

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) – January 29, 2013

ACE LIMITED

(Exact name of registrant as specified in its charter)

Switzerland
(State or other jurisdiction of
Incorporation)

1-11778
(Commission
File Number)

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

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

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

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

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

On January 29, 2013, ACE Limited issued a Press Release reporting its fourth quarter 2012 results and the availability of its fourth quarter 2012 Financial Supplement. The Press Release and the Financial Supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, Dated January 29, 2013, Reporting Fourth Quarter 2012 Results
99.2	Fourth Quarter 2012 Financial Supplement

SIGNATURES

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

ACE LIMITED

By: /s/ Philip V. Bancroft
Philip V. Bancroft
Chief Financial Officer

DATE: January 29, 2013

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated January 29, 2013, Reporting Fourth Quarter 2012 Results	Furnished herewith
99.2	Fourth Quarter 2012 Financial Supplement	Furnished herewith



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News Release

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**ACE REPORTS FOURTH QUARTER OPERATING INCOME OF \$492 MILLION
AFTER SUPERSTORM SANDY LOSSES OF \$393 MILLION AFTER-TAX;
BOOK VALUE UP 2.1% IN QUARTER WITH OPERATING ROE OF 8%**

- **Book value and tangible book value up 13.1% and 15.5% for the year**
- **Full-year net income up over 75% and operating income up over 12%**
- **Full-year combined ratio was 93.9%; operating ROE was 11.0%**
- **Total net premiums written up 6.0% for the year in constant dollars and 9.1% excluding crop insurance**
- **Full-year underwriting income was \$1.2 billion, up over 11%**
- **Full-year investment income was \$2.2 billion, down 2.8%**
- **Operating cash flow was \$4 billion for the year**

ZURICH — January 29, 2013 — ACE Limited (NYSE: ACE) today reported net income for the quarter ended December 31, 2012, of \$2.22 per share, compared with \$2.15 per share for the same quarter last year. ⁽¹⁾ Income excluding net realized gains (losses) was \$1.43 per share, compared with \$1.90 per share for the same quarter last year. ⁽²⁾ After-tax catastrophe losses for the fourth quarter 2012 were \$400 million, net of reinsurance and including reinstatement premiums, or \$1.16 per share, compared with \$137 million, or \$0.40 per share, for the same quarter last year. Book value and tangible book value increased 2.1% and 2.7%, respectively, from September 30, 2012. Book value and tangible book value per share now stand at \$80.90 and \$66.28, respectively. Operating return on equity (ROE) for the quarter was 8.0%. ⁽²⁾ The property and casualty (P&C) combined ratio for the quarter was 105.5%, which includes net pre-tax losses from Superstorm Sandy of \$502 million (\$393 million after-tax) and a pre-tax charge for asbestos and environmental and other run-off business of \$140 million (\$90 million after-tax). Operating income includes a tax benefit of \$121 million from the favorable resolution of prior years' tax matters.

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

	2012	2011	Change	(Per Share - Diluted)		
				2012	2011	Change
Net income	\$765	\$735	4%	\$2.22	\$2.15	3%
Net realized gains (losses), net of tax	273	87	214%	0.79	0.25	216%
Income excluding net realized gains (losses), net of tax ⁽²⁾	\$492	\$648	(24)%	\$1.43	\$1.90	(25)%

For the year ended December 31, 2012, net income was \$7.89 per share, compared with \$4.52 per share for 2011. Income excluding net realized gains (losses) was \$7.65 per share, compared with \$6.84 per share for 2011. Book value increased \$3.2 billion, up 13.1% from December 31, 2011, and tangible book value increased \$3.0 billion, up 15.5%. The P&C combined ratio for the year was 93.9%.

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

	2012	2011	Change	(Per Share - Diluted)		
				2012	2011	Change
Net income	\$2,706	\$1,540	76%	\$7.89	\$ 4.52	75%
Net realized gains (losses), net of tax	82	(791)	NM	0.24	(2.32)	NM
Income excluding net realized gains (losses), net of tax ⁽²⁾	\$2,624	\$2,331	13%	\$7.65	\$ 6.84	12%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had a good fourth quarter, which contributed to an excellent year. Even with the impact of Superstorm Sandy, we produced over \$490 million of operating income and increased book value per share 2%. These results continue to demonstrate the strength of our underwriting culture and balance sheet, and the benefits of our globally diversified business.

“For the year, after-tax operating income was \$2.6 billion, up 13% from 2011. We produced \$1.2 billion in underwriting income – an increase of 11% over prior year – and a combined ratio of 93.9%. This is an excellent underwriting result, particularly given the worst drought conditions in the U.S. in 25 years as well as the losses from Sandy. We also produced strong investment results, with investment income down less than 3% – a good performance considering record low interest rates. Our operating ROE was 11% and per share book value grew 12% for the year, bringing three-year and five-year compounded annual book value per share growth to 11.4% and 10.7%, respectively.

“Net premiums globally grew 6% for the year and in constant dollars – 9% excluding our crop insurance business. Our premium revenue growth is benefiting from an improved price environment in the U.S., our large and growing business presence around the world in Asia, Latin America and Europe, and our unique and balanced portfolio of insurance products including commercial, specialty and personal P&C,

personal accident and life. Insurance pricing in the U.S. continues to improve and price increases are spreading to more product classes – a trend that has continued into the first quarter. With low interest rates pressuring industry returns, we expect this orderly and rational trend of price increases to continue. For our company, a continued focus on underwriting discipline, enhanced through the use of portfolio management and data analytics, is contributing significantly to both our premium growth and underwriting profitability, and we expect this discipline will continue to make a notable difference in our results going forward.”

Operating highlights for the quarter and full year ended December 31, 2012, were as follows: ⁽¹⁾

- For the quarter, P&C net premiums written increased 0.3%, and 0.7% on a constant-dollar basis. Excluding the company’s crop insurance business, P&C net premiums written increased 7.2%, and 7.8% on a constant-dollar basis. For the year, P&C net premiums written increased 4.7%, and 6.3% on a constant-dollar basis. Excluding the crop insurance business, P&C net premiums written for the year increased 8.0%, and 9.9% on a constant-dollar basis.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums for the quarter were \$511 million, and \$400 million, respectively, which included Superstorm Sandy losses of \$502 million and \$393 million pre-tax and after-tax, respectively. Total pre-tax and after-tax catastrophe losses for the same quarter in 2011 were \$155 million and \$137 million, respectively.
- The P&C combined ratio for the quarter was 105.5%, which includes losses from Superstorm Sandy and a pre-tax charge for asbestos and environmental and other run-off business reserve strengthening of \$140 million (\$90 million after-tax).
- The P&C current accident year combined ratio for the quarter excluding catastrophe losses improved to 91.4% compared with 92.0% last year. Excluding crop insurance and catastrophe losses, the P&C current accident year combined ratio for the quarter was 90.9% compared with 92.9% last year.
- Favorable prior period development pre-tax for the quarter, including the charge for asbestos and environmental, was \$37 million, representing 1.1 percentage points of the combined ratio. The quarter included a reserve charge for asbestos and environmental and other run-off business of \$140 million of which \$118 million was a pre-tax addition to our asbestos and environmental reserves.
- The P&C expense ratio for the quarter was 30.0% compared with 29.6% last year. For the year, the P&C expense ratio was 28.2% compared with 28.7% in 2011.
- Operating cash flow was \$970 million for the quarter and \$4.0 billion for the year.
- Net loss reserves increased \$780 million for the year.
- The underwriting loss ⁽²⁾ for the quarter was \$90 million. Underwriting income ⁽²⁾ for the year was up 11.2% to \$1.24 billion compared with \$1.12 billion in 2011.
- Net investment income for the quarter was \$567 million compared with \$565 million in 2011. The quarterly amount included \$42 million of greater than expected private equity and other distributions and the income benefit of an insurance contract classified as a deposit. Net investment income for the year was \$2.2 billion, down 2.8% compared to last year.
- The operating effective tax rate ⁽²⁾ for the quarter and year included a tax benefit of \$121 million from the favorable resolution of prior years’ tax matters.
- Net realized and unrealized gains pre-tax for the quarter totaled \$189 million, which included net realized gains from derivative accounting related to variable annuity reinsurance of \$173 million, including the effect of foreign exchange.
- Operating return on equity ⁽²⁾ was 8.0% for the quarter and 11.0% for the year. Return on equity computed using net income was 11.2% and 10.4% for the year.
- Book value per share ⁽²⁾ increased 1.9% to \$80.90 from \$79.36 at September 30, 2012, and increased 12.0% from \$72.22 at December 31, 2011. ⁽³⁾
- Tangible book value per share ⁽²⁾ increased 2.5% to \$66.28 from \$64.67 at September 30, 2012, and increased 14.3% from \$57.97 at December 31, 2011.

Details of financial results by business segment are available in the ACE Limited Financial Supplement. Key segment items for the quarter and full year ended December 31, 2012, include:

- Insurance-North American: Net premiums written decreased 6.5% for the quarter primarily due to increased crop insurance premium cessions to the U.S. government as a result of the government's crop insurance profit and loss calculation formula. Excluding the crop insurance business, net premiums written increased 6.9%. For the quarter, the combined ratio was 111.9% compared with 91.0%. For the quarter, the current accident year combined ratio excluding catastrophe losses was 90.0% compared with 90.3% last year, and excluding the crop insurance business it was 88.5%. For the year, the combined ratio was 97.1% compared with 93.8% last year. For the year, the current accident year combined ratio excluding catastrophe losses was 93.4% compared with 91.5% last year, and excluding the crop insurance business it was 90.1%.
- Insurance-Overseas General: Net premiums written increased 7.1% for the quarter, and 8.5% on a constant-dollar basis. The combined ratio was 95.4% compared with 94.5%. The current accident year combined ratio excluding catastrophe losses was 92.5% compared with 93.4% last year. For the year, the combined ratio was 89.7% compared with 94.5% last year. For the year, the current accident year combined ratio excluding catastrophe losses was 92.2% compared with 93.1% last year.
- Global Reinsurance: Net premiums written increased 12.0% for the quarter. The combined ratio was 101.7% compared with 77.1%. The current accident year combined ratio excluding catastrophe losses was 69.9% compared with 75.3% last year. For the year, the combined ratio was 77.5% compared with 85.6% last year. For the year, the current accident year combined ratio excluding catastrophe losses was 72.8% compared with 75.2% last year.
- Life: Operating income for the quarter was \$74 million compared with \$79 million last year. Excluding the life reinsurance business, operating income was up \$5 million.

Please refer to the ACE Limited [Financial Supplement](#), dated December 31, 2012, which is posted on the company's website in the Investor Information section, and access Financial Reports for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, investment portfolio and capital structure.

The company also issued 2013 guidance. Operating income is expected to range between \$6.60 and \$7.00 per share. Catastrophe losses included in the estimate are \$475 million pre-tax (\$395 million after-tax), which are in line with last year's catastrophe loss guidance. The operating income projections included in this guidance are for current accident year results only and by definition do not include any estimate for prior period reserve development.

ACE will host its fourth quarter earnings conference call and webcast on Wednesday, January 30, 2013, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live and archived webcast at www.acegroup.com or by dialing 877-681-3375 (within the United States) or 719-325-4880 (international); passcode 3252473. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, February 13, 2013 and the archived webcast will be available for approximately one month. To listen to the replay, please dial 888-203-1112 (in the United States) or 719-457-0820 (international); passcode 3252473.

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

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

(2) Non-GAAP Financial Measures:

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

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

Operating effective tax rate is a non-GAAP financial measure. The numerator excludes tax on net realized gains (losses). The denominator excludes net realized gains (losses), before tax.

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

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

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

See reconciliation of Non-GAAP Financial Measures on pages 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.

(3) The book value amounts reflect the effects of new accounting guidance for deferred acquisition costs that is retrospectively applied to periods prior to January 1, 2012. Refer to the Financial Supplement page 1 for further detail.

NM - not meaningful comparison

Cautionary Statement Regarding Forward-Looking Statements :

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

(tables to follow)

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

	December 31	December 31
	2012	2011
Assets		
Investments	\$ 60,264	\$ 55,676
Cash	615	614
Insurance and reinsurance balances receivable	4,147	4,387
Reinsurance recoverable on losses and loss expenses	12,078	12,389
Other assets	15,441	14,255
Total assets	<u>\$ 92,545</u>	<u>\$ 87,321</u>
Liabilities		
Unpaid losses and loss expenses	\$ 37,946	\$ 37,477
Unearned premiums	6,864	6,334
Other liabilities	20,204	19,178
Total liabilities	<u>65,014</u>	<u>62,989</u>
Shareholders' equity		
Total shareholders' equity	<u>27,531</u>	<u>24,332</u>
Total liabilities and shareholders' equity	<u>\$ 92,545</u>	<u>\$ 87,321</u>
Book value per common share ⁽²⁾	\$ 80.90	\$ 72.22

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

	Three Months Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Gross premiums written	\$5,146	\$4,864	\$21,593	\$20,831
Net premiums written	3,657	3,630	16,075	15,372
Net premiums earned	3,848	3,831	15,677	15,387
Losses and loss expenses	2,683	2,286	9,653	9,520
Policy benefits	142	119	521	401
Policy acquisition costs	636	632	2,446	2,472
Administrative expenses	553	531	2,096	2,068
Underwriting income (loss) ⁽²⁾	(166)	263	961	926
Net investment income	567	565	2,181	2,242
Net realized gains (losses)	272	83	78	(795)
Interest expense	63	63	250	250
Other income (expense):				
Gains (losses) from separate account assets ⁽²⁾	11	3	29	(36)
Other	9	4	(23)	(45)
Income tax expense (benefit)	(135)	120	270	502
Net income	<u>\$ 765</u>	<u>\$ 735</u>	<u>\$ 2,706</u>	<u>\$ 1,540</u>
<i>Diluted earnings per share:</i>				
Income excluding net realized gains (losses) ⁽²⁾	\$ 1.43	\$ 1.90	\$ 7.65	\$ 6.84
Net income	\$ 2.22	\$ 2.15	\$ 7.89	\$ 4.52
Weighted average diluted shares outstanding	343.7	341.0	342.7	340.8
Loss and loss expense ratio	75.5%	63.4%	65.7%	66.0%
Policy acquisition cost ratio	16.2%	16.3%	15.3%	15.8%
Administrative expense ratio	13.8%	13.3%	12.9%	12.9%
Combined ratio	<u>105.5%</u>	<u>93.0%</u>	<u>93.9%</u>	<u>94.7%</u>

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

	Three Months Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Gross Premiums Written				
Insurance - North American	\$ 2,528	\$ 2,394	\$10,741	\$10,360
Insurance - Overseas General	1,925	1,818	7,702	7,467
Global Reinsurance	149	132	1,070	1,014
Life	544	520	2,080	1,990
<i>Total</i>	<u>\$ 5,146</u>	<u>\$ 4,864</u>	<u>\$21,593</u>	<u>\$20,831</u>
Net Premiums Written				
Insurance - North American	\$ 1,518	\$ 1,624	\$ 7,208	\$ 6,851
Insurance - Overseas General	1,476	1,378	5,863	5,629
Global Reinsurance	146	132	1,025	979
Life	517	496	1,979	1,913
<i>Total</i>	<u>\$ 3,657</u>	<u>\$ 3,630</u>	<u>\$16,075</u>	<u>\$15,372</u>
Net Premiums Earned				
Insurance - North American	\$ 1,608	\$ 1,662	\$ 7,019	\$ 6,911
Insurance - Overseas General	1,497	1,450	5,740	5,614
Global Reinsurance	254	249	1,002	1,003
Life	489	470	1,916	1,859
<i>Total</i>	<u>\$ 3,848</u>	<u>\$ 3,831</u>	<u>\$15,677</u>	<u>\$15,387</u>
Income Excluding Net Realized Gains (Losses) ⁽²⁾				
Insurance - North American	\$ 170	\$ 342	\$ 1,062	\$ 1,177
Insurance - Overseas General	246	169	994	691
Global Reinsurance	74	125	499	401
Life	74	79	324	315
Corporate	(72)	(67)	(255)	(253)
<i>Total</i>	<u>\$ 492</u>	<u>\$ 648</u>	<u>\$ 2,624</u>	<u>\$ 2,331</u>



Financial Supplement

December 31, 2012

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 December 31			Constant \$		Year ended December 31			Constant \$	
	2012	2011	% Change 4Q-12 vs. 4Q-11	Constant \$ 2011 ⁽²⁾	% Change 4Q-12 vs. 4Q-11 ⁽²⁾	2012	2011	% Change 2012 vs. 2011	Constant \$ 2011 ⁽²⁾	% Change 2012 vs. 2011 ⁽²⁾
Gross premiums written	\$ 5,146	\$ 4,864	5.8%	\$ 4,848	6.1%	\$ 21,593	\$ 20,831	3.7%	\$ 20,580	4.9%
Net premiums written	\$ 3,657	\$ 3,630	0.8%	\$ 3,617	1.1%	\$ 16,075	\$ 15,372	4.6%	\$ 15,160	6.0%
Net premiums earned	\$ 3,848	\$ 3,831	0.5%	\$ 3,817	0.8%	\$ 15,677	\$ 15,387	1.9%	\$ 15,158	3.4%
Net investment income	\$ 567	\$ 565	0.2%			\$ 2,181	\$ 2,242	-2.8%		
Net income	\$ 765	\$ 735	4.0%			\$ 2,706	\$ 1,540	75.6%		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 492	\$ 648	-24.1%			\$ 2,624	\$ 2,331	12.5%		
Comprehensive income	\$ 638	\$ 807	-20.9%			\$ 3,682	\$ 1,857	98.3%		
Operating cash flow	\$ 970	\$ 472				\$ 3,995	\$ 3,470			
P&C combined ratio										
Loss and loss expense ratio	75.5%	63.4%				65.7%	66.0%			
Underwriting and administrative expense ratio	30.0%	29.6%				28.2%	28.7%			
Combined ratio	105.5%	93.0%				93.9%	94.7%			
Operating return on equity (ROE) ⁽¹⁾	8.0%	11.6%				11.0%	10.6%			
ROE	11.2%	12.3%				10.4%	6.5%			
Operating effective tax rate ⁽¹⁾⁽³⁾	-46.8%	14.4%				7.5%	17.1%			
Effective tax rate ⁽³⁾	-21.4%	14.1%				9.1%	24.6%			
Diluted earnings per share										
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.43	\$ 1.90	-24.7%			\$ 7.65	\$ 6.84	11.8%		
Net income	\$ 2.22	\$ 2.15	3.3%			\$ 7.89	\$ 4.52	74.6%		
Book value per common share ⁽¹⁾						\$ 80.90	\$ 72.22	12.0%		
Tangible book value per common share ₍₇₎						\$ 66.28	\$ 57.97	14.3%		
Weighted average basic common shares outstanding	340.8	338.3				339.8	338.2			
Weighted average diluted common shares outstanding	343.7	341.0				342.7	340.8			
Debt/total capitalization						14.6%	15.8%			

(1) See Non-GAAP Financial Measures.

(2) Prior periods on a constant dollar basis.

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

Adoption of New Accounting Pronouncement:

Shareholders' equity and book value per common share at December 31, 2011 and ROE percentages for the three months and year ended December 31, 2011 have been retrospectively adjusted to reflect the adoption of new guidance issued by the Financial Accounting Standards Board related to the accounting for costs associated with acquiring or renewing insurance contracts. The adoption of this guidance decreased shareholders' equity by \$181 million as of December 31, 2011. The effect of the adoption of the new guidance on net income for the three months and year ended December 31, 2011 was a decrease of \$12 million and \$42 million, respectively.



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

						Full Year	Full Year
ACE Limited Consolidated	4Q-12	3Q-12	2Q-12	1Q-12	4Q-11	2012	2011
Consolidated Results Excluding Life Segment							
Gross premiums written	\$4,602	\$5,496	\$5,140	\$4,275	\$4,344	\$19,513	\$18,841
Net premiums written	3,140	4,228	3,644	3,084	3,134	14,096	13,459
Net premiums earned	3,359	4,185	3,309	2,908	3,361	13,761	13,528
Losses and loss expenses	2,535	2,883	1,968	1,656	2,132	9,042	8,927
Policy acquisition costs	546	529	531	506	546	2,112	2,133
Administrative expenses	462	438	436	432	447	1,768	1,751
Underwriting income (loss) ⁽¹⁾	(184)	335	374	314	236	839	717
Net investment income	502	470	475	483	505	1,930	2,016
Net realized gains (losses)	83	11	27	29	76	150	11
Interest expense	60	60	59	59	61	238	239
Other income (expense)	20	3	(15)	(6)	3	2	(19)
Income tax expense (benefit) ⁽²⁾	(149)	133	129	99	111	212	452
Net income (loss)	510	626	673	662	648	2,471	2,034
Net realized gains (losses)	83	11	27	29	76	150	11
Net realized gains (losses) in other income (expense) ⁽¹⁾⁽³⁾	30	23	(1)	23	15	75	25
Tax expense on net realized gains (losses)	21	9	17	7	12	54	18
Income excluding net realized gains (losses) ⁽¹⁾	418	601	664	617	569	2,300	2,016
Life segment income excluding net realized gains (losses) ⁽¹⁾	74	87	79	84	79	324	315
Consolidated income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 492</u>	<u>\$ 688</u>	<u>\$ 743</u>	<u>\$ 701</u>	<u>\$ 648</u>	<u>\$ 2,624</u>	<u>\$ 2,331</u>
% Change versus prior year period ⁽⁴⁾							
Net premiums written as reported	0.3%	9.6%	5.3%	2.5%	4.9%	4.7%	11.6%
Net premiums earned as reported	-0.1%	4.4%	1.1%	0.8%	6.4%	1.7%	13.9%
Net premiums written constant \$	0.7%					6.3%	
Net premiums earned constant \$	0.4%					3.3%	
Other ratios							
Net premiums written/gross premiums written	68%	77%	71%	72%	72%	72%	71%
Operating effective tax rate ⁽¹⁾	-46.8%	16.7%	14.6%	13.0%	14.4%	7.5%	17.1%
P&C combined ratio ⁽⁴⁾							
Loss and loss expense ratio	75.5%	68.9%	59.5%	56.9%	63.4%	65.7%	66.0%
Policy acquisition cost ratio	16.2%	12.7%	16.1%	17.4%	16.3%	15.3%	15.8%
Administrative expense ratio	13.8%	10.4%	13.1%	14.9%	13.3%	12.9%	12.9%
Combined ratio	<u>105.5%</u>	<u>92.0%</u>	<u>88.7%</u>	<u>89.2%</u>	<u>93.0%</u>	<u>93.9%</u>	<u>94.7%</u>
Combined ratio excluding catastrophe losses and PPD ⁽¹⁾⁽⁵⁾	91.4%	96.5%	90.4%	91.7%	92.0%	92.8%	92.2%
Combined ratio excluding catastrophe losses, PPD, and crop ⁽¹⁾⁽⁵⁾	90.9%	90.5%			92.9%	91.2%	92.7%
P&C expense ratio	30.0%	23.1%	29.2%	32.3%	29.6%	28.2%	28.7%
P&C expense ratio excluding A&H	26.2%	19.3%	25.3%	28.4%	25.5%	24.3%	24.7%
Large losses and other items (before tax) ⁽⁴⁾							
Reinstatement premiums (expensed) collected	\$ (7)	\$ 2	\$ —	\$ —	\$ —	\$ (5)	\$ (40)
Catastrophe losses	\$ 504	\$ 55	\$ 55	\$ 19	\$ 155	\$ 633	\$ 859
Favorable prior period development (PPD) - net of asbestos and environmental ⁽⁵⁾	\$ (37)	\$ (236)	\$ (113)	\$ (93)	\$ (123)	\$ (479)	\$ (556)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽¹⁾⁽⁵⁾	61.4%	73.4%	61.2%	59.5%	62.5%	64.6%	63.6%

(1) See Non-GAAP Financial Measures.

(2) For Q4 2012, Income tax expense (benefit) includes a \$121 million benefit from the favorable resolution of prior years' tax matters included in the following segments: \$63 million in Insurance – Overseas General, \$56 million in Insurance – North American, and \$2 million in Global Re.

(3) Net realized investment and derivative losses related to unconsolidated entities.

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

(5) For Q4 2012, favorable prior period development includes approximately \$140 million of reserve charges for asbestos and environmental and other run-off business. For Q3 2012, favorable prior period development is net of \$32 million of net earned premium adjustments on loss sensitive policies.



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

	December 31	September 30	June 30	March 31	December 31
	2012	2012	2012	2012	2011
Assets					
Fixed maturities available for sale, at fair value	\$ 47,306	\$ 46,504	\$44,386	\$43,468	\$ 41,967
Fixed maturities held to maturity, at amortized cost	7,270	7,493	7,782	8,117	8,447
Equity securities, at fair value	744	770	729	679	647
Short-term investments, at fair value	2,228	2,429	2,260	2,099	2,301
Other investments	2,716	2,621	2,524	2,429	2,314
Total investments	60,264	59,817	57,681	56,792	55,676
Cash	615	690	617	715	614
Securities lending collateral	1,791	2,039	2,247	2,204	1,375
Insurance and reinsurance balances receivable	4,147	5,288	4,985	4,487	4,387
Reinsurance recoverable on losses and loss expenses	12,078	11,857	11,752	12,057	12,389
Deferred policy acquisition costs	1,873	1,793	1,710	1,649	1,548
Value of business acquired	614	632	637	669	676
Prepaid reinsurance premiums	1,617	1,613	1,775	1,643	1,541
Goodwill and other intangible assets	4,975	4,990	4,826	4,860	4,799
Deferred tax assets	453	344	557	568	673
Investments in partially-owned insurance companies	454	354	339	346	352
Other assets	3,664	4,091	3,575	3,759	3,291
Total assets	\$ 92,545	\$ 93,508	\$90,701	\$89,749	\$ 87,321
Liabilities					
Unpaid losses and loss expenses	\$ 37,946	\$ 38,200	\$36,850	\$37,247	\$ 37,477
Unearned premiums	6,864	7,068	7,044	6,664	6,334
Future policy benefits	4,470	4,414	4,436	4,358	4,274
Insurance and reinsurance balances payable	3,472	3,448	3,490	3,454	3,542
Securities lending payable	1,795	2,044	2,253	2,211	1,385
Accounts payable, accrued expenses, and other liabilities	5,397	6,300	5,796	5,184	5,057
Short-term debt	1,401	1,402	1,401	1,531	1,251
Long-term debt	3,360	3,360	3,360	3,360	3,360
Trust preferred securities	309	309	309	309	309
Total liabilities	65,014	66,545	64,939	64,318	62,989
Shareholders' equity					
Total shareholders' equity, excl. AOCI	24,644	23,949	23,424	23,222	22,421
Accumulated other comprehensive income (AOCI)	2,887	3,014	2,338	2,209	1,911
Total shareholders' equity	27,531	26,963	25,762	25,431	24,332
Total liabilities and shareholders' equity	\$ 92,545	\$ 93,508	\$90,701	\$89,749	\$ 87,321
Book value per common share ⁽¹⁾	\$ 80.90	\$ 79.36	\$ 75.98	\$ 75.09	\$ 72.22
% change over prior quarter	1.9%	4.4%	1.2%	4.0%	3.0%
Tangible book value per common share ⁽¹⁾	\$ 66.28	\$ 64.67	\$ 61.75	\$ 60.74	\$ 57.97
% change over prior quarter	2.5%	4.7%	1.7%	4.8%	3.7%

(1) See Non-GAAP Financial Measures.



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

ACE Limited Consolidated

	4Q-12	% of Total Consolidated	4Q-11	% of Total Consolidated	% Change 4Q-12 vs. 4Q-11	Full Year 2012	% of Total Consolidated	Full Year 2011	% of Total Consolidated	% Change YTD-12 vs. YTD-11
Net premiums written										
Property and all other	\$ 939	26%	\$ 849	24%	10.6%	\$ 4,240	26%	\$ 3,808	25%	11.3%
Agriculture	84	2%	272	7%	-69.2%	1,859	12%	1,951	12%	-4.7%
Casualty	1,475	40%	1,393	38%	5.9%	5,476	34%	5,210	34%	5.1%
Subtotal	2,498	68%	2,514	69%	-0.6%	11,575	72%	10,969	71%	5.5%
Personal accident (A&H) ⁽¹⁾	911	25%	874	24%	4.3%	3,532	22%	3,486	23%	1.3%
Life	248	7%	242	7%	2.5%	968	6%	917	6%	5.6%
Total consolidated	<u>\$3,657</u>	<u>100%</u>	<u>\$3,630</u>	<u>100%</u>	0.8%	<u>\$16,075</u>	<u>100%</u>	<u>\$15,372</u>	<u>100%</u>	4.6%
Net premiums earned										
Property and all other	\$1,087	28%	\$1,009	27%	7.7%	\$ 4,101	26%	\$ 3,770	24%	8.8%
Agriculture	263	7%	428	11%	-38.6%	1,872	12%	1,942	13%	-3.6%
Casualty	1,367	36%	1,304	34%	4.8%	5,292	34%	5,340	35%	-0.9%
Subtotal	2,717	71%	2,741	72%	-0.9%	11,265	72%	11,052	72%	1.9%
Personal accident (A&H) ⁽¹⁾	894	23%	866	22%	3.1%	3,499	22%	3,471	23%	0.8%
Life	237	6%	224	6%	5.8%	913	6%	864	5%	5.7%
Total consolidated	<u>\$3,848</u>	<u>100%</u>	<u>\$3,831</u>	<u>100%</u>	0.5%	<u>\$15,677</u>	<u>100%</u>	<u>\$15,387</u>	<u>100%</u>	1.9%
Income excluding net realized gains (losses)										
Property, casualty, and all other	\$ 314	64%	\$ 437	67%	-28.1%	\$ 1,998	76%	\$ 1,590	68%	25.7%
Agriculture	(1)	0%	46	7%	NM	(38)	-1%	120	5%	NM
Personal accident (A&H) ⁽¹⁾	141	28%	122	19%	15.6%	498	19%	463	20%	7.6%
Life	38	8%	43	7%	-11.6%	166	6%	158	7%	5.1%
Total consolidated	<u>\$ 492</u>	<u>100%</u>	<u>\$ 648</u>	<u>100%</u>	-24.1%	<u>\$ 2,624</u>	<u>100%</u>	<u>\$ 2,331</u>	<u>100%</u>	12.5%

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



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

ACE Limited Consolidated Constant Dollar

	4Q-12	Constant \$ 4Q-11 ⁽²⁾	Constant \$ % Change 4Q-12 vs. 4Q-11 ⁽²⁾	Full Year 2012	Constant \$ Full Year 2011 ⁽²⁾	Constant \$ % Change 2012 vs. 2011 ⁽²⁾
Net premiums written						
Property, casualty, agriculture, and all other	\$ 2,498	\$ 2,501	-0.1%	\$ 11,575	\$ 10,849	6.7%
Personal accident (A&H) ⁽¹⁾	911	873	4.4%	3,532	3,411	3.6%
Life	248	243	2.1%	968	900	7.6%
Total consolidated	<u>\$ 3,657</u>	<u>\$ 3,617</u>	1.1%	<u>\$ 16,075</u>	<u>\$ 15,160</u>	6.0%
Net premiums earned						
Property, casualty, agriculture, and all other	\$ 2,717	\$ 2,728	-0.4%	\$ 11,265	\$ 10,918	3.2%
Personal accident (A&H) ⁽¹⁾	894	865	3.4%	3,499	3,392	3.2%
Life	237	224	5.8%	913	848	7.7%
Total consolidated	<u>\$ 3,848</u>	<u>\$ 3,817</u>	0.8%	<u>\$ 15,677</u>	<u>\$ 15,158</u>	3.4%
Income excluding net realized gains (losses)						
Property, casualty, agriculture, and all other	\$ 313	\$ 483	-35.2%	\$ 1,960	\$ 1,679	16.7%
Personal accident (A&H) ⁽¹⁾	141	121	16.5%	498	451	10.4%
Life	38	44	-13.6%	166	159	4.4%
Total consolidated	<u>\$ 492</u>	<u>\$ 648</u>	-24.1%	<u>\$ 2,624</u>	<u>\$ 2,289</u>	14.6%

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



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

Insurance—North American

						Full Year	Full Year
	4Q-12	3Q-12	2Q-12	1Q-12	4Q-11	2012	2011
Gross premiums written	\$2,528	\$3,345	\$2,856	\$2,012	\$2,394	\$10,741	\$10,360
Net premiums written	1,518	2,537	1,860	1,293	1,624	7,208	6,851
Net premiums earned	1,608	2,472	1,652	1,287	1,662	7,019	6,911
Losses and loss expenses	1,504	2,110	1,163	849	1,211	5,626	5,276
Policy acquisition costs	142	160	157	127	157	586	612
Administrative expenses	153	148	153	147	144	601	592
Underwriting income (loss)	(191)	54	179	164	150	206	431
Net investment income	283	263	271	274	284	1,091	1,170
Net realized gains (losses)	26	(1)	18	(1)	26	42	34
Interest expense	3	3	3	3	4	12	15
Other income (expense)	13	5	(10)	1	3	9	(5)
Income tax expense (benefit) ⁽¹⁾	(79)	81	107	91	91	200	395
Net income	207	237	348	344	368	1,136	1,220
Net realized gains (losses)	26	(1)	18	(1)	26	42	34
Net realized gains (losses) in other income (expense)	21	17	5	15	10	58	28
Tax expense on net realized gains (losses)	10	2	10	4	10	26	19
Income excluding net realized gains (losses) ⁽²⁾	<u>\$ 170</u>	<u>\$ 223</u>	<u>\$ 335</u>	<u>\$ 334</u>	<u>\$ 342</u>	<u>\$ 1,062</u>	<u>\$ 1,177</u>
Combined ratio							
Loss and loss expense ratio	93.6%	85.3%	70.4%	66.0%	72.8%	80.2%	76.3%
Policy acquisition cost ratio	8.8%	6.5%	9.5%	9.9%	9.5%	8.3%	8.9%
Administrative expense ratio	9.5%	6.0%	9.3%	11.4%	8.7%	8.6%	8.6%
Combined ratio	<u>111.9%</u>	<u>97.8%</u>	<u>89.2%</u>	<u>87.3%</u>	<u>91.0%</u>	<u>97.1%</u>	<u>93.8%</u>
Combined ratio excluding catastrophe losses, PPD, and crop ^{(2) (3)}	88.5%	88.9%			91.9%	90.1%	92.3%
Large losses and other items (before tax)							
Reinstatement premiums (expensed) collected	\$ (8)	\$ —	\$ —	\$ —	\$ —	\$ (8)	\$ (5)
Catastrophe losses	\$ 338	\$ 38	\$ 49	\$ 16	\$ 42	\$ 441	\$ 347
Unfavorable (favorable) prior period development (PPD)—net of A&E ⁽³⁾	\$ 7	\$ (80)	\$ (59)	\$ (60)	\$ (31)	\$ (192)	\$ (195)
Loss and loss expense ratio excluding catastrophe losses and PPD ^{(2) (3)}	71.8%	87.2%	71.1%	69.3%	72.2%	76.6%	74.1%
% Change versus prior year period							
Net premiums written	-6.5%	14.9%	7.2%	0.6%	6.9%	5.2%	18.2%
Net premiums earned	-3.2%	7.5%	3.0%	-4.4%	10.0%	1.6%	22.3%
Net premiums written excluding crop	6.9%	27.4%	17.2%	1.9%	1.0%	13.1%	-8.8%
Net premiums earned excluding crop	11.3%	15.2%	6.1%	-2.0%	-12.6%	7.6%	-5.4%
Other ratios							
Net premiums written/gross premiums written	60%	76%	65%	64%	68%	67%	66%

(1) For Q4 2012, Income tax expense (benefit) includes a \$56 million benefit from the favorable resolution of prior years' tax matters.

(2) See Non-GAAP Financial Measures.

(3) For Q4 2012, favorable prior period development includes approximately \$140 million of reserve charges for asbestos and environmental and other run-off business. For Q3 2012, favorable prior period development is net of \$28 million of net earned premium adjustments on loss sensitive policies.



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

Insurance—Overseas General

	4Q-12	3Q-12	2Q-12	1Q-12	4Q-11	Full Year 2012	Full Year 2011
Gross premiums written	\$ 1,925	\$ 1,841	\$ 1,952	\$ 1,984	\$ 1,818	\$ 7,702	\$ 7,467
Net premiums written	1,476	1,384	1,475	1,528	1,378	5,863	5,629
Net premiums earned	1,497	1,432	1,420	1,391	1,450	5,740	5,614
Losses and loss expenses	832	622	703	705	785	2,862	3,029
Policy acquisition costs	357	329	332	335	346	1,353	1,335
Administrative expenses	239	234	233	229	241	935	939
Underwriting income	69	247	152	122	78	590	311
Net investment income	135	127	128	131	140	521	546
Net realized gains (losses)	44	13	26	20	51	103	33
Interest expense	1	2	1	1	1	5	5
Other income (expense)	—	3	(6)	—	3	(3)	—
Income tax expense (benefit) ⁽¹⁾	(33)	77	51	38	52	133	164
Net income	280	311	248	234	219	1,073	721
Net realized gains (losses)	44	13	26	20	51	103	33
Net realized gains (losses) in other income (expense)	1	2	(3)	3	2	3	(2)
Tax expense on net realized gains (losses)	11	6	7	3	3	27	1
Income excluding net realized gains (losses) ⁽²⁾	<u>\$ 246</u>	<u>\$ 302</u>	<u>\$ 232</u>	<u>\$ 214</u>	<u>\$ 169</u>	<u>\$ 994</u>	<u>\$ 691</u>
Combined ratio							
Loss and loss expense ratio	55.5%	43.4%	49.6%	50.7%	54.1%	49.8%	54.0%
Policy acquisition cost ratio	23.8%	23.1%	23.4%	24.1%	23.8%	23.6%	23.8%
Administrative expense ratio	16.1%	16.2%	16.3%	16.4%	16.6%	16.3%	16.7%
Combined ratio	<u>95.4%</u>	<u>82.7%</u>	<u>89.3%</u>	<u>91.2%</u>	<u>94.5%</u>	<u>89.7%</u>	<u>94.5%</u>
Large losses and other items (before tax)							
Reinstatement premiums (expensed) collected	\$ (8)	\$ —	\$ —	\$ —	\$ 1	\$ (8)	\$ (42)
Catastrophe losses	\$ 65	\$ 4	\$ 5	\$ 2	\$ 98	\$ 76	\$ 329
Favorable prior period development (PPD)	\$ (30)	\$ (135)	\$ (39)	\$ (22)	\$ (80)	\$ (226)	\$ (290)
Loss and loss expense ratio excluding catastrophe losses and PPD ⁽²⁾	52.9%	52.6%	51.9%	52.1%	53.0%	52.4%	52.9%
% Change versus prior year period							
Net premiums written as reported	7.1%	-1.0%	2.2%	8.4%	3.9%	4.2%	8.5%
Net premiums earned as reported	3.2%	-2.6%	0.3%	8.8%	5.1%	2.2%	9.0%
Net premiums written constant \$	8.5%					7.7%	
Net premiums earned constant \$	4.4%					6.0%	
Other ratios							
Net premiums written/gross premiums written	77%	75%	76%	77%	76%	76%	75%

(1) For Q4 2012, Income tax expense (benefit) includes a \$63 million benefit from the favorable resolution of prior years' tax matters.

(2) See Non-GAAP Financial Measures.



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

Global Reinsurance

	4Q-12	3Q-12	2Q-12	1Q-12	4Q-11	Full Year 2012	Full Year 2011
Gross premiums written	\$ 149	\$ 310	\$ 332	\$ 279	\$ 132	\$ 1,070	\$ 1,014
Net premiums written	146	307	309	263	132	1,025	979
Net premiums earned	254	281	237	230	249	1,002	1,003
Losses and loss expenses	198	151	102	102	136	553	621
Policy acquisition costs	47	40	42	43	42	172	185
Administrative expenses	13	13	13	12	14	51	52
Underwriting income (loss)	(4)	77	80	73	57	226	145
Net investment income	77	72	70	71	74	290	287
Net realized gains (losses)	12	(2)	(17)	13	6	6	(50)
Interest expense	1	1	1	1	1	4	2
Other income (expense)	8	5	(3)	5	3	15	1
Income tax expense (benefit) ⁽¹⁾	(2)	11	—	6	5	15	30
Net income	94	140	129	155	134	518	351
Net realized gains (losses)	12	(2)	(17)	13	6	6	(50)
Net realized gains (losses) in other income (expense)	8	4	(3)	5	3	14	(1)
Tax expense (benefit) on net realized gains (losses)	—	1	—	—	—	1	(1)
Income excluding net realized gains (losses) ⁽²⁾	<u>\$ 74</u>	<u>\$ 139</u>	<u>\$ 149</u>	<u>\$ 137</u>	<u>\$ 125</u>	<u>\$ 499</u>	<u>\$ 401</u>
Combined ratio							
Loss and loss expense ratio	78.2%	53.9%	42.5%	44.4%	54.8%	55.2%	62.0%
Policy acquisition cost ratio	18.3%	14.1%	17.8%	18.7%	17.0%	17.1%	18.4%
Administrative expense ratio	5.2%	4.7%	5.8%	5.2%	5.3%	5.2%	5.2%
Combined ratio	<u>101.7%</u>	<u>72.7%</u>	<u>66.1%</u>	<u>68.3%</u>	<u>77.1%</u>	<u>77.5%</u>	<u>85.6%</u>
Large losses and other items (before tax)							
Reinstatement premiums (expensed) collected	\$ 9	\$ 2	\$ —	\$ —	\$ (1)	\$ 11	\$ 7
Catastrophe losses	\$ 101	\$ 13	\$ 1	\$ 1	\$ 15	\$ 116	\$ 183
Favorable prior period development (PPD) ⁽³⁾	\$ (14)	\$ (21)	\$ (15)	\$ (11)	\$ (12)	\$ (61)	\$ (71)
Loss and loss expense ratio excluding catastrophe losses and PPD ^{(2) (3)}	45.6%	57.7%	48.3%	48.7%	53.2%	50.4%	51.7%
% Change versus prior year period							
Net premiums written as reported	12.0%	22.2%	9.4%	-16.5%	-7.7%	4.7%	-8.9%
Net premiums earned as reported	2.3%	16.8%	-6.5%	-11.5%	-7.1%	0.0%	-6.3%
Net premiums written constant \$	12.0%					5.3%	
Net premiums earned constant \$	2.4%					0.4%	
Other ratios							
Net premiums written/gross premiums written	99%	99%	93%	94%	100%	96%	97%

(1) For Q4 2012, income tax expense (benefit) includes a \$2 million benefit from the favorable resolution of prior years' tax matters.

(2) See Non-GAAP Financial Measures.

(3) For Q3 2012, favorable prior period development is net of \$4 million of net earned premium adjustments on loss sensitive policies.



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

Life

	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>4Q-11</u>	<u>2012</u>	<u>2011</u>
Gross premiums written	\$544	\$511	\$ 513	\$ 512	\$ 520	\$ 2,080	\$ 1,990
Net premiums written	517	488	486	488	496	1,979	1,913
Net premiums earned	489	480	474	473	470	1,916	1,859
Losses and loss expenses	148	164	151	148	154	611	593
Policy benefits ⁽¹⁾	142	130	102	147	119	521	401
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	(11)	(14)	14	(18)	(3)	(29)	36
Policy acquisition costs	90	80	88	76	86	334	339
Administrative expenses	91	81	78	78	84	328	317
Net investment income	65	63	62	61	60	251	226
Life underwriting income ⁽²⁾	94	102	103	103	90	402	399
Net realized gains (losses):							
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	138	(64)	(397)	197	(10)	(126)	(783)
Foreign exchange gains (losses) and all other	51	(7)	(24)	34	17	54	(23)
Interest expense	3	3	3	3	2	12	11
Other income (expense) ⁽¹⁾	(11)	—	(5)	(9)	1	(25)	(26)
Income tax expense	14	14	19	11	9	58	50
Net income (loss)	255	14	(345)	311	87	235	(494)
Net realized gains (losses)	189	(71)	(421)	231	7	(72)	(806)
Net realized gains (losses) in other income (expense)	(7)	(3)	2	(5)	1	(13)	(1)
Tax expense (benefit) on net realized gains (losses)	1	(1)	5	(1)	—	4	2
Income excluding net realized gains (losses) ⁽³⁾	<u>\$ 74</u>	<u>\$ 87</u>	<u>\$ 79</u>	<u>\$ 84</u>	<u>\$ 79</u>	<u>\$ 324</u>	<u>\$ 315</u>

% Change versus prior year period

Net premiums written as reported	3.9%	0.0%	-1.2%	11.9%	14.5%	3.4%	16.2%
Net premiums earned as reported	4.2%	0.0%	-1.9%	11.3%	13.7%	3.1%	14.1%
Net premiums written constant \$ ⁽⁴⁾	3.5%					4.5%	
Net premiums earned constant \$	3.7%					4.2%	

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

	<u>4Q-12</u>	<u>4Q-11</u>	<u>% Change</u>
Life excluding life reinsurance runoff products ⁽¹⁾	\$639	\$ 530	20.6%
Life reinsurance runoff products including variable annuity	77	84	-8.3%
Total Life	<u>\$716</u>	<u>\$ 614</u>	<u>16.6%</u>

- (1) Includes deposits collected on universal life and investment contracts of \$199 million for Q4 2012 and \$114 million for Q4 2011 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, 2010	\$37,391	\$12,149	\$25,242	
Losses and loss expenses incurred	3,820	1,557	2,263	
Losses and loss expenses paid	(2,847)	(884)	(1,963)	87%
Other (incl. foreign exch. revaluation)	479	161	318	
Balance at March 31, 2011	\$38,843	\$12,983	\$25,860	
Losses and loss expenses incurred	2,752	526	2,226	
Losses and loss expenses paid	(2,730)	(872)	(1,858)	83%
Other (incl. foreign exch. revaluation)	86	30	56	
Balance at June 30, 2011	\$38,951	\$12,667	\$26,284	
Losses and loss expenses incurred	3,207	462	2,745	
Losses and loss expenses paid	(3,366)	(992)	(2,374)	86%
Other (incl. foreign exch. revaluation)	(316)	(95)	(221)	
Balance at September 30, 2011	\$38,476	\$12,042	\$26,434	
Losses and loss expenses incurred	3,066	780	2,286	
Losses and loss expenses paid	(3,837)	(1,166)	(2,671)	117%
Other (incl. foreign exch. revaluation)	(228)	(54)	(174)	
Balance at December 31, 2011	\$37,477	\$11,602	\$25,875	
Losses and loss expenses incurred	2,361	557	1,804	
Losses and loss expenses paid	(2,876)	(931)	(1,945)	108%
Other (incl. foreign exch. revaluation)	285	90	195	
Balance at March 31, 2012	\$37,247	\$11,318	\$25,929	
Losses and loss expenses incurred	2,851	732	2,119	
Losses and loss expenses paid	(2,916)	(893)	(2,023)	95%
Other (incl. foreign exch. revaluation)	(332)	(171)	(161)	
Balance at June 30, 2012	\$36,850	\$10,986	\$25,864	
Losses and loss expenses incurred	4,073	1,026	3,047	
Losses and loss expenses paid	(3,078)	(1,013)	(2,065)	68%
Other (incl. foreign exch. revaluation)	355	163	192	
Balance at September 30, 2012	\$38,200	\$11,162	\$27,038	
Losses and loss expenses incurred	4,642	1,959	2,683	
Losses and loss expenses paid	(4,913)	(1,727)	(3,186)	119%
Other (incl. foreign exch. revaluation)	17	5	12	
Balance at December 31, 2012	\$37,946	\$11,399	\$26,547	
Add net recoverable on paid losses	—	679	(679)	
Balance including net recoverable on paid losses	\$37,946	\$12,078	\$25,868	



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

Net Reinsurance Recoverable by Division ⁽¹⁾

	December 31	September 30	June 30	March 31	December 31
	2012	2012	2012	2012	2011
Reinsurance recoverable on paid losses and loss expenses					
Active operations	\$ 464	\$ 496	\$ 586	\$ 575	\$ 632
Brandywine and Other Runoff	303	291	284	274	270
Total	<u>\$ 767</u>	<u>\$ 787</u>	<u>\$ 870</u>	<u>\$ 849</u>	<u>\$ 902</u>
Reinsurance recoverable on unpaid losses and loss expenses					
Active operations	\$ 10,199	\$ 9,931	\$ 9,623	\$ 9,729	\$ 9,931
Brandywine and Other Runoff	1,551	1,592	1,730	1,959	2,035
Total	<u>\$ 11,750</u>	<u>\$ 11,523</u>	<u>\$11,353</u>	<u>\$11,688</u>	<u>\$ 11,966</u>
Gross reinsurance recoverable					
Active operations	\$ 10,663	\$ 10,427	\$10,209	\$10,304	\$ 10,563
Brandywine and Other Runoff	1,854	1,883	2,014	2,233	2,305
Total	<u>\$ 12,517</u>	<u>\$ 12,310</u>	<u>\$12,223</u>	<u>\$12,537</u>	<u>\$ 12,868</u>
Provision for uncollectible reinsurance ⁽²⁾					
Active operations	\$ (277)	\$ (281)	\$ (297)	\$ (303)	\$ (302)
Brandywine and Other Runoff	(162)	(172)	(174)	(177)	(177)
Total	<u>\$ (439)</u>	<u>\$ (453)</u>	<u>\$ (471)</u>	<u>\$ (480)</u>	<u>\$ (479)</u>
Net reinsurance recoverable					
Active operations	\$ 10,386	\$ 10,146	\$ 9,912	\$10,001	\$ 10,261
Brandywine and Other Runoff	1,692	1,711	1,840	2,056	2,128
Total	<u>\$ 12,078</u>	<u>\$ 11,857</u>	<u>\$11,752</u>	<u>\$12,057</u>	<u>\$ 12,389</u>

(1) Prior period amounts have been revised to reflect reclassification of certain businesses between active and run-off operations.

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



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

	December 31 2012		September 30 2012		June 30 2012		March 31 2012		December 31 2011			
Market Value												
Fixed maturities available for sale	\$	47,306	\$	46,504	\$	44,386	\$	43,468	\$	41,967		
Fixed maturities held to maturity		7,633		7,879		8,062		8,348		8,605		
Short-term investments		2,228		2,429		2,260		2,099		2,301		
Total	\$	57,167	\$	56,812	\$	54,708	\$	53,915	\$	52,873		
Asset Allocation by Market Value												
Treasury	\$	2,794	5%	\$	2,731	5%	\$	2,451	5%	\$	2,361	5%
Agency		2,024	4%		1,952	3%		1,811	3%		1,725	3%
Corporate and asset-backed		18,983	33%		18,155	32%		17,618	33%		17,030	32%
Mortgage-backed		12,589	22%		13,066	23%		12,800	24%		13,237	25%
Municipal ⁽¹⁾		3,872	7%		3,542	7%		3,295	6%		2,888	6%
Non-U.S.		14,677	25%		14,937	26%		13,841	26%		13,331	25%
Short-term investments		2,228	4%		2,429	4%		2,099	3%		2,301	4%
Total	\$	57,167	100%	\$	56,812	100%	\$	53,915	100%	\$	52,873	100%

Note: Insured municipal bonds represent \$729 million, or 19% of our municipal bond holdings.

Credit Quality by Market Value												
AAA	\$	9,285	16%	\$	9,270	17%	\$	9,115	17%	\$	9,284	18%
AA		22,014	39%		22,423	39%		20,665	38%		20,562	39%
A		10,760	19%		10,391	18%		10,523	20%		10,106	19%
BBB		6,591	12%		6,424	11%		6,244	12%		6,152	12%
BB		4,146	7%		4,264	8%		4,009	7%		3,755	7%
B		3,846	6%		3,506	6%		2,828	5%		2,428	4%
Other		525	1%		534	1%		531	1%		586	1%
Total	\$	57,167	100%	\$	56,812	100%	\$	53,915	100%	\$	52,873	100%

Cost/Amortized Cost												
Fixed maturities available for sale	\$	44,666		\$	43,758		\$	42,316		\$	41,661	
Fixed maturities held to maturity		7,270			7,493			7,782			8,117	
Short-term investments		2,228			2,429			2,260			2,099	
Subtotal		54,164			53,680			52,358			51,877	
Equity securities		707			741			724			662	
Other investments		2,465			2,385			2,297			2,221	
Total	\$	57,336		\$	56,806		\$	55,379		\$	54,760	
Avg. duration of fixed maturities		3.9 years			3.7 years			3.8 years			3.9 years	
Avg. market yield of fixed maturities ⁽²⁾		2.3%			2.2%			2.8%			3.0%	
Avg. credit quality ⁽³⁾		A/Aa			A/Aa			A/Aa			A/Aa	
Avg. yield on invested assets ⁽⁴⁾		3.7%			3.8%			3.9%			4.0%	

- (1) The rating of the municipal portfolio is AA with 8% of our holdings pre-funded with AA/Aaa Federal securities. The portfolio is highly diversified predominantly in State general obligation bonds and essential service revenue bonds, including education and utilities (water, power, and sewers).
- (2) Weighted average yield to maturity of our fixed income portfolio based on the market prices of the holdings as of that date.
- (3) We use a split rating due to S&P's downgrade of U.S. Treasury and Agency securities.
- (4) Net investment income, excluding non-recurring items, divided by average cost of fixed maturities and other investments, and average market value of equity securities.



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

Mortgage-backed Fixed Income Portfolio

Mortgage-backed securities

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Market Value at December 31, 2012						
Agency residential mortgage-backed (RMBS)	\$ —	\$ 10,637	\$ —	\$ —	\$ —	\$ 10,637
Non-agency RMBS	108	16	36	26	395	581
Commercial mortgage-backed	1,338	14	12	7	—	1,371
Total mortgage-backed securities at market value	\$ 1,446	\$ 10,667	\$ 48	\$ 33	\$ 395	\$ 12,589

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Amortized Cost at December 31, 2012						
Agency RMBS	\$ —	\$ 10,188	\$ —	\$ —	\$ —	\$ 10,188
Non-agency RMBS	107	16	35	26	425	609
Commercial mortgage-backed	1,255	12	9	6	—	1,282
Total mortgage-backed securities at amortized cost	\$ 1,362	\$ 10,216	\$ 44	\$ 32	\$ 425	\$ 12,079

Mortgage-backed securities total \$12.6 billion, are rated predominantly AA and comprise 22% of the fixed income portfolio. This compares to a 32% mortgage-backed weighting in representative indices of the U.S. fixed income market. The minimum rating for initial purchases of mortgage-backed securities is AA for agency mortgages and AAA for non-agency mortgages.

Securities issued by Federal agencies with implied or explicit government guarantees total \$10.6 billion and represent 95% of the residential mortgage-backed portfolio.

Non-agency residential mortgage-backed securities are backed by prime collateral, and broadly diversified in over 42,000 loans. The portfolio's original loan-to-value ratio is approximately 67% with an average FICO score of 732. With this conservative loan-to-value ratio and subordinated collateral of 6%, the cumulative 5-year foreclosure rate would have to rise to 17% before principal is significantly impaired. The foreclosure rate of ACE's non-agency RMBS portfolio at December 31, 2012 was 7%.

Commercial mortgage-backed securities of \$1.4 billion are rated predominantly AAA, broadly diversified with over 13,000 loans and seasoned with 30% of the portfolio issued before 2006 and 50% of the portfolio issued after 2009. The average loan-to-value ratio is approximately 64% with a debt service coverage ratio in excess of 1.9 and weighted average subordinated collateral of 30%. The cumulative foreclosure rate would have to rise to 43% before principal is impaired. The foreclosure rate of ACE's commercial mortgage-backed securities portfolio at December 31, 2012 was 1.8%.



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

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

Market Value at December 31, 2012

	S&P Credit Rating				Total
	Investment Grade				
	AAA	AA	A	BBB	
Asset-backed	\$ 716	\$ 73	\$ 1	\$ —	\$ 790
Banks	—	—	2,311	357	2,668
Basic Materials	—	—	78	242	320
Communications	—	—	608	746	1,354
Consumer, Cyclical	—	89	282	252	623
Consumer, Non-Cyclical	60	513	931	577	2,081
Diversified Financial Services	—	54	216	109	379
Energy	35	27	215	648	925
Industrial	—	371	364	171	906
Utilities	—	12	495	526	1,033
All Others	49	148	455	522	1,174
Total	\$ 860	\$ 1,287	\$ 5,956	\$ 4,150	\$ 12,253

U.S. Investment Grade Corporate Fixed Income Portfolio

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

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

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

Market Value at December 31, 2012

	S&P Credit Rating			Total
	Below Investment Grade			
	BB	B	CCC	
Asset-backed	\$ 4	\$ —	\$ 13	\$ 17
Banks	—	3	—	3
Basic Materials	185	130	6	321
Communications	461	527	25	1,013
Consumer, Cyclical	503	532	31	1,066
Consumer, Non-Cyclical	583	881	21	1,485
Diversified Financial Services	71	90	9	170
Energy	649	422	15	1,086
Industrial	381	350	9	740
Utilities	294	17	1	312
All Others	221	290	6	517
Total	\$ 3,352	\$ 3,242	\$ 136	\$ 6,730

U.S. Below Investment Grade Corporate Fixed Income Portfolio

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

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

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

Securities holdings are highly diversified across industries and are subject to a 1.5% issuer limit as a percentage of high yield allocation. The portfolio comprises over 750 issuers with our largest current issuer exposure at \$97 million. ACE monitors position limits on a daily basis through an internal compliance system.

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



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

Non-U.S. Fixed Income Portfolio

December 31, 2012

	Market Value by S&P Credit Rating					Total	Amortized Cost
	AAA	AA	A	BBB	BB and below		
United Kingdom	\$ 1,068	\$ —	\$ —	\$ —	\$ —	\$ 1,068	\$ 1,041
Canada	948	—	—	—	—	948	921
Republic of Korea	—	513	74	—	—	587	535
Germany	397	—	—	—	—	397	389
Japan	—	367	—	—	—	367	366
France	—	307	—	—	—	307	295
Province of Ontario	—	231	—	—	—	231	220
Federative Republic of Brazil	—	—	—	229	—	229	222
Kingdom of Thailand	—	—	186	34	—	220	217
Province of Quebec	—	—	171	—	—	171	161
Commonwealth of Australia	160	1	—	—	—	161	148
State of Queensland	68	81	—	—	—	149	139
Federation of Malaysia	—	—	132	—	—	132	132
Swiss Confederation	120	—	—	—	—	120	113
People's Republic of China	68	50	1	—	—	119	116
United Mexican States	1	—	44	65	—	110	102
State of New South Wales	87	—	—	—	—	87	82
Taiwan	—	78	2	—	—	80	78
Socialist Republic of Vietnam	—	—	—	—	63	63	61
Russian Federation	—	—	—	55	—	55	53
State of Victoria	54	—	—	—	—	54	50
Republic of Indonesia	—	—	—	—	53	53	50
Republic of Colombia	—	—	—	47	—	47	45
Arab Republic of Egypt	—	22	—	—	21	43	41
Dominion of New Zealand	1	40	1	—	—	42	41
Other Non-U.S. Government	241	209	102	49	125	726	688
Non-U.S. Government Securities	\$ 3,213	\$ 1,899	\$ 713	\$ 479	\$ 262	\$ 6,566	\$ 6,306
Eurozone Non-U.S. Corporate ⁽¹⁾	584	341	528	459	444	2,356	2,219
Other Non-U.S. Corporate	726	576	2,433	1,392	628	5,755	5,403
	<u>\$ 4,523</u>	<u>\$ 2,816</u>	<u>\$ 3,674</u>	<u>\$ 2,330</u>	<u>\$ 1,334</u>	<u>\$ 14,677</u>	<u>\$ 13,928</u>

(1) Excludes United Kingdom

Non-U.S. Fixed Income Portfolio

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

76% of ACE's non-U.S. fixed income portfolios are denominated in G7 currencies.

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

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



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

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

December 31, 2012

	<u>Market Value by Industry</u>					<u>Amortized Cost</u>
	<u>Bank</u>	<u>Financial</u>	<u>Industrial</u>	<u>Utility</u>	<u>Total</u>	
Netherlands	\$ 183	\$ 156	\$ 343	\$ 145	\$ 828	\$ 772
France	115	36	150	159	460	437
Luxembourg	10	5	225	100	340	320
Germany	227	1	65	8	301	287
Euro Supranational	200	—	—	—	200	191
Ireland	12	2	96	15	125	115
Finland	26	—	10	3	39	37
Belgium	3	—	31	—	33	31
Austria	19	—	3	1	23	22
Spain	6	—	—	—	6	6
Portugal	—	—	1	—	1	1
Eurozone Non-U.S. Corporate Securities	\$ 801	\$ 200	\$ 924	\$ 431	\$ 2,356	\$ 2,219

Note: ACE has no investments in Greece and Italy

Top 10 Exposures—Eurozone Banks (Excluding United Kingdom)

<u>December 31, 2012</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Rating</u>
European Investment Bank	\$ 167	\$ 160	AAA
KFW	146	139	AAA
Rabobank Nederland NV	112	102	AA-
Bank Nederlandse Gemeenten	35	34	AAA
Credit Agricole Groupe	33	32	A
BNP Paribas SA	31	29	A+
Erste Abwicklungsanstalt	24	23	AA-
Groupe BPCE	23	22	A
Nordea Bank AB	23	22	AA-
Societe Generale SA	20	19	A

Top 10 Exposures—Eurozone Corporate (Excluding United Kingdom)

<u>December 31, 2012</u>	<u>Market Value</u>	<u>Amortized Cost</u>	<u>Rating</u>
ING Groep NV	\$ 94	\$ 89	A
Electricite de France SA	92	87	A+
Intelsat SA	82	78	B
Royal Dutch Shell PLC	75	71	AA
Deutsche Telekom AG	72	64	BBB+
LyondellBasell Industries NV	57	49	BB+
France Telecom SA	43	40	A-
Gazprom OAO	40	36	BBB
General Electric Co	35	32	AA+
NIBC Holding NV	33	32	BBB-



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

Investment portfolio

Top 25 Exposures—Fixed Maturity Investments

	<u>December 31, 2012</u>	<u>Market Value</u>	<u>Rating</u>
1	JP Morgan Chase & Co	\$ 455	A
2	General Electric Co	438	AA+
3	Goldman Sachs Group Inc	366	A-
4	Citigroup Inc	348	A-
5	Bank of America Corp	310	A-
6	Morgan Stanley	289	A-
7	Verizon Communications Inc	267	A-
8	Wells Fargo & Co	266	A+
9	AT&T INC	217	A-
10	HSBC Holdings Plc	215	A+
11	Comcast Corp	166	BBB+
12	Mondelez International Inc	165	BBB
13	Anheuser-Busch InBev NV	147	A
14	BP Plc	130	A
15	Time Warner Cable Inc	128	BBB
16	Duke Energy Corp	126	BBB+
17	Royal Bank of Scotland Group Plc	125	A-
18	Barclays Plc	124	A
19	Pfizer Inc	122	AA
20	Philip Morris International Inc	116	A
21	Credit Suisse Group	115	A
22	Rabobank Nederland NV	112	AA-
23	American Express Co	111	BBB+
24	UBS AG	109	A
25	Enterprise Products Partners LP	106	BBB



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

	Three months ended December 31, 2012			Year ended December 31, 2012		
	Net Realized	Net Unrealized	Net Impact	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽¹⁾	Gains (Losses)		Gains (Losses) ⁽¹⁾	Gains (Losses)	
Fixed maturities	\$ 81	\$ (131)	\$ (50)	\$ 230	\$ 1,005	\$1,235
Fixed income derivatives	(3)	—	(3)	(6)	—	(6)
Total fixed maturities	78	(131)	(53)	224	1,005	1,229
Public equity	6	9	15	4	61	65
Private equity	36	16	52	79	49	128
Total equity	42	25	67	83	110	193
Mark-to-market gains (losses) from derivative transactions ⁽²⁾	138	—	138	(130)	—	(130)
Foreign exchange gains (losses) ⁽²⁾	48	—	48	(16)	—	(16)
Other	2	—	2	3	5	8
Partially-owned entities ⁽³⁾	(13)	—	(13)	(24)	(4)	(28)
Income tax expense (benefit)	22	(36)	(14)	58	198	256
Net gains (losses)	<u>\$ 273</u>	<u>\$ (70)</u>	<u>\$ 203</u>	<u>\$ 82</u>	<u>\$ 918</u>	<u>\$1,000</u>

- (1) Other-than-temporary impairments for the quarter includes \$7 million for fixed maturities. Year to date other-than-temporary impairments includes \$25 million for fixed maturities, \$7 million for private equity, and \$5 million for public equity.
- (2) Includes \$138 million of realized gains from variable annuity reinsurance for the quarter which comprises \$127 million in mark-to-market gains from derivative transactions and \$11 million of gains on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$35 million. For the year, the \$126 million of realized losses from variable annuity reinsurance includes \$171 million in mark-to-market gains from derivative transactions and \$297 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$33 million.
- (3) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

	Three months ended December 31, 2011			Year ended December 31, 2011		
	Net Realized	Net Unrealized	Net Impact	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽⁴⁾	Gains (Losses)		Gains (Losses) ⁽⁴⁾	Gains (Losses)	
Fixed maturities	\$ 21	\$ 236	\$ 257	\$ 164	\$ 480	\$ 644
Fixed income derivatives	14	—	14	(143)	—	(143)
Total fixed maturities	35	236	271	21	480	501
Public equity	—	4	4	9	(47)	(38)
Private equity	18	(20)	(2)	24	22	46
Total equity	18	(16)	2	33	(25)	8
Mark-to-market losses from derivative transactions ⁽⁵⁾	(13)	—	(13)	(787)	—	(787)
Foreign exchange gains (losses) ⁽⁵⁾	76	—	76	(13)	—	(13)
Other	(14)	13	(1)	(21)	15	(6)
Partially-owned entities ⁽⁶⁾	(3)	1	(2)	(4)	3	(1)
Income tax expense	12	45	57	20	157	177
Net gains (losses)	<u>\$ 87</u>	<u>\$ 189</u>	<u>\$ 276</u>	<u>\$ (791)</u>	<u>\$ 316</u>	<u>\$(475)</u>

- (4) Other-than-temporary impairments for the quarter includes \$18 million for fixed maturities. Year to date other-than-temporary impairments includes \$46 million for fixed maturities, \$3 million for private equity, and \$1 million for public equity.
- (5) Includes \$10 million of realized losses from variable annuity reinsurance for the quarter which comprises \$146 million in mark-to-market gains from derivatives transactions, net of \$156 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$11 million. For the year \$783 million of realized losses from variable annuity reinsurance includes \$779 million in mark-to-market losses from derivative transactions and \$4 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange losses for the year were \$33 million.
- (6) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).



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

	December 31	September 30	June 30	March 31	December 31	December 31
	2012	2012	2012	2012	2011	2010
Total short-term debt ⁽¹⁾	\$ 1,401	\$ 1,402	\$ 1,401	\$ 1,531	\$ 1,251	\$ 1,300
Total long-term debt	3,360	3,360	3,360	3,360	3,360	3,358
Total debt	\$ 4,761	\$ 4,762	\$ 4,761	\$ 4,891	\$ 4,611	\$ 4,658
Total trust preferred securities	\$ 309	\$ 309	\$ 309	\$ 309	\$ 309	\$ 309
Total shareholders' equity	\$ 27,531	\$ 26,963	\$25,762	\$25,431	\$ 24,332	\$ 22,835
Total capitalization	\$ 32,601	\$ 32,034	\$30,832	\$30,631	\$ 29,252	\$ 27,802
Tangible capital ⁽²⁾	\$ 27,626	\$ 27,044	\$26,006	\$25,771	\$ 24,453	\$ 23,138
Leverage ratios						
Debt/ total capitalization	14.6%	14.9%	15.4%	16.0%	15.8%	16.8%
Debt plus trust preferred securities/ total capitalization	15.6%	15.8%	16.4%	17.0%	16.8%	17.9%
Debt/ tangible capital	17.2%	17.6%	18.3%	19.0%	18.9%	20.1%
Debt plus trust preferred securities/ tangible capital	18.4%	18.8%	19.5%	20.2%	20.1%	21.5%

Note: As of December 31, 2012, there was \$1.5 billion usage of credit facilities on a total commitment of \$1.9 billion.

- (1) Repurchase agreements in the amount of \$850 million matured during the quarter, and there were new repurchase agreements in the amount of \$849 million.
- (2) Tangible capital is equal to total capitalization less goodwill and other intangible assets.



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

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Numerator				
Income to common shares, excl. net realized gains (losses) ⁽¹⁾	\$ 492	\$ 648	\$ 2,624	\$ 2,331
Net realized gains (losses), net of income tax	273	87	82	(791)
Net income	<u>\$ 765</u>	<u>\$ 735</u>	<u>\$ 2,706</u>	<u>\$ 1,540</u>
Rollforward of Common Shares Outstanding				
Shares—beginning of period	339,735,109	336,390,293	336,927,276	334,942,852
Repurchase of shares	—	(461,428)	(100,000)	(2,058,860)
Shares issued, excluding option exercises	55,188	(41,115)	1,092,389	1,302,046
Issued for option exercises	531,237	1,039,526	2,401,869	2,741,238
Shares—end of period	<u>340,321,534</u>	<u>336,927,276</u>	<u>340,321,534</u>	<u>336,927,276</u>
Denominator				
Weighted average shares outstanding	340,821,273	338,260,786	339,843,438	338,159,409
Effect of other dilutive securities	2,920,626	2,740,500	2,903,512	2,620,815
Adj. wtd. avg. shares outstanding and assumed conversions	<u>343,741,899</u>	<u>341,001,286</u>	<u>342,746,950</u>	<u>340,780,224</u>
Basic earnings per share				
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.44	\$ 1.91	\$ 7.72	\$ 6.89
Net realized gains (losses), net of income tax	0.80	0.26	0.24	(2.34)
Net income	<u>\$ 2.24</u>	<u>\$ 2.17</u>	<u>\$ 7.96</u>	<u>\$ 4.55</u>
Diluted earnings per share				
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.43	\$ 1.90	\$ 7.65	\$ 6.84
Net realized gains (losses), net of income tax	0.79	0.25	0.24	(2.32)
Net income	<u>\$ 2.22</u>	<u>\$ 2.15</u>	<u>\$ 7.89</u>	<u>\$ 4.52</u>

(1) See Non-GAAP Financial Measures.



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

Regulation G—Non-GAAP Financial Measures

In presenting our results, we have included and discussed certain non-GAAP measures. These non-GAAP measures, which may be defined differently by other companies, are important for an understanding of our overall results of operations. However, they should not be viewed as a substitute for measures determined in accordance with generally accepted accounting principles (GAAP). A reconciliation of book value per common share is provided on page 23.

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

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

Combined ratio excluding catastrophe losses, PPD, and crop is a non-GAAP financial measure. The ratio numerator includes losses and loss expenses, policy acquisition costs, and administrative expenses adjusted to exclude catastrophe losses, PPD, and crop insurance. The ratio denominator includes net premiums earned adjusted to exclude the amount of reinstatement premiums (expensed) collected, net earned premium adjustments on loss sensitive policies and net premiums earned on crop insurance business. We believe that excluding the impact of catastrophe losses, PPD, and crop insurance 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.

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

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

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

The following table presents the reconciliation of Net income to Income excluding net realized gains (losses):

	<u>4Q-12</u>	<u>3Q-12</u>	<u>2Q-12</u>	<u>1Q-12</u>	<u>4Q-11</u>	<u>2012</u>	<u>2011</u>
Net income, as reported	\$765	\$640	\$ 328	\$973	\$735	\$ 2,706	\$ 1,540
Net realized gains (losses)	272	(60)	(394)	260	83	78	(795)
Net realized gains (losses) in other income (expense) ⁽¹⁾	23	20	1	18	16	62	24
Income tax expense on net realized gains (losses)	22	8	22	6	12	58	20
Income excluding net realized gains (losses)	<u>\$492</u>	<u>\$688</u>	<u>\$ 743</u>	<u>\$701</u>	<u>\$648</u>	<u>\$ 2,624</u>	<u>\$ 2,331</u>

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



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

Regulation G—Non-GAAP Financial Measures (continued)

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

	4Q-12	3Q-12	2Q-12	1Q-12	4Q-11	Full Year 2012	Full Year 2011
Tax expense (benefit), as reported	\$ (135)	\$ 147	\$ 148	\$ 110	\$ 120	\$ 270	\$ 502
Tax expense on net realized gains (losses)	22	8	22	6	12	58	20
Tax expense (benefit), adjusted	<u>\$ (157)</u>	<u>\$ 139</u>	<u>\$ 126</u>	<u>\$ 104</u>	<u>\$ 108</u>	<u>\$ 212</u>	<u>\$ 482</u>
Income before tax, as reported	\$ 630	\$ 787	\$ 476	\$ 1,083	\$ 855	\$ 2,976	\$ 2,042
Less: realized gains (losses)	272	(60)	(394)	260	83	78	(795)
Less: realized gains (losses) in other income (expense)	23	20	1	18	16	62	24
Income excluding net realized gains (losses) before tax	<u>\$ 335</u>	<u>\$ 827</u>	<u>\$ 869</u>	<u>\$ 805</u>	<u>\$ 756</u>	<u>\$ 2,836</u>	<u>\$ 2,813</u>
Effective tax rate	-21.4%	18.7%	31.0%	10.2%	14.1%	9.1%	24.6%
Adjustment for tax impact of net realized gains (losses)	-25.4%	-2.0%	-16.4%	2.8%	0.3%	-1.6%	-7.5%
Operating effective tax rate	<u>-46.8%</u>	<u>16.7%</u>	<u>14.6%</u>	<u>13.0%</u>	<u>14.4%</u>	<u>7.5%</u>	<u>17.1%</u>

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

	4Q-12	4Q-11	Full Year 2012	Full Year 2011
Net income	\$ 765	\$ 735	\$ 2,706	\$ 1,540
Income excluding net realized gains (losses)	\$ 492	\$ 648	\$ 2,624	\$ 2,331
Equity—beginning of period, as reported	\$26,963	\$23,581	\$24,332	\$22,835
Less: unrealized gains (losses) on investments, net of deferred tax	2,703	1,526	1,715	1,399
Equity—beginning of period, as adjusted	<u>\$24,260</u>	<u>\$22,055</u>	<u>\$22,617</u>	<u>\$21,436</u>
Equity—end of period, as reported	\$27,531	\$24,332	\$27,531	\$24,332
Less: unrealized gains (losses) on investments, net of deferred tax	2,633	1,715	2,633	1,715
Equity—end of period, as adjusted	<u>\$24,898</u>	<u>\$22,617</u>	<u>\$24,898</u>	<u>\$22,617</u>
Average equity, as reported	\$27,247	\$23,957	\$25,932	\$23,584
Average equity, as adjusted	<u>\$24,579</u>	<u>\$22,336</u>	<u>\$23,758</u>	<u>\$22,027</u>
Operating ROE calculated using income excluding net realized gains (losses)	8.0%	11.6%	11.0%	10.6%
ROE calculated using net income	11.2%	12.3%	10.4%	6.5%



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

	December 31 2012	September 30 2012	June 30 2012	March 31 2012	December 31 2011
Reconciliation of Book Value per Common Share					
Shareholders' equity	\$ 27,531	\$ 26,963	\$ 25,762	\$ 25,431	\$ 24,332
Less: goodwill and other intangible assets	4,975	4,990	4,826	4,860	4,799
Numerator for tangible book value per share	<u>\$ 22,556</u>	<u>\$ 21,973</u>	<u>\$ 20,936</u>	<u>\$ 20,571</u>	<u>\$ 19,533</u>
Book value—% change over prior quarter ⁽¹⁾	2.1%	4.7%	1.3%	4.5%	3.2%
Tangible book value—% change over prior quarter ⁽¹⁾	2.7%	5.0%	1.8%	5.3%	3.9%
Denominator	<u>340,321,534</u>	<u>339,735,109</u>	<u>339,060,885</u>	<u>338,653,382</u>	<u>336,927,276</u>
Book value per common share	\$ 80.90	\$ 79.36	\$ 75.98	\$ 75.09	\$ 72.22
Tangible book value per common share	\$ 66.28	\$ 64.67	\$ 61.75	\$ 60.74	\$ 57.97
Reconciliation of Book Value					
Shareholders' equity, beginning of quarter	\$ 26,963	\$ 25,762	\$ 25,431	\$ 24,332	\$ 23,581
Income excluding net realized gains (losses)	492	688	743	701	648
Net realized gains (losses), net of tax	273	(48)	(415)	272	87
Net unrealized gains (losses), net of tax	(70)	537	208	243	189
Repurchase of shares	—	—	—	(7)	(32)
Dividend declared on common shares	(168)	(168)	(168)	(200)	(118)
Cumulative translation, net of tax	(37)	141	(79)	56	(123)
Pension liability	(20)	(2)	—	(1)	6
Other ⁽²⁾	98	53	42	35	94
	<u>\$ 27,531</u>	<u>\$ 26,963</u>	<u>\$ 25,762</u>	<u>\$ 25,431</u>	<u>\$ 24,332</u>

(1) At December 31, 2012, book value increased 13.1% and tangible book value increased 15.5% from December 31, 2011.

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



ACE Limited Consolidated comprises all segments including Corporate and Other.

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

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

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

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

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

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

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

NM: Not meaningful.

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

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

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