% compared with 88.2%. The current accident year combined ratio excluding catastrophe losses was 89.3% compared with 90.5%.
- Global Reinsurance: Net premiums written decreased 4.9% for the quarter. The combined ratio was 69.9% compared with 62.2%. The current accident year combined ratio excluding catastrophe losses was 75.4% compared with 70.0%.
- Life segment: Operating income was \$72 million compared with \$76 million. Net premiums written and deposits collected, excluding life reinsurance, increased 14.2% on a constant-dollar basis. International life net premiums written increased 17.9% on a constant-dollar basis.

Please refer to the ACE Limited Financial Supplement, dated June 30, 2014, which is posted on the company's website in the Investor Information section, and access Financial Reports for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, investment portfolio and capital structure.

ACE will hold its second quarter earnings conference call on Wednesday, July 23, 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 888-318-7470 (within the United States) or 719-325-2490 (international), passcode 5083653. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, August 6, 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 5083653.

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. 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).

Adjusted net realized gains (losses), net of tax, includes net realized gains (losses) and net realized gains (losses) recorded in other income (expense) related to unconsolidated subsidiaries, and excludes realized gains and losses from fair value changes on 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. We view changes in the fair value of these derivatives as part of the results of our underwriting operations, and therefore realized gains and losses from these derivatives are reclassified to adjusted losses and loss expenses. The P&C combined ratio includes adjusted losses and loss expenses in the ratio numerator.

Net premiums written on a constant-dollar basis is a financial measure which excludes 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.

Underwriting income, P&C underwriting income, and Global P&C underwriting income are calculated by subtracting losses and loss expenses, policy benefits, policy acquisition costs and administrative expenses from net premiums earned. P&C underwriting income also includes gains (losses) from fair value changes on crop derivatives. 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 adjusted net realized gains (losses). Current accident year underwriting income excluding catastrophe losses is underwriting income adjusted to exclude catastrophe losses and prior period development (PPD). We believe it is useful to exclude catastrophe losses, as they are not predictable as to timing and amount, and PPD as these unexpected loss developments on historical reserves are not indicative of our current underwriting performance. 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 income or income excluding adjusted 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 adjusted net realized gains (losses) because the amount of these gains (losses) is heavily influenced by the availability of market opportunities.

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 and casualty business that may be obscured by these items.

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.

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 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.

Operating return on equity (ROE) or ROE calculated using operating income is an annualized financial measure. The ROE numerator includes income adjusted to exclude adjusted 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 operating income 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.

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.

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.

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)

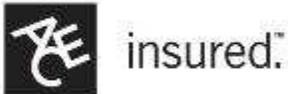
	June 30	December 31
	2014	2013
Assets		
Investments	\$63,620	\$ 60,928
Cash	594	579
Insurance and reinsurance balances receivable	5,316	5,026
Reinsurance recoverable on losses and loss expenses	10,768	11,227
Other assets	17,149	16,750
Total assets	<u>\$97,447</u>	<u>\$ 94,510</u>
Liabilities		
Unpaid losses and loss expenses	\$37,177	\$ 37,443
Unearned premiums	8,296	7,539
Other liabilities	21,649	20,703
Total liabilities	<u>67,122</u>	<u>65,685</u>
Shareholders' equity		
Total shareholders' equity	<u>30,325</u>	<u>28,825</u>
Total liabilities and shareholders' equity	<u>\$97,447</u>	<u>\$ 94,510</u>
Book value per common share	\$ 90.19	\$ 84.83

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

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Gross premiums written	\$ 6,006	\$ 6,030	\$11,380	\$10,993
Net premiums written	4,559	4,391	8,744	8,189
Net premiums earned	4,332	4,067	8,302	7,640
Losses and loss expenses	2,388	2,250	4,549	4,176
Policy benefits	144	110	258	241
Policy acquisition costs	758	665	1,486	1,279
Administrative expenses	566	564	1,101	1,078
Net investment income	556	534	1,109	1,065
Net realized gains (losses)	(73)	104	(177)	310
Interest expense	72	73	143	133
Other income (expense):				
Gains (losses) from separate account assets	17	(11)	11	(7)
Other	8	(26)	31	(20)
Income tax expense	133	115	226	237
Net income	<u>\$ 779</u>	<u>\$ 891</u>	<u>\$ 1,513</u>	<u>\$ 1,844</u>
<i>Diluted earnings per share:</i>				
Operating income	\$ 2.42	\$ 2.29	\$ 4.69	\$ 4.46
Net income	\$ 2.28	\$ 2.59	\$ 4.43	\$ 5.36
Weighted average diluted shares outstanding	341.1	344.1	341.6	344.0
Loss and loss expense ratio	58.4%	58.7%	58.0%	58.0%
Policy acquisition cost ratio	16.6%	15.9%	17.1%	16.5%
Administrative expense ratio	12.7%	13.3%	13.1%	13.6%
GAAP combined ratio	<u>87.7%</u>	<u>87.9%</u>	<u>88.2%</u>	<u>88.1%</u>
P&C underwriting income	\$ 478	\$ 434	\$ 868	\$ 798

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

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Gross Premiums Written				
Insurance – North American P&C	\$ 2,347	\$ 2,327	\$ 4,371	\$ 4,146
Insurance – North American Agriculture	601	749	835	998
Insurance – Overseas General	2,224	2,097	4,485	4,170
Global Reinsurance	308	345	641	639
Life	526	512	1,048	1,040
<i>Total</i>	<u>\$ 6,006</u>	<u>\$ 6,030</u>	<u>\$11,380</u>	<u>\$10,993</u>
Net Premiums Written				
Insurance – North American P&C	\$ 1,635	\$ 1,529	\$ 3,053	\$ 2,813
Insurance – North American Agriculture	388	453	582	566
Insurance – Overseas General	1,760	1,630	3,531	3,250
Global Reinsurance	278	292	586	571
Life	498	487	992	989
<i>Total</i>	<u>\$ 4,559</u>	<u>\$ 4,391</u>	<u>\$ 8,744</u>	<u>\$ 8,189</u>
Net Premiums Earned				
Insurance – North American P&C	\$ 1,542	\$ 1,428	\$ 3,029	\$ 2,766
Insurance – North American Agriculture	330	351	433	403
Insurance – Overseas General	1,709	1,563	3,321	3,022
Global Reinsurance	261	245	545	492
Life	490	480	974	957
<i>Total</i>	<u>\$ 4,332</u>	<u>\$ 4,067</u>	<u>\$ 8,302</u>	<u>\$ 7,640</u>
Operating Income (loss)				
Insurance – North American P&C	\$ 378	\$ 341	\$ 789	\$ 702
Insurance – North American Agriculture	19	26	(6)	33
Insurance – Overseas General	282	256	521	495
Global Reinsurance	146	156	290	300
Life	72	76	149	146
Corporate	(72)	(65)	(141)	(140)
<i>Total</i>	<u>\$ 825</u>	<u>\$ 790</u>	<u>\$ 1,602</u>	<u>\$ 1,536</u>



Financial Supplement

June 30, 2014

Investor Contact

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

Cautionary Statement Regarding Forward-Looking Statements:

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

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



ACE Limited
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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 June 30		% Change	Constant \$	Constant \$	Six months ended June 30		% Change	Constant \$	Constant \$
	2014	2013	2Q-14 vs. 2Q-13	2013 ⁽¹⁾	% Change	2014	2013	YTD-14 vs. YTD-13	2013 ⁽¹⁾	% Change
					2Q-14 vs. 2Q-13 ⁽¹⁾					YTD-14 vs. YTD-13 ⁽¹⁾
Gross premiums written	\$ 6,006	\$ 6,030	-0.4%	\$ 5,990	0.3%	\$ 11,380	\$ 10,993	3.5%	\$ 10,874	4.7%
Net premiums written	\$ 4,559	\$ 4,391	3.8%	\$ 4,362	4.5%	\$ 8,744	\$ 8,189	6.8%	\$ 8,097	8.0%
P&C net premiums written ⁽²⁾	\$ 4,061	\$ 3,904	4.0%	\$ 3,885	4.5%	\$ 7,752	\$ 7,200	7.7%	\$ 7,132	8.7%
Global P&C net premiums written ⁽³⁾	\$ 3,673	\$ 3,451	6.4%	\$ 3,432	7.0%	\$ 7,170	\$ 6,634	8.1%	\$ 6,566	9.2%
Net premiums earned	\$ 4,332	\$ 4,067	6.5%	\$ 4,049	7.0%	\$ 8,302	\$ 7,640	8.7%	\$ 7,550	10.0%
Net investment income	\$ 556	\$ 534	4.2%			\$ 1,109	\$ 1,065	4.1%		
Operating income	\$ 825	\$ 790	4.5%			\$ 1,602	\$ 1,536	4.3%		
Net income	\$ 779	\$ 891	-12.5%			\$ 1,513	\$ 1,844	-18.0%		
Comprehensive income (loss)	\$ 1,348	\$ (499)	NM			\$ 2,456	\$ 217	NM		
Operating cash flow	\$ 846	\$ 895				\$ 2,096	\$ 1,808			
P&C combined ratio ⁽⁴⁾										
Loss and loss expense ratio	58.2%	58.7%				58.0%	58.0%			
Underwriting and administrative expense ratio	29.3%	29.2%				30.2%	30.1%			
Combined ratio	87.5%	87.9%				88.2%	88.1%			
Operating return on equity (ROE)	11.8%	12.3%				11.5%	12.1%			
ROE	10.4%	12.9%				10.2%	13.5%			
Operating effective tax rate	13.7%	11.2%				12.7%	11.0%			
Effective tax rate	14.6%	11.5%				13.0%	11.4%			
Diluted earnings per share										
Operating income	\$ 2.42	\$ 2.29	5.7%			\$ 4.69	\$ 4.46	5.2%		
Net income	\$ 2.28	\$ 2.59	-12.0%			\$ 4.43	\$ 5.36	-17.4%		
								% Change	December	% Change
								2Q-14 vs. 2Q-13	31 2013	2Q-14 vs. 4Q-13
Book value per common share						\$ 90.19	\$ 80.26	12.4%	\$ 84.83	6.3%
Tangible book value per common share						\$ 73.77	\$ 64.40	14.5%	\$ 68.93	7.0%
Tangible book value per common share excluding 2014 acquisition ⁽⁵⁾						\$ 74.15	\$ 64.40	15.1%	\$ 68.93	7.6%
Weighted average basic common shares outstanding	337.8	341.0				338.4	340.9			
Weighted average diluted common shares outstanding	341.1	344.1				341.6	344.0			
Debt plus trust preferred securities/tangible capital						20.0%	21.6%		20.4%	

- (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) Loss and loss expense ratio and combined ratio include the impact of realized gains and losses from fair value changes on crop derivatives. See non-GAAP financial measures.
- (5) For 2014, tangible book value per common share excludes the impact from goodwill and intangibles relating to the acquisition of The Siam Commercial Samagang Insurance PCL of \$126 million.



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

ACE Limited Consolidated

	2Q-14	1Q-14	4Q-13	3Q-13	2Q-13	YTD 2014	YTD 2013	Full Year 2013
Consolidated Results (Including Corporate) Excluding Life Segment ⁽¹⁾								
Gross premiums written	\$5,480	\$4,852	\$4,936	\$5,863	\$5,518	\$10,332	\$9,953	\$ 20,752
Net premiums written	4,061	3,691	3,712	4,141	3,904	7,752	7,200	15,053
Net premiums earned	3,842	3,486	3,882	4,143	3,587	7,328	6,683	14,708
Adjusted losses and loss expenses ⁽²⁾	2,234	2,012	2,378	2,515	2,105	4,246	3,874	8,767
Policy acquisition costs	637	617	605	592	570	1,254	1,104	2,301
Administrative expenses	493	467	483	478	478	960	907	1,868
Underwriting income	478	390	416	558	434	868	798	1,772
Net investment income	490	489	493	461	471	979	939	1,893
Interest expense	69	68	67	68	69	137	125	260
Other income (expense) - operating ⁽³⁾	(26)	(23)	(23)	(29)	(31)	(49)	(53)	(105)
Income tax expense	120	88	81	140	91	208	169	390
Operating income (including Corporate) excluding Life segment	753	700	738	782	714	1,453	1,390	2,910
Life segment operating income	72	77	86	75	76	149	146	307
Consolidated operating income	825	777	824	857	790	1,602	1,536	3,217
Adjusted net realized gains (losses) ⁽²⁾	(81)	(102)	154	41	104	(183)	310	505
Net realized gains (losses) related to unconsolidated entities	36	51	25	22	12	87	45	92
Income tax expense (benefit) on adjusted net realized gains (losses)	1	(8)	5	4	15	(7)	47	56
Consolidated net income	<u>\$ 779</u>	<u>\$ 734</u>	<u>\$ 998</u>	<u>\$ 916</u>	<u>\$ 891</u>	<u>\$ 1,513</u>	<u>\$1,844</u>	<u>\$ 3,758</u>
% Change versus prior year period ⁽¹⁾								
Net premiums written as reported	4.0%	12.0%	18.2%	-2.0%	7.1%	7.7%	7.0%	6.8%
Net premiums earned as reported	7.1%	12.6%	15.5%	-1.0%	8.4%	9.6%	7.5%	6.9%
Net premiums written constant \$	4.5%	13.7%	19.8%	-0.9%	8.6%	8.7%	7.8%	7.8%
Net premiums earned constant \$	7.4%	14.8%	17.0%	-0.1%	9.7%	10.8%	8.3%	7.9%
Other ratios								
Net premiums written/gross premiums written ⁽¹⁾	74%	76%	75%	71%	71%	75%	72%	73%
Operating effective tax rate	13.7%	11.5%	9.2%	14.9%	11.2%	12.7%	11.0%	11.6%
P&C combined ratio ⁽⁴⁾								
Loss and loss expense ratio	58.2%	57.7%	61.3%	60.7%	58.7%	58.0%	58.0%	59.6%
Policy acquisition cost ratio	16.6%	17.7%	15.6%	14.3%	15.9%	17.1%	16.5%	15.7%
Administrative expense ratio	12.7%	13.4%	12.4%	11.5%	13.3%	13.1%	13.6%	12.7%
Combined ratio	<u>87.5%</u>	<u>88.8%</u>	<u>89.3%</u>	<u>86.5%</u>	<u>87.9%</u>	<u>88.2%</u>	<u>88.1%</u>	<u>88.0%</u>
Combined ratio excluding catastrophe losses and PPD	88.7%	88.9%	91.5%	89.8%	89.2%	88.8%	89.3%	90.0%
P&C expense ratio	29.3%	31.1%	28.0%	25.8%	29.2%	30.2%	30.1%	28.4%
P&C expense ratio excluding A&H	26.0%	27.5%	24.0%	21.9%	25.7%	26.7%	26.5%	24.5%
Catastrophe reinstatement premiums collected - pre-tax	\$ —	\$ —	\$ 1	\$ 2	\$ —	\$ —	\$ —	\$ 3
Catastrophe losses - pre-tax	\$ 80	\$ 53	\$ 37	\$ 80	\$ 81	\$ 133	\$ 113	\$ 230
Favorable prior period development (PPD) - pre-tax ⁽⁵⁾	\$ (126)	\$ (62)	\$ (122)	\$ (210)	\$ (128)	\$ (188)	\$ (198)	\$ (530)
Loss and loss expense ratio excluding catastrophe losses and PPD	59.4%	57.5%	63.5%	64.1%	60.0%	58.5%	59.3%	61.8%

- (1) Presented excluding the Life segment. This is a non-GAAP financial measure.
- (2) (Gains) losses from fair value changes on crop derivatives are reclassified from Adjusted net realized gains (losses) to Adjusted losses and loss expenses for this presentation. Crop derivative gains for Q2 2014 and YTD 2014 were \$8 million and \$6 million, respectively.
- (3) Excludes portion of net realized investment gains and losses related to unconsolidated entities.
- (4) Loss and loss expense ratio and combined ratio include the impact of realized gains and losses from fair value changes on crop derivatives. See non-GAAP financial measures.
- (5) For YTD 2014, favorable prior period development includes \$35 million of favorable net earned premium adjustments, all related to the Insurance – North American Agriculture segment.



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

	June 30 2014	March 31 2014	December 31 2013
Assets			
Fixed maturities available for sale, at fair value	\$51,601	\$49,611	\$ 49,254
Fixed maturities held to maturity, at amortized cost	5,774	5,887	6,098
Equity securities, at fair value	907	851	837
Short-term investments, at fair value	2,108	2,526	1,763
Other investments	3,230	3,170	2,976
Total investments	63,620	62,045	60,928
Cash	594	847	579
Securities lending collateral	1,440	1,550	1,632
Insurance and reinsurance balances receivable	5,316	4,761	5,026
Reinsurance recoverable on losses and loss expenses	10,768	10,755	11,227
Deferred policy acquisition costs	2,562	2,402	2,313
Value of business acquired	514	517	536
Prepaid reinsurance premiums	1,867	1,721	1,675
Goodwill and other intangible assets	5,522	5,382	5,404
Deferred tax assets	234	516	616
Investments in partially-owned insurance companies	470	466	470
Other assets	4,540	4,217	4,104
Total assets	<u>\$97,447</u>	<u>\$95,179</u>	<u>\$ 94,510</u>
Liabilities			
Unpaid losses and loss expenses	\$37,177	\$36,866	\$ 37,443
Unearned premiums	8,296	7,791	7,539
Future policy benefits	4,778	4,632	4,615
Insurance and reinsurance balances payable	3,794	3,734	3,628
Securities lending payable	1,441	1,551	1,633
Accounts payable, accrued expenses, and other liabilities	5,419	5,218	4,810
Short-term debt	1,851	1,901	1,901
Long-term debt	4,057	3,808	3,807
Trust preferred securities	309	309	309
Total liabilities	67,122	65,810	65,685
Shareholders' equity			
Total shareholders' equity, excl. AOCI	28,230	27,843	27,673
Accumulated other comprehensive income (AOCI)	2,095	1,526	1,152
Total shareholders' equity	30,325	29,369	28,825
Total liabilities and shareholders' equity	<u>\$97,447</u>	<u>\$95,179</u>	<u>\$ 94,510</u>
Book value per common share	\$ 90.19	\$ 86.90	\$ 84.83
% change over prior quarter	3.8%	2.4%	2.2%
Tangible book value per common share	\$ 73.77	\$ 70.97	\$ 68.93
% change over prior quarter	3.9%	3.0%	3.0%



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

ACE Limited Consolidated

	2Q-14	2Q-13	% Change 2Q-14 vs. 2Q-13	Constant \$ 2Q-13 (2)	Constant \$ % Change 2Q-14 vs. 2Q-13 (2)	YTD 2014	YTD 2013	% Change YTD-14 vs. YTD-13	Constant \$ YTD-13 (2)	Constant \$ % Change YTD-14 vs. YTD-13 (2)
Net premiums written										
Property and all other	\$1,465	\$1,366	7.1%			\$2,837	\$2,588	9.6%		
Casualty	1,494	1,412	5.8%			2,949	2,720	8.4%		
Subtotal	2,959	2,778	6.5%	\$ 2,770	6.7%	5,786	5,308	9.0%	\$ 5,274	9.7%
Agriculture	388	453	-14.2%	453	-14.2%	582	566	3.0%	566	3.0%
Personal accident (A&H) (1)	961	925	3.9%	909	5.7%	1,878	1,839	2.1%	1,795	4.6%
Life	251	235	6.9%	230	9.8%	498	476	4.6%	462	8.0%
Total consolidated	<u>\$4,559</u>	<u>\$4,391</u>	3.8%	<u>\$ 4,362</u>	4.5%	<u>\$8,744</u>	<u>\$8,189</u>	6.8%	<u>\$ 8,097</u>	8.0%
% of Total Consolidated										
Property and all other	32%	31%				32%	32%			
Casualty	33%	32%				34%	33%			
Subtotal	65%	63%				66%	65%			
Agriculture	8%	11%				7%	7%			
Personal accident (A&H) (1)	21%	21%				21%	22%			
Life	6%	5%				6%	6%			
Total consolidated	<u>100%</u>	<u>100%</u>				<u>100%</u>	<u>100%</u>			
Net premiums earned										
Property and all other	\$1,282	\$1,158	10.6%			\$2,534	\$2,225	13.8%		
Casualty	1,542	1,454	6.0%			3,022	2,807	7.7%		
Subtotal	2,824	2,612	8.1%	\$ 2,610	8.2%	5,556	5,032	10.4%	\$ 4,994	11.2%
Agriculture	330	351	-5.7%	351	-5.7%	433	403	7.6%	403	7.6%
Personal accident (A&H) (1)	934	880	6.1%	870	7.4%	1,828	1,754	4.2%	1,715	6.6%
Life	244	224	9.2%	218	11.9%	485	451	7.5%	438	10.6%
Total consolidated	<u>\$4,332</u>	<u>\$4,067</u>	6.5%	<u>\$ 4,049</u>	7.0%	<u>\$8,302</u>	<u>\$7,640</u>	8.7%	<u>\$ 7,550</u>	10.0%
% of Total Consolidated										
Property and all other	29%	28%				31%	29%			
Casualty	36%	36%				36%	37%			
Subtotal	65%	64%				67%	66%			
Agriculture	7%	9%				5%	5%			
Personal accident (A&H) (1)	22%	22%				22%	23%			
Life	6%	5%				6%	6%			
Total consolidated	<u>100%</u>	<u>100%</u>				<u>100%</u>	<u>100%</u>			
Operating income (loss)										
Property, casualty, and all other	\$ 647	\$ 607	6.6%	\$ 613	5.5%	\$1,292	\$1,188	8.8%	\$ 1,189	8.6%
Agriculture	19	26	-25.4%	26	-25.4%	(6)	33	NM	33	NM
Personal accident (A&H) (1)	125	123	2.0%	121	3.7%	239	247	-3.2%	242	-1.1%
Life	34	34	0.0%	34	0.0%	77	68	13.2%	68	13.2%
Total consolidated	<u>\$ 825</u>	<u>\$ 790</u>	4.5%	<u>\$ 794</u>	3.9%	<u>\$1,602</u>	<u>\$1,536</u>	4.3%	<u>\$ 1,532</u>	4.6%
% of Total Consolidated										
Property, casualty, and all other	79%	77%				80%	77%			
Agriculture	2%	3%				0%	2%			
Personal accident (A&H) (1)	15%	16%				15%	17%			
Life	4%	4%				5%	4%			
Total consolidated	<u>100%</u>	<u>100%</u>				<u>100%</u>	<u>100%</u>			

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



ACE Limited
Global P&C Results - Consecutive Quarters
(in millions of U.S. dollars, except ratios)
(Unaudited)

Global P&C includes the company's Insurance – North American P&C segment (refer to page 7), Insurance – Overseas General segment (refer to page 9), Global Reinsurance segment (refer to page 10), and Corporate (not separately disclosed in the Financial Supplement). Global P&C excludes the Insurance – North American Agriculture and Life segments.

Global P&C (Including Corporate)

	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$4,879	\$4,618	\$4,719	\$4,417	\$4,769	\$9,497	\$8,955	\$18,091
Net premiums written	3,673	3,497	3,456	3,336	3,451	7,170	6,634	13,426
Net premiums earned	3,512	3,383	3,456	3,294	3,236	6,895	6,280	13,030
Losses and loss expenses	1,955	1,884	1,925	1,768	1,812	3,839	3,549	7,242
Policy acquisition costs	614	612	608	560	550	1,226	1,080	2,248
Administrative expenses	492	466	485	473	475	958	899	1,857
Underwriting income	451	421	438	493	399	872	752	1,683
Net investment income	484	482	486	455	464	966	926	1,867
Interest expense	69	68	66	68	69	137	125	259
Other income (expense)—operating ⁽¹⁾	(17)	(15)	(15)	(21)	(23)	(32)	(37)	(73)
Income tax expense	115	95	85	127	83	210	159	371
Global P&C operating income	734	725	758	732	688	1,459	1,357	2,847
Net realized gains (losses)	(9)	(26)	—	(3)	67	(35)	146	143
Net realized gains (losses) related to unconsolidated entities	38	53	27	24	8	91	36	87
Income tax expense (benefit) on net realized gains (losses)	1	(5)	6	4	14	(4)	45	55
Global P&C net income	<u>\$ 762</u>	<u>\$ 757</u>	<u>\$ 779</u>	<u>\$ 749</u>	<u>\$ 749</u>	<u>\$1,519</u>	<u>\$1,494</u>	<u>\$ 3,022</u>
% Change versus prior year period								
Net premiums written as reported	6.4%	9.9%	13.1%	8.9%	9.5%	8.1%	8.5%	9.7%
Net premiums earned as reported	8.5%	11.2%	11.6%	9.1%	10.7%	9.8%	8.8%	9.6%
Net premiums written constant \$	7.0%	11.6%	14.7%	10.6%	11.2%	9.2%	9.3%	11.0%
Net premiums earned constant \$	8.8%	13.4%	13.1%	10.5%	12.2%	11.0%	9.7%	10.8%
Other ratios								
Net premiums written/gross premiums written	75%	76%	73%	76%	72%	75%	74%	74%
Combined ratio								
Loss and loss expense ratio	55.7%	55.7%	55.7%	53.7%	56.0%	55.7%	56.5%	55.6%
Policy acquisition cost ratio	17.5%	18.1%	17.6%	17.0%	17.0%	17.8%	17.2%	17.3%
Administrative expense ratio	13.9%	13.8%	14.1%	14.3%	14.7%	13.9%	14.3%	14.2%
Combined ratio	<u>87.1%</u>	<u>87.6%</u>	<u>87.4%</u>	<u>85.0%</u>	<u>87.7%</u>	<u>87.4%</u>	<u>88.0%</u>	<u>87.1%</u>
Combined ratio excluding catastrophe losses and PPD	88.7%	89.0%	89.9%	88.9%	89.2%	88.8%	89.4%	89.4%
Expense ratio	31.4%	31.9%	31.7%	31.3%	31.7%	31.7%	31.5%	31.5%
Expense ratio excluding A&H	28.2%	28.4%	27.9%	27.6%	28.3%	28.3%	28.0%	27.9%
Catastrophe reinstatement premiums collected—pre-tax	\$ —	\$ —	\$ 1	\$ 2	\$ —	\$ —	\$ —	\$ 3
Catastrophe losses—pre-tax	\$ 71	\$ 52	\$ 35	\$ 78	\$ 78	\$ 123	\$ 110	\$ 223
Favorable prior period development (PPD)—pre-tax ⁽²⁾	\$ (126)	\$ (100)	\$ (122)	\$ (200)	\$ (128)	\$ (226)	\$ (195)	\$ (517)
Loss and loss expense ratio excluding catastrophe losses and PPD	57.3%	57.1%	58.3%	57.7%	57.6%	57.2%	57.9%	58.0%

(1) Excludes portion of net realized investment gains and losses related to unconsolidated entities.

(2) For Q2 2014 and YTD 2014, favorable prior period development is net of \$1 million and \$3 million, respectively, of profit-sharing commissions that are included in the expense ratio.



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

The table below combines the company's Insurance – North American P&C segment (refer to page 7) and Insurance – North American Agriculture segment (refer to page 8) into total Insurance – North American business presentation for reference purposes only.

Insurance - North American

	2Q-14	1Q-14	4Q-13	3Q-13	2Q-13	YTD 2014	YTD 2013	Full Year 2013
Gross premiums written	\$2,948	\$2,258	\$2,656	\$3,581	\$3,076	\$5,206	\$5,144	\$11,381
Net premiums written	2,023	1,612	1,858	2,305	1,982	3,635	3,379	7,542
Net premiums earned	1,872	1,590	1,937	2,293	1,779	3,462	3,169	7,399
Losses and loss expenses ⁽¹⁾	1,295	1,068	1,438	1,710	1,243	2,363	2,153	5,301
Policy acquisition costs	175	164	150	191	162	339	309	650
Administrative expenses	176	162	162	158	162	338	292	612
Underwriting income	226	196	187	234	212	422	415	836
Net investment income	271	277	273	260	257	548	514	1,047
Interest expense	2	3	2	3	3	5	1	6
Other income (expense)—operating	(4)	(8)	(7)	(11)	(12)	(12)	(19)	(37)
Income tax expense	94	76	69	88	87	170	174	331
Operating income	397	386	382	392	367	783	735	1,509
Net realized gains (losses) ⁽¹⁾	(11)	(9)	9	10	29	(20)	55	74
Net realized gains (losses) related to unconsolidated entities	19	20	19	16	14	39	28	63
Income tax expense on net realized gains (losses)	2	—	10	5	12	2	21	36
Net income	<u>\$ 403</u>	<u>\$ 397</u>	<u>\$ 400</u>	<u>\$ 413</u>	<u>\$ 398</u>	<u>\$ 800</u>	<u>\$ 797</u>	<u>\$ 1,610</u>
Combined ratio								
Loss and loss expense ratio	69.2%	67.2%	74.2%	74.6%	69.9%	68.3%	67.9%	71.6%
Policy acquisition cost ratio	9.3%	10.3%	7.7%	8.4%	9.1%	9.8%	9.7%	8.8%
Administrative expense ratio	9.4%	10.2%	8.5%	6.8%	9.1%	9.7%	9.3%	8.3%
Combined ratio	<u>87.9%</u>	<u>87.7%</u>	<u>90.4%</u>	<u>89.8%</u>	<u>88.1%</u>	<u>87.8%</u>	<u>86.9%</u>	<u>88.7%</u>
Combined ratio excluding catastrophe losses and PPD	87.6%	87.2%	91.1%	90.1%	87.7%	87.4%	87.7%	89.3%
Catastrophe reinstatement premiums expensed—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ (1)	\$ (1)
Catastrophe losses—pre-tax	\$ 45	\$ 33	\$ 14	\$ 23	\$ 53	\$ 78	\$ 64	\$ 101
Favorable prior period development (PPD)—pre-tax	\$ (39)	\$ (30)	\$ (28)	\$ (29)	\$ (47)	\$ (69)	\$ (90)	\$ (147)
Loss and loss expense ratio excluding catastrophe losses and PPD	68.9%	66.2%	75.0%	75.0%	69.7%	67.7%	68.9%	72.4%
% Change versus prior year period								
Net premiums written	2.1%	15.5%	22.5%	-9.1%	6.6%	7.6%	7.1%	4.6%
Net premiums earned	5.2%	14.4%	20.4%	-7.2%	7.7%	9.2%	7.8%	5.4%
Other ratios								
Net premiums written/gross premiums written	69%	71%	70%	64%	64%	70%	66%	66%

(1) (Gains) losses from fair value changes on crop derivatives are reclassified from Net realized gains (losses) for this presentation.



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

Insurance - North American P&C

	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$2,347	\$2,024	\$2,439	\$2,135	\$2,327	\$4,371	\$4,146	\$ 8,720
Net premiums written	1,635	1,418	1,602	1,500	1,529	3,053	2,813	5,915
Net premiums earned	1,542	1,487	1,511	1,444	1,428	3,029	2,766	5,721
Losses and loss expenses	1,016	940	985	963	950	1,956	1,828	3,776
Policy acquisition costs	152	159	153	159	142	311	285	597
Administrative expenses	175	161	164	153	159	336	284	601
Underwriting income	199	227	209	169	177	426	369	747
Net investment income	265	270	266	254	250	535	501	1,021
Interest expense	2	3	1	3	3	5	1	5
Other income (expense)—operating	5	—	1	(3)	(4)	5	(3)	(5)
Income tax expense	89	83	73	75	79	172	164	312
Operating income	378	411	402	342	341	789	702	1,446
Net realized gains (losses)	(11)	(9)	9	9	28	(20)	54	72
Net realized gains (losses) related to unconsolidated entities	19	20	19	16	14	39	28	63
Income tax expense on net realized gains (losses)	2	—	10	4	12	2	21	35
Net income	<u>\$ 384</u>	<u>\$ 422</u>	<u>\$ 420</u>	<u>\$ 363</u>	<u>\$ 371</u>	<u>\$ 806</u>	<u>\$ 763</u>	<u>\$ 1,546</u>
Combined ratio								
Loss and loss expense ratio	66.0%	63.2%	65.2%	66.7%	66.6%	64.6%	66.1%	66.0%
Policy acquisition cost ratio	9.8%	10.7%	10.1%	11.1%	9.9%	10.3%	10.3%	10.4%
Administrative expense ratio	11.3%	10.8%	10.9%	10.5%	11.1%	11.0%	10.3%	10.5%
Combined ratio	<u>87.1%</u>	<u>84.7%</u>	<u>86.2%</u>	<u>88.3%</u>	<u>87.6%</u>	<u>85.9%</u>	<u>86.7%</u>	<u>86.9%</u>
Combined ratio excluding catastrophe losses and PPD	87.3%	87.1%	87.2%	88.3%	87.3%	87.2%	87.6%	87.6%
Catastrophe reinstatement premiums expensed—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ (1)	\$ (1)
Catastrophe losses—pre-tax	\$ 36	\$ 32	\$ 12	\$ 21	\$ 50	\$ 68	\$ 61	\$ 94
Favorable prior period development (PPD)—pre-tax ⁽¹⁾	\$ (39)	\$ (68)	\$ (28)	\$ (19)	\$ (47)	\$ (107)	\$ (87)	\$ (134)
Loss and loss expense ratio excluding catastrophe losses and PPD	66.2%	65.7%	66.3%	66.9%	66.5%	65.9%	67.1%	66.8%
% Change versus prior year period								
Net premiums written	6.9%	10.5%	11.8%	9.3%	11.8%	8.5%	10.7%	10.6%
Net premiums earned	7.9%	11.2%	12.3%	10.6%	12.7%	9.5%	10.8%	11.1%
Other ratios								
Net premiums written/gross premiums written	70%	70%	66%	70%	66%	70%	68%	68%

(1) For YTD 2014, favorable prior period development is net of \$2 million of profit-sharing commissions that are included in the expense ratio.



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

Insurance - North American Agriculture

	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$ 601	\$ 234	\$ 217	\$1,446	\$ 749	\$ 835	\$ 998	\$ 2,661
Net premiums written	388	194	256	805	453	582	566	1,627
Net premiums earned	330	103	426	849	351	433	403	1,678
Losses and loss expenses ⁽¹⁾	279	128	453	747	293	407	325	1,525
Policy acquisition costs	23	5	(3)	32	20	28	24	53
Administrative expenses	<u>1</u>	<u>1</u>	<u>(2)</u>	<u>5</u>	<u>3</u>	<u>2</u>	<u>8</u>	<u>11</u>
Underwriting income (loss) ⁽²⁾	27	(31)	(22)	65	35	(4)	46	89
Net investment income	6	7	7	6	7	13	13	26
Interest expense	—	—	1	—	—	—	—	1
Other income (expense)—operating	(9)	(8)	(8)	(8)	(8)	(17)	(16)	(32)
Income tax expense (benefit)	<u>5</u>	<u>(7)</u>	<u>(4)</u>	<u>13</u>	<u>8</u>	<u>(2)</u>	<u>10</u>	<u>19</u>
Operating income (loss)	19	(25)	(20)	50	26	(6)	33	63
Net realized gains (losses) excluding gains (losses) from fair value changes on crop derivatives ⁽¹⁾	—	—	—	1	1	—	1	2
Net realized gains (losses) related to unconsolidated entities	—	—	—	—	—	—	—	—
Income tax expense on net realized gains (losses)	—	—	—	1	—	—	—	1
Net income (loss)	<u>\$ 19</u>	<u>\$ (25)</u>	<u>\$ (20)</u>	<u>\$ 50</u>	<u>\$ 27</u>	<u>\$ (6)</u>	<u>\$ 34</u>	<u>\$ 64</u>
Combined ratio								
Loss and loss expense ratio	84.4%	124.6%	106.3%	88.0%	83.4%	93.9%	80.6%	90.9%
Policy acquisition cost ratio	7.0%	4.5%	-0.5%	3.8%	5.6%	6.4%	5.8%	3.2%
Administrative expense ratio	0.4%	1.2%	-0.6%	0.5%	0.9%	0.6%	2.2%	0.6%
Combined ratio	<u>91.8%</u>	<u>130.3%</u>	<u>105.2%</u>	<u>92.3%</u>	<u>89.9%</u>	<u>100.9%</u>	<u>88.6%</u>	<u>94.7%</u>
Combined ratio excluding catastrophe losses and PPD	89.1%	88.9%	104.8%	93.3%	89.1%	89.1%	88.7%	95.1%
Catastrophe reinstatement premiums—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses—pre-tax	\$ 9	\$ 1	\$ 2	\$ 2	\$ 3	\$ 10	\$ 3	\$ 7
Unfavorable (favorable) prior period development (PPD)—pre-tax ⁽³⁾	\$ —	\$ 38	\$ —	\$ (10)	\$ —	\$ 38	\$ (3)	\$ (13)
Loss and loss expense ratio excluding catastrophe losses and PPD	81.8%	78.3%	105.8%	88.9%	82.6%	81.2%	80.7%	91.3%
% Change versus prior year period								
Net premiums written	-14.2%	72.1%	203.6%	-30.8%	-8.0%	3.0%	-7.4%	-12.5%
Net premiums earned	-5.7%	96.8%	62.3%	-27.2%	-8.8%	7.6%	-9.1%	-10.4%
Other ratios								
Net premiums written/gross premiums written	65%	83%	118%	56%	60%	70%	57%	61%

- (1) (Gains) losses from fair value changes on crop derivatives are reclassified from Net realized gains (losses) for this presentation.
- (2) We assess the performance of our Insurance – North American Agriculture segment based on underwriting income which includes (gains) losses from fair value changes on crop derivatives.
- (3) For YTD 2014, unfavorable prior period development is net of \$35 million of favorable net earned premium adjustments and \$1 million of favorable profit-sharing commissions.



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

Insurance - Overseas General

	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$2,224	\$2,261	\$2,126	\$2,018	\$2,097	\$4,485	\$4,170	\$ 8,314
Net premiums written	1,760	1,771	1,699	1,571	1,630	3,531	3,250	6,520
Net premiums earned	1,709	1,612	1,700	1,611	1,563	3,321	3,022	6,333
Losses and loss expenses	830	817	835	712	768	1,647	1,515	3,062
Policy acquisition costs	402	386	405	349	360	788	699	1,453
Administrative expenses	256	250	258	263	251	506	487	1,008
Underwriting income	221	159	202	287	184	380	321	810
Net investment income	136	132	143	128	136	268	268	539
Interest expense	1	1	1	1	2	2	3	5
Other income (expense)—operating	(17)	(9)	(13)	(16)	(14)	(26)	(19)	(48)
Income tax expense	57	42	52	78	48	99	72	202
Operating income	282	239	279	320	256	521	495	1,094
Net realized gains (losses)	14	(10)	(16)	(8)	8	4	42	18
Net realized gains (losses) related to unconsolidated entities	9	15	4	2	(3)	24	3	9
Income tax expense (benefit) on net realized gains (losses)	(2)	(5)	(4)	—	2	(7)	24	20
Net income	<u>\$ 307</u>	<u>\$ 249</u>	<u>\$ 271</u>	<u>\$ 314</u>	<u>\$ 259</u>	<u>\$ 556</u>	<u>\$ 516</u>	<u>\$ 1,101</u>
Combined ratio								
Loss and loss expense ratio	48.6%	50.7%	49.2%	44.2%	49.1%	49.6%	50.1%	48.4%
Policy acquisition cost ratio	23.5%	23.9%	23.8%	21.6%	23.0%	23.7%	23.1%	22.9%
Administrative expense ratio	15.0%	15.5%	15.1%	16.4%	16.1%	15.3%	16.2%	15.9%
Combined ratio	<u>87.1%</u>	<u>90.1%</u>	<u>88.1%</u>	<u>82.2%</u>	<u>88.2%</u>	<u>88.6%</u>	<u>89.4%</u>	<u>87.2%</u>
Combined ratio excluding catastrophe losses and PPD	89.3%	90.5%	91.6%	89.4%	90.5%	89.9%	90.6%	90.5%
Catastrophe reinstatement premiums—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses—pre-tax	\$ 26	\$ 17	\$ 17	\$ 33	\$ 17	\$ 43	\$ 38	\$ 88
Favorable prior period development (PPD)—pre-tax	\$ (63)	\$ (23)	\$ (76)	\$ (149)	\$ (52)	\$ (86)	\$ (74)	\$ (299)
Loss and loss expense ratio excluding catastrophe losses and PPD	50.8%	51.1%	52.6%	51.4%	51.3%	50.9%	51.3%	51.7%
% Change versus prior year period								
Net premiums written as reported	8.0%	9.3%	15.1%	13.5%	10.5%	8.7%	8.2%	11.2%
Net premiums earned as reported	9.4%	10.4%	13.5%	12.5%	10.1%	9.9%	7.5%	10.3%
Net premiums written constant \$	8.8%	12.3%	18.2%	17.4%	13.7%	10.5%	9.9%	13.7%
Net premiums earned constant \$	9.8%	14.6%	16.5%	15.4%	13.0%	12.1%	9.3%	12.7%
Other ratios								
Net premiums written/gross premiums written	79%	78%	80%	78%	78%	79%	78%	78%



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

Global Reinsurance

	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$ 308	\$ 333	\$ 154	\$ 264	\$ 345	\$ 641	\$ 639	\$ 1,057
Net premiums written	278	308	155	265	292	586	571	991
Net premiums earned	261	284	245	239	245	545	492	976
Losses and loss expenses	109	126	104	93	93	235	199	396
Policy acquisition costs	60	67	49	52	48	127	96	197
Administrative expenses	14	14	14	12	12	28	24	50
Underwriting income	78	77	78	82	92	155	173	333
Net investment income	80	77	71	66	71	157	143	280
Interest expense	2	1	1	2	1	3	2	5
Other income (expense) - operating	—	1	2	1	1	1	1	4
Income tax expense	10	10	5	16	7	20	15	36
Operating income	146	144	145	131	156	290	300	576
Net realized gains (losses)	(15)	(8)	7	(5)	31	(23)	51	53
Net realized gains (losses) related to unconsolidated entities	10	18	4	6	(3)	28	5	15
Income tax expense on net realized gains (losses)	—	—	—	—	—	—	—	—
Net income	<u>\$ 141</u>	<u>\$ 154</u>	<u>\$ 156</u>	<u>\$ 132</u>	<u>\$ 184</u>	<u>\$ 295</u>	<u>\$ 356</u>	<u>\$ 644</u>
Combined ratio								
Loss and loss expense ratio	41.7%	44.4%	42.5%	38.9%	37.7%	43.1%	40.3%	40.5%
Policy acquisition cost ratio	23.1%	23.5%	20.4%	21.7%	19.9%	23.3%	19.6%	20.3%
Administrative expense ratio	5.1%	5.0%	5.5%	5.2%	4.6%	5.1%	4.9%	5.1%
Combined ratio	<u>69.9%</u>	<u>72.9%</u>	<u>68.4%</u>	<u>65.8%</u>	<u>62.2%</u>	<u>71.5%</u>	<u>64.8%</u>	<u>65.9%</u>
Combined ratio excluding catastrophe losses and PPD	75.4%	75.1%	73.6%	71.0%	70.0%	75.2%	69.6%	70.9%
Catastrophe reinstatement premiums collected - pre-tax	\$ —	\$ —	\$ 1	\$ 2	\$ 1	\$ —	\$ 1	\$ 4
Catastrophe losses - pre-tax	\$ 9	\$ 3	\$ 6	\$ 24	\$ 11	\$ 12	\$ 11	\$ 41
Favorable prior period development (PPD) - pre-tax	\$ (24)	\$ (9)	\$ (18)	\$ (32)	\$ (29)	\$ (33)	\$ (34)	\$ (84)
Loss and loss expense ratio excluding catastrophe losses and PPD	47.2%	46.5%	47.7%	44.6%	45.3%	46.8%	45.1%	45.6%
% Change versus prior year period								
Net premiums written as reported	-4.9%	10.3%	5.5%	-13.6%	-5.3%	2.5%	-0.1%	-3.3%
Net premiums earned as reported	6.1%	15.5%	-3.7%	-15.0%	3.6%	10.8%	5.4%	-2.6%
Net premiums written constant \$	-5.0%	10.5%	5.3%	-13.5%	-4.2%	2.5%	0.0%	-3.3%
Net premiums earned constant \$	5.5%	15.4%	-3.6%	-14.9%	4.3%	10.4%	5.6%	-2.5%
Other ratios								
Net premiums written/gross premiums written	90%	92%	101%	100%	85%	91%	89%	94%



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

Life

	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$526	\$522	\$526	\$510	\$512	\$1,048	\$1,040	\$ 2,076
Net premiums written	498	494	504	479	487	992	989	1,972
Net premiums earned	490	484	481	467	480	974	957	1,905
Losses and loss expenses	146	151	139	141	145	297	302	582
Policy benefits ⁽¹⁾	144	114	136	138	110	258	241	515
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	(17)	6	(9)	(14)	11	(11)	7	(16)
Policy acquisition costs	121	111	97	86	95	232	175	358
Administrative expenses	73	68	87	85	86	141	171	343
Net investment income	66	64	64	61	63	130	126	251
Life underwriting income ⁽²⁾	89	98	95	92	96	187	187	374
Interest expense	3	3	3	4	4	6	8	15
Other income (expense) - operating ⁽¹⁾	(2)	(5)	(4)	(2)	(7)	(7)	(12)	(18)
Income tax expense	12	13	2	11	9	25	21	34
Operating income	72	77	86	75	76	149	146	307
Net realized gains (losses):								
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	(70)	(67)	149	39	33	(137)	111	299
Foreign exchange gains (losses) and all other	(2)	(9)	5	4	3	(11)	52	61
Net realized gains (losses) related to unconsolidated entities	(2)	(2)	(2)	(2)	4	(4)	9	5
Income tax expense (benefit) on net realized gains (losses)	—	(3)	(1)	(1)	1	(3)	2	—
Net income (loss)	<u>\$ (2)</u>	<u>\$ 2</u>	<u>\$239</u>	<u>\$117</u>	<u>\$115</u>	<u>\$ —</u>	<u>\$ 316</u>	<u>\$ 672</u>
% Change versus prior year period								
Net premiums written as reported	2.2%	-1.6%	-2.6%	-1.9%	0.2%	0.2%	1.6%	-0.4%
Net premiums earned as reported	2.2%	1.3%	-1.5%	-2.7%	0.9%	1.8%	1.0%	-0.6%
Net premiums written constant \$ ⁽³⁾	4.4%	1.1%	-1.4%	-1.0%	0.4%	2.7%	1.5%	0.2%
Net premiums earned constant \$	4.2%	4.0%	-0.4%	-1.9%	1.0%	4.1%	0.9%	-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:

	<u>2Q-14</u>	<u>Constant \$ 2Q-13</u>	<u>Constant \$ % Change 2Q-14 vs. 2Q-13</u>	<u>YTD-14</u>	<u>Constant \$ YTD-2013</u>	<u>Constant \$ % Change YTD-14 vs. YTD-13</u>
Life excluding life reinsurance ⁽⁴⁾	\$715	\$ 625	14.2%	\$1,344	\$ 1,235	8.8%
Life reinsurance including variable annuity	65	72	-8.0%	132	146	-9.2%
Total Life	<u>\$780</u>	<u>\$ 697</u>	<u>11.9%</u>	<u>\$1,476</u>	<u>\$ 1,381</u>	<u>6.9%</u>

- (4) Includes deposits collected on universal life and investment contracts of \$282 million for Q2 2014 and \$219 million for Q2 2013 on a constant-dollar basis. For the year-to-date period, includes deposits of \$484 million for 2014 and \$415 million for 2013 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, 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	
Losses and loss expenses incurred	2,462	301	2,161	
Losses and loss expenses paid	(3,059)	(762)	(2,297)	106%
Other (incl. foreign exch. revaluation)	20	16	4	
Balance at March 31, 2014	\$36,866	\$10,167	\$26,699	
Losses and loss expenses incurred	3,004	616	2,388	
Losses and loss expenses paid	(2,878)	(729)	(2,149)	90%
Other (incl. foreign exch. revaluation)	185	56	129	
Balance at June 30, 2014	\$37,177	\$10,110	\$27,067	
Add net recoverable on paid losses	—	658	(658)	
Balance including net recoverable on paid losses	\$37,177	\$10,768	\$26,409	



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

Net Reinsurance Recoverable by Division

	<u>June 30</u> <u>2014</u>	<u>March 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
Reinsurance recoverable on paid losses and loss expenses			
Active operations	\$ 418	\$ 351	\$ 376
Brandywine and Other Run-off	353	357	356
Total	<u>\$ 771</u>	<u>\$ 708</u>	<u>\$ 732</u>
Reinsurance recoverable on unpaid losses and loss expenses			
Active operations	\$ 9,193	\$ 9,184	\$ 9,576
Brandywine and Other Run-off	1,192	1,249	1,309
Total	<u>\$10,385</u>	<u>\$10,433</u>	<u>\$ 10,885</u>
Gross reinsurance recoverable			
Active operations	\$ 9,611	\$ 9,535	\$ 9,952
Brandywine and Other Run-off	1,545	1,606	1,665
Total	<u>\$11,156</u>	<u>\$11,141</u>	<u>\$ 11,617</u>
Provision for uncollectible reinsurance ⁽¹⁾			
Active operations	\$ (251)	\$ (249)	\$ (251)
Brandywine and Other Run-off	(137)	(137)	(139)
Total	<u>\$ (388)</u>	<u>\$ (386)</u>	<u>\$ (390)</u>
Net reinsurance recoverable			
Active operations	\$ 9,360	\$ 9,286	\$ 9,701
Brandywine and Other Run-off	1,408	1,469	1,526
Total	<u>\$10,768</u>	<u>\$10,755</u>	<u>\$ 11,227</u>

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



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

	<u>June 30</u> <u>2014</u>		<u>March 31</u> <u>2014</u>		<u>December 31</u> <u>2013</u>	
Market Value						
Fixed maturities available for sale	\$ 51,601		\$ 49,611		\$ 49,254	
Fixed maturities held to maturity	6,015		6,080		6,263	
Short-term investments	2,108		2,526		1,763	
Total fixed maturities	<u>\$ 59,724</u>		<u>\$ 58,217</u>		<u>\$ 57,280</u>	
Asset Allocation by Market Value						
Treasury	\$ 2,386	4%	\$ 2,411	4%	\$ 2,327	4%
Agency	1,278	2%	1,349	2%	1,454	3%
Corporate and asset-backed	19,959	33%	19,650	34%	19,475	34%
Mortgage-backed	12,659	21%	12,277	21%	12,273	21%
Municipal	4,872	8%	4,599	8%	4,500	8%
Non-U.S.	16,462	28%	15,405	27%	15,488	27%
Short-term investments	2,108	4%	2,526	4%	1,763	3%
Total fixed maturities	<u>\$ 59,724</u>	<u>100%</u>	<u>\$ 58,217</u>	<u>100%</u>	<u>\$ 57,280</u>	<u>100%</u>
Credit Quality by Market Value						
AAA	\$ 9,073	15%	\$ 9,410	16%	\$ 8,677	15%
AA	22,470	38%	21,652	37%	21,520	38%
A	11,400	19%	11,112	19%	11,168	19%
BBB	7,996	13%	7,306	12%	7,193	12%
BB	4,435	7%	4,451	8%	4,418	8%
B	4,126	7%	3,965	7%	3,940	7%
Other	224	1%	321	1%	364	1%
Total fixed maturities	<u>\$ 59,724</u>	<u>100%</u>	<u>\$ 58,217</u>	<u>100%</u>	<u>\$ 57,280</u>	<u>100%</u>
Cost/Amortized Cost						
Fixed maturities available for sale	\$ 49,719		\$ 48,282		\$ 48,406	
Fixed maturities held to maturity	5,774		5,887		6,098	
Short-term investments	2,108		2,526		1,763	
Subtotal fixed maturities	57,601		56,695		56,267	
Equity securities	874		845		841	
Other investments	2,876		2,823		2,671	
Total investment portfolio	<u>\$ 61,351</u>		<u>\$ 60,363</u>		<u>\$ 59,779</u>	
Avg. duration of fixed maturities	4.0 years		4.0 years		4.0 years	
Avg. market yield of fixed maturities	2.6%		2.8%		3.0%	
Avg. credit quality	A/Aa		A/Aa		A/Aa	
Avg. yield on invested assets	3.7%		3.7%		3.8%	



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

Mortgage-backed Fixed Income Portfolio

Mortgage-backed securities

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Market Value at June 30, 2014						
Agency residential mortgage-backed (RMBS)	\$ —	\$10,563	\$—	\$—	\$ —	\$10,563
Non-agency RMBS	51	7	21	14	51	144
Commercial mortgage-backed	1,923	14	12	3	—	1,952
Total mortgage-backed securities at market value	<u>\$1,974</u>	<u>\$10,584</u>	<u>\$ 33</u>	<u>\$ 17</u>	<u>\$ 51</u>	<u>\$12,659</u>

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

Market Value at June 30, 2014

	S&P Credit Rating					Total
	Investment Grade					
	AAA	AA	A	BBB		
Asset-backed	\$463	\$ 92	\$ —	\$ —		\$ 555
Banks	—	—	2,232	347		2,579
Basic Materials	—	—	90	363		453
Communications	—	51	510	852		1,413
Consumer, Cyclical	—	96	314	433		843
Consumer, Non-Cyclical	51	589	940	689		2,269
Diversified Financial Services	—	79	269	92		440
Energy	32	36	189	758		1,015
Industrial	—	347	362	319		1,028
Utilities	—	11	611	466		1,088
All Others	55	138	611	532		1,336
Total	<u>\$601</u>	<u>\$1,439</u>	<u>\$6,128</u>	<u>\$4,851</u>		<u>\$13,019</u>

Market Value at June 30, 2014

	S&P Credit Rating				Total
	Below Investment Grade				
	BB	B	CCC		
Asset-backed	\$ —	\$ 3	\$ 12		\$ 15
Banks	1	4	—		5
Basic Materials	145	140	8		293
Communications	551	462	5		1,018
Consumer, Cyclical	447	656	31		1,134
Consumer, Non-Cyclical	551	898	33		1,482
Diversified Financial Services	133	87	4		224
Energy	695	319	27		1,041
Industrial	371	360	12		743
Utilities	275	23	—		298
All Others	259	416	12		687
Total	<u>\$3,428</u>	<u>\$3,368</u>	<u>\$144</u>		<u>\$6,940</u>



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

Non-U.S. Fixed Income Portfolio
June 30, 2014

Non-U.S. Government Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$1,123	\$ —	\$ —	\$ —	\$ —	\$1,123
Republic of Korea	—	764	48	—	—	812
Canada	560	—	—	—	—	560
United Mexican States	—	2	333	127	—	462
Kingdom of Thailand	—	—	311	66	—	377
Province of Ontario	—	359	—	—	—	359
Japan	—	302	—	—	—	302
Federative Republic of Germany	281	4	—	—	—	285
Province of Quebec	—	—	270	—	—	270
Federative Republic of Brazil	—	—	—	264	—	264
Other Non-U.S. Government Securities	712	1,144	247	303	367	2,773
Total	<u>\$2,676</u>	<u>\$2,575</u>	<u>\$1,209</u>	<u>\$ 760</u>	<u>\$ 367</u>	<u>\$7,587</u>

Non-U.S. Corporate Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$ 127	\$ 57	\$ 806	\$ 391	\$ 207	\$1,588
Canada	157	125	295	409	164	1,150
Australia	79	118	288	115	63	663
United States	2	127	100	225	166	620
France	62	62	223	133	101	581
Netherlands	33	273	125	96	22	549
Germany	166	31	135	112	33	477
Switzerland	50	17	61	118	51	297
Euro Supranational	237	52	—	—	—	289
Brazil	—	—	29	180	26	235
Other Non-U.S. Corporate Securities	133	394	924	534	441	2,426
Total	<u>\$1,046</u>	<u>\$1,256</u>	<u>\$2,986</u>	<u>\$2,313</u>	<u>\$ 1,274</u>	<u>\$8,875</u>

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.



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

Fixed Maturity Investment Portfolio
Top 10 Global Corporate Exposures

	June 30, 2014	Market Value	Rating
1	JP Morgan Chase & Co	\$ 481	A
2	General Electric Co	407	AA+
3	Goldman Sachs Group Inc	360	A-
4	Wells Fargo & Co	291	A+
5	Verizon Communications Inc	274	BBB+
6	HSBC Holdings Plc	260	A+
7	Morgan Stanley	256	A-
8	Citigroup Inc	251	A-
9	Bank of America Corp	239	A-
10	AT&T INC	235	A-



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

	Three months ended June 30, 2014			Six months ended June 30, 2014		
	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 20	\$ 538	\$ 558	\$ 31	\$ 999	\$ 1,030
Fixed income derivatives	(15)	—	(15)	(40)	—	(40)
Total fixed maturities	5	538	543	(9)	999	990
Public equity	1	24	25	(4)	34	30
Private equity	36	6	42	92	48	140
Total equity	37	30	67	88	82	170
Mark-to-market losses from derivative transactions ⁽²⁾	(69)	—	(69)	(136)	—	(136)
Foreign exchange losses ⁽²⁾	(14)	—	(14)	(23)	—	(23)
Other	(1)	—	(1)	(8)	—	(8)
Partially-owned entities ⁽³⁾	(3)	—	(3)	(8)	—	(8)
Income tax expense (benefit)	1	115	116	(7)	208	201
Net gains (losses)	<u>\$ (46)</u>	<u>\$ 453</u>	<u>\$ 407</u>	<u>\$ (89)</u>	<u>\$ 873</u>	<u>\$ 784</u>

- (1) Other-than-temporary impairments for the quarter includes \$8 million for fixed maturities, \$3 million for private equity, and \$1 million for public equity. Year to date other-than-temporary impairments includes \$13 million for fixed maturities, \$3 million for private equity, and \$7 million for public equity.
- (2) Includes \$70 million of realized losses from variable annuity reinsurance for the quarter which comprises \$2 million in mark-to-market gains from derivative transactions, net of \$72 million of losses on applicable hedges. For the year, the \$137 million of realized losses from variable annuity reinsurance comprises \$46 million in mark-to-market losses from derivative transactions and \$91 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange losses for the year were \$2 million.
- (3) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

	Three months ended June 30, 2013			Six months ended June 30, 2013		
	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 31	\$ (1,466)	\$ (1,435)	\$ 67	\$ (1,657)	\$ (1,590)
Fixed income derivatives	40	—	40	58	—	58
Total fixed maturities	71	(1,466)	(1,395)	125	(1,657)	(1,532)
Public equity	7	(57)	(50)	6	(43)	(37)
Private equity	8	15	23	36	40	76
Total equity	15	(42)	(27)	42	(3)	39
Mark-to-market gains from derivative transactions ⁽⁵⁾	32	—	32	110	—	110
Foreign exchange gains ⁽⁵⁾	(5)	—	(5)	71	—	71
Other	—	—	—	—	1	1
Partially-owned entities ⁽⁶⁾	3	—	3	7	—	7
Income tax expense (benefit)	15	(288)	(273)	47	(344)	(297)
Net gains (losses)	<u>\$ 101</u>	<u>\$ (1,220)</u>	<u>\$ (1,119)</u>	<u>\$ 308</u>	<u>\$ (1,315)</u>	<u>\$ (1,007)</u>

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



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

	June 30 2014	March 31 2014	December 31 2013	December 31 2012
Total short-term debt ^{(1) (2)}	\$ 1,851	\$ 1,901	\$ 1,901	\$ 1,401
Total long-term debt ⁽³⁾	4,057	3,808	3,807	3,360
Total debt	<u>\$ 5,908</u>	<u>\$ 5,709</u>	<u>\$ 5,708</u>	<u>\$ 4,761</u>
Total trust preferred securities	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>
Total shareholders' equity	<u>\$30,325</u>	<u>\$29,369</u>	<u>\$ 28,825</u>	<u>\$ 27,531</u>
Total capitalization	\$36,542	\$35,387	\$ 34,842	\$ 32,601
Tangible capital ⁽⁴⁾	\$31,020	\$30,005	\$ 29,438	\$ 27,626
Leverage ratios				
Debt/ total capitalization	16.2%	16.1%	16.4%	14.6%
Debt plus trust preferred securities/ total capitalization	17.0%	17.0%	17.3%	15.6%
Debt/ tangible capital	19.0%	19.0%	19.4%	17.2%
Debt plus trust preferred securities/ tangible capital	20.0%	20.1%	20.4%	18.4%

Note: As of June 30, 2014, there was \$0.6 billion usage of credit facilities on a total commitment of \$1.4 billion. We did not renew our \$500 million bilateral letter of credit facility that expired in June 2014. We elected instead to satisfy our collateral obligations primarily with insurance trusts supported by our investment portfolio.

- (1) Repurchase agreements in the amount of \$551 million matured during the quarter, and there were new repurchase agreements in the amount of \$551 million.
- (2) In May 2014, we reclassified \$450 million of 5.6 percent senior notes, due to mature in less than one year (May 2015), from Long-term debt to Short-term debt. In June 2014, \$500 million of 5.875 percent senior notes matured and were fully paid.
- (3) During Q2 2014, we issued \$700 million par value of 3.35 percent senior notes due May 2024.
- (4) Tangible capital is equal to total capitalization less goodwill and other intangible assets.



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

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Numerator				
Operating income to common shares	\$ 825	\$ 790	\$ 1,602	\$ 1,536
Adjusted net realized gains (losses), net of income tax	(46)	101	(89)	308
Net income	<u>\$ 779</u>	<u>\$ 891</u>	<u>\$ 1,513</u>	<u>\$ 1,844</u>
Rollforward of Common Shares Outstanding				
Shares - beginning of period	337,974,644	340,045,256	339,793,935	340,321,534
Repurchase of shares ⁽¹⁾	(2,306,000)	(654,776)	(5,793,882)	(2,463,076)
Shares issued, excluding option exercises	135,079	117,445	1,311,675	1,064,981
Issued for option exercises	421,866	578,344	913,861	1,162,830
Shares - end of period	<u>336,225,589</u>	<u>340,086,269</u>	<u>336,225,589</u>	<u>340,086,269</u>
Denominator				
Weighted average shares outstanding	337,846,228	341,047,290	338,353,260	340,913,450
Effect of other dilutive securities	3,286,359	3,053,975	3,267,499	3,120,263
Adj. wtd. avg. shares outstanding and assumed conversions	<u>341,132,587</u>	<u>344,101,265</u>	<u>341,620,759</u>	<u>344,033,713</u>
Basic earnings per share				
Operating income	\$ 2.44	\$ 2.31	\$ 4.73	\$ 4.50
Adjusted net realized gains (losses), net of income tax	(0.14)	0.30	(0.26)	0.91
Net income	<u>\$ 2.30</u>	<u>\$ 2.61</u>	<u>\$ 4.47</u>	<u>\$ 5.41</u>
Diluted earnings per share				
Operating income	\$ 2.42	\$ 2.29	\$ 4.69	\$ 4.46
Adjusted net realized gains (losses), net of income tax	(0.14)	0.30	(0.26)	0.90
Net income	<u>\$ 2.28</u>	<u>\$ 2.59</u>	<u>\$ 4.43</u>	<u>\$ 5.36</u>

(1) For the period July 1, 2014 through July 21, 2014 we repurchased 700 thousand shares totaling \$73 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 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).

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.

Adjusted net realized gains (losses) is a non-GAAP financial measure that excludes realized gains and losses from fair value changes on 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. We view changes in the fair value of these derivatives as part of the results of our underwriting operations and therefore realized gains and losses from these derivatives are reclassified to Adjusted losses and loss expenses (a non-GAAP financial measure). Adjusted losses and loss expenses include gains and losses from fair value changes on crop derivatives. P&C loss and loss expense ratio and P&C combined ratio (both non-GAAP financial measures) include adjusted losses and loss expenses in the ratio numerator. For the three months ended June 30, 2014, the GAAP combined ratio is 87.7% and the P&C combined ratio is 87.5%, including the impact of fair value changes on crop derivatives.

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). P&C underwriting income is a non-GAAP financial measure which includes Adjusted losses and loss expenses. Insurance – North American Agriculture underwriting income includes gains (losses) from fair value changes on crop derivatives. 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.

Operating income or income excluding adjusted 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 adjusted 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 adjusted net realized gains (losses) should not be viewed as a substitute for net income determined in accordance with GAAP.

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 as 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.

P&C combined ratio excluding catastrophe losses and prior period development (PPD) is a non-GAAP financial measure. The ratio numerator includes adjusted 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.

P&C loss and loss expense ratio excluding the impact of catastrophe losses and PPD is a non-GAAP financial measure. The loss ratio numerator includes adjusted 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.

P&C expense ratio excluding accident and health (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.

Global P&C performance metrics are non-GAAP financial measures and 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.

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 not reflected as revenues in our consolidated statements of operations in accordance with GAAP. However, we include life deposits in presenting growth in our Life business because new life deposits are an important component of production and key to our efforts to grow our business. However, we exclude results associated with life reinsurance as there is no new life reinsurance business currently being written.

Operating return on equity (ROE) or ROE calculated using operating income 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 adjusted net realized gains (losses). The denominator excludes adjusted net realized gains (losses), before tax. We exclude adjusted 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 a non-GAAP financial measure and 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 2014 acquisition 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 2014 acquisition of The Siam Commercial Samaggi Insurance PCL 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:

	2Q-14	1Q-14	4Q-13	3Q-13	2Q-13	YTD 2014	YTD 2013	Full Year 2013
Net income, as reported	\$779	\$ 734	\$998	\$916	\$891	\$1,513	\$1,844	\$ 3,758
Adjusted net realized gains (losses)	(81)	(102)	154	41	104	(183)	310	505
Net realized gains (losses) related to unconsolidated entities ⁽¹⁾	36	51	25	22	12	87	45	92
Income tax expense (benefit) on adjusted net realized gains (losses)	1	(8)	5	4	15	(7)	47	56
Operating income	<u>\$825</u>	<u>\$ 777</u>	<u>\$824</u>	<u>\$857</u>	<u>\$790</u>	<u>\$1,602</u>	<u>\$1,536</u>	<u>\$ 3,217</u>

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

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

	2Q-14	1Q-14	4Q-13	3Q-13	2Q-13	YTD 2014	YTD 2013	Full Year 2013
Tax expense, as reported	\$ 133	\$ 93	\$ 88	\$ 155	\$ 115	\$ 226	\$ 237	\$ 480
Tax expense (benefit) on adjusted net realized gains (losses)	1	(8)	5	4	15	(7)	47	56
Tax expense, adjusted	<u>\$ 132</u>	<u>\$ 101</u>	<u>\$ 83</u>	<u>\$ 151</u>	<u>\$ 100</u>	<u>\$ 233</u>	<u>\$ 190</u>	<u>\$ 424</u>
Income before tax, as reported	\$ 912	\$ 827	\$1,086	\$1,071	\$1,006	\$1,739	\$2,081	\$ 4,238
Less: adjusted realized gains (losses)	(81)	(102)	154	41	104	(183)	310	505
Less: realized gains (losses) related to unconsolidated entities	36	51	25	22	12	87	45	92
Operating income before tax	<u>\$ 957</u>	<u>\$ 878</u>	<u>\$ 907</u>	<u>\$1,008</u>	<u>\$ 890</u>	<u>\$1,835</u>	<u>\$1,726</u>	<u>\$ 3,641</u>
Effective tax rate	14.6%	11.3%	8.1%	14.4%	11.5%	13.0%	11.4%	11.3%
Adjustment for tax impact of adjusted net realized gains (losses)	-0.9%	0.2%	1.1%	0.5%	-0.3%	-0.3%	-0.4%	0.3%
Operating effective tax rate	<u>13.7%</u>	<u>11.5%</u>	<u>9.2%</u>	<u>14.9%</u>	<u>11.2%</u>	<u>12.7%</u>	<u>11.0%</u>	<u>11.6%</u>

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

	2Q-14	2Q-13	YTD 2014	YTD 2013	Full Year 2013
Net income	\$ 779	\$ 891	\$ 1,513	\$ 1,844	\$ 3,758
Operating income	\$ 825	\$ 790	\$ 1,602	\$ 1,536	\$ 3,217
Equity - beginning of period, as reported	\$29,369	\$27,942	\$28,825	\$27,531	\$27,531
Less: unrealized gains (losses) on investments, net of deferred tax	1,594	2,538	1,174	2,633	2,633
Equity - beginning of period, as adjusted	<u>\$27,775</u>	<u>\$25,404</u>	<u>\$27,651</u>	<u>\$24,898</u>	<u>\$24,898</u>
Equity - end of period, as reported	\$30,325	\$27,295	\$30,325	\$27,295	\$28,825
Less: unrealized gains (losses) on investments, net of deferred tax	2,047	1,318	2,047	1,318	1,174
Equity - end of period, as adjusted	<u>\$28,278</u>	<u>\$25,977</u>	<u>\$28,278</u>	<u>\$25,977</u>	<u>\$27,651</u>
Average equity, as reported	\$29,847	\$27,619	\$29,575	\$27,413	\$28,178
Average equity, as adjusted	<u>\$28,027</u>	<u>\$25,691</u>	<u>\$27,965</u>	<u>\$25,438</u>	<u>\$26,275</u>
Operating ROE	11.8%	12.3%	11.5%	12.1%	12.2%
ROE	10.4%	12.9%	10.2%	13.5%	13.3%



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

Reconciliation of Book Value per Common Share

	June 30 2014	March 31 2014	December 31 2013	June 30 2013
Shareholders' equity	\$ 30,325	\$ 29,369	\$ 28,825	\$ 27,295
Less: goodwill and other intangible assets	5,522	5,382	5,404	5,395
Numerator for tangible book value per share	<u>\$ 24,803</u>	<u>\$ 23,987</u>	<u>\$ 23,421</u>	<u>\$ 21,900</u>
Book value - % change over prior quarter ⁽¹⁾	3.3%	1.9%	2.2%	-2.3%
Tangible book value - % change over prior quarter (1)	3.4%	2.4%	2.9%	-4.9%
Denominator	<u>336,225,589</u>	<u>337,974,644</u>	<u>339,793,935</u>	<u>340,086,269</u>
Book value per common share	\$ 90.19	\$ 86.90	\$ 84.83	\$ 80.26
Tangible book value per common share	\$ 73.77	\$ 70.97	\$ 68.93	\$ 64.40

Reconciliation of Book Value

Shareholders' equity, beginning of quarter	\$ 29,369	\$ 28,825	\$ 28,218	\$ 27,942
Operating income	825	777	824	790
Adjusted net realized gains (losses), net of tax	(46)	(43)	174	101
Net unrealized gains (losses), net of tax	453	420	(145)	(1,220)
Repurchase of shares	(237)	(332)	(57)	(58)
Dividend declared on common shares ⁽²⁾	(223)	(256)	(174)	(174)
Cumulative translation, net of tax	119	(41)	(66)	(168)
Pension liability	(3)	(5)	(11)	(2)
Other ⁽³⁾	68	24	62	84
	<u>\$ 30,325</u>	<u>\$ 29,369</u>	<u>\$ 28,825</u>	<u>\$ 27,295</u>

(1) At June 30, 2014, book value increased 5.2% and tangible book value increased 5.9% from December 31, 2013.

(2) The March 31, 2014 amount includes a \$0.12 per share increase related to the Q4 2013 dividend installment approved by our shareholders on January 10, 2014.

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



ACE Limited Consolidated comprises all segments including Corporate.

Operating return on equity (ROE) or ROE calculated using income excluding adjusted net realized gains (losses): Operating income or income excluding adjusted 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 adjusted net realized gains (losses) divided by income excluding adjusted 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 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.