

# ACE LTD

## FORM 8-K (Current report filing)

Filed 07/26/05 for the Period Ending 07/25/05

Telephone	441 295 5200
CIK	0000896159
Symbol	ACE
SIC Code	6331 - Fire, Marine, and Casualty Insurance
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

# ACE LTD

## FORM 8-K (Unscheduled Material Events)

Filed 7/26/2005 For Period Ending 7/25/2005

Address	ACE BLDG 30 WOODBOURNE AVE HAMILTON HM 08 BERMU, 00000
Telephone	809-295-5200
CIK	0000896159
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

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

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**FORM 8-K**

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**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 25, 2005**

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**ACE LIMITED**

(Exact name of registrant as specified in its charter)

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**Cayman Islands**  
(State or other jurisdiction)

**1-11778**  
(Commission File Number)

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

**ACE Global Headquarters  
17 Woodbourne Avenue  
Hamilton HM 08 Bermuda**  
(Address of principal executive offices)

**Registrant's telephone number, including area code: (441) 295-5200**

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

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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))

(Former name or former address, if changed since last report)

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***Item 2.02. Results of Operations and Financial Condition***

On July 25, 2005, ACE Limited issued a press release reporting its second quarter 2005 results and the availability of its second quarter financial supplement. The press release and the financial supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

***(c) Exhibits***

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
99.1	Press release, dated July 25, 2005, reporting second quarter results
99.2	Second Quarter 2005 Financial Supplement

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**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 / P H I L I P V . B A N C R O F T

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Philip V. Bancroft  
*Chief Financial Officer*

DATE: July 25, 2005

**EXHIBIT INDEX**

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press release, dated July 25, 2005, reporting second quarter results	Furnished herewith
99.2	Second Quarter 2005 Financial Supplement	Furnished herewith

**EXHIBIT 99.1**



**ace limited**

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 Bermuda

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**News  
Release**

**FOR IMMEDIATE RELEASE**

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**ACE LIMITED REPORTS RECORD SECOND QUARTER NET INCOME OF \$467 MILLION;  
 INCOME EXCLUDING NET REALIZED GAINS (LOSSES) INCREASES 13% TO \$443 MILLION;  
 NET INVESTMENT INCOME INCREASES 26% TO \$305 MILLION**

**HAMILTON, Bermuda – July 25, 2005** — ACE Limited (NYSE: ACE) today reported net income for the second quarter ended June 30, 2005 of \$467 million or \$1.58 per ordinary share after payment of preferred dividends, compared with net income of \$423 million or \$1.44 per share for the same quarter last year. Income excluding net realized gains (losses) after tax for the second quarter was \$443 million, or \$1.50 per share, compared with \$391 million or \$1.33 per share for the same quarter a year ago. <sup>(1)</sup>

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

	2005	2004	Change	(Per Share - Diluted)		
				Change		
				2005	2004	
	Restated	Restated		Restated	Restated	
Net income	\$467	\$423	10%	\$1.58	\$1.44	10%
Net realized gains, net of tax	24	32	—	0.08	0.11	—
Income excluding net realized gains, net of tax <sup>(1)</sup>	\$443	\$391	13%	\$1.50	\$1.33	13%

Net income for the first six months of 2005 was \$904 million or \$3.06 per share, compared with \$877 million or \$3.00 per share for the first six months of 2004. For the first six months of 2005, income excluding net realized gains (losses) after tax was \$898 million or \$3.04 per share, compared with \$809 million or \$2.76 per share for the same period of 2004. <sup>(1)</sup>

**Six Months**  
(in millions, except per share amounts)

	2005	2004	Change	(Per Share - Diluted)			
				2005		2004	Change
				Restated		Restated	
Net income	\$904	\$877	3%	\$3.06	\$3.00	2%	
Net realized gains, net of tax	6	68	—	0.02	0.24	—	
Income excluding net realized gains, net of tax <sup>(1)</sup>	\$898	\$809	11%	\$3.04	\$2.76	10%	

Evan Greenberg, President and Chief Executive Officer of ACE Limited, commented: “This was an excellent quarter for ACE, highlighted by record net income and strong operating income. Shareholders’ equity exceeded \$10 billion – a milestone – and reflects our continued and growing balance sheet strength. The quality of our earnings was excellent, with P&C underwriting income and investment income each contributing approximately 50 percent to our operating income for the quarter. Revenue growth slowed in line with market conditions. We are maintaining discipline, and our growth reflects that.”

Second quarter operating highlights were as follows:

- P&C net premiums earned increased 7% over the prior year’s quarter
- The P&C combined ratio was 90.4% for the quarter compared with 89.1% a year ago
- Operating cash flow amounted to \$1.1 billion for the quarter
- Invested assets increased by \$1.1 billion from March 31, 2005
- Net investment income increased 26% to \$305 million compared to prior year’s quarter
- Shareholders’ equity increased 5% to \$10.5 billion from March 31, 2005
- Tangible equity rose to \$7.8 billion, a gain of 7% from March 31, 2005
- Debt to total capital ratio improved to 15.5% from 16.1% at March 31, 2005
- Return on equity for the quarter was 17.9%; excluding FAS 115 it was 18.7% <sup>(2)</sup>
- Diluted book value per share as of June 30, 2005 was \$34.28 <sup>(3)</sup>

Financial results for the quarter by business segment compared with prior year’s results follow. Further details are available in the financial supplement. Key items include:

- Insurance-North American: Net premiums written increased 6% for the quarter and the combined ratio was 90.1%.
- Insurance-Overseas General: Net premiums written declined 3% for the quarter and the combined ratio was 89.7%.
- Global Reinsurance: Net premiums written were flat for the quarter. This segment had a combined ratio of 80.2%.
- Financial Services: Income excluding net realized gains (losses) was \$49 million for the quarter.

All amounts included herein for prior periods have been adjusted to reflect the previously reported restatements.

Please refer to the ACE Financial Supplement June 30, 2005, which is posted on the Company’s website, for more detailed information on individual segment performance, together with additional disclosure on

reinsurance recoverable, loss reserves, investment portfolio and capital structure. ACE's website reference (url) is [http://media.corporate-ir.net/media\\_files/nys/ace/reports/fin\\_supp\\_june\\_30\\_2005.xls](http://media.corporate-ir.net/media_files/nys/ace/reports/fin_supp_june_30_2005.xls). (Due to the length of this URL, it may be necessary to copy and paste this hyperlink into your Internet browser's URL address field.)

ACE will host its second quarter 2005 earnings conference call and webcast on Tuesday, July 26, 2005 beginning at 8:30 a.m. EDT. The earnings conference call will be available via live and archived webcast at [www.ancelimited.com](http://www.ancelimited.com) or by dialing 888-889-5602 (within the United States) or 973-582-2734 (international). Please refer to the ACE Limited website in the Investor Information section under Calendar of Events for details. A replay of the call will be available from Tuesday, July 26, 2005 until Friday, August 26, 2005. To listen to the replay dial 877-519-4471 (in the United States) or 973-341-3080 (international); passcode 5826870.

The ACE Group of Companies is a global leader in insurance and reinsurance serving a diverse group of clients. Headed by ACE Limited, a component of the Standard & Poor's 500 stock index, the ACE Group conducts its business on a worldwide basis with operating subsidiaries in more than 50 countries. Additional information can be found at: [www.ancelimited.com](http://www.ancelimited.com).

<sup>1</sup>Non-GAAP Financial Measures:

Operating Income or Income excluding net realized gains (losses) and the tax effect of net realized gains (losses) is a common performance measurement. 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) because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities.

Underwriting income is calculated by subtracting losses and loss expenses, life and annuity benefits, policy acquisition costs and administrative expenses from net premiums earned. We use underwriting income and operating ratios to monitor the results of our operations without the impact of certain factors, including net investment income, other (income) expense, interest and income tax expense and net realized gains (losses). We believe the use of these measures enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

Tangible shareholder's equity is shareholders' equity less goodwill. See reconciliation of Non-GAAP Financial Measure on page 27 in the financial supplement.

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

<sup>2</sup>Calculated using income excluding net realized gains (losses).

<sup>3</sup>Diluted book value per ordinary share is ordinary shareholders' equity and net proceeds from assumed conversions of outstanding in-the-money options divided by the sum of shares outstanding and the number of options assumed issued.

**Cautionary Statement Regarding Forward-Looking Statements:**

*Any forward-looking statements made in this press release reflect the Company's current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements. For example, the Company's forward-looking statements, such as its statements regarding growth, could be affected by competition, pricing and policy term trends, the levels of new and renewal business achieved, market acceptance, changes in demand, the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, internal investigation developments, the amount and timing of reinsurance recoverable, credit developments among reinsurers, actual market developments, rating agency action, possible terrorism or the outbreak and effects of war and economic, political, regulatory, insurance and reinsurance business conditions, as well as management's response to these factors, and other factors identified in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*(tables to follow)*



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

	<b>June 30</b>	<b>Restated December 31</b>
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Total investments	\$28,897	\$ 27,048
Cash	651	507
Insurance and reinsurance balances receivable	3,728	3,255
Reinsurance recoverable	14,432	14,887
Other assets	10,412	10,556
<b>Total assets</b>	<b>\$58,120</b>	<b>\$ 56,253</b>
<b>Liabilities</b>		
Unpaid losses and loss expenses	\$32,101	\$ 31,483
Unearned premiums	6,457	5,983
Other liabilities	9,066	8,944
<b>Total liabilities</b>	<b>\$47,624</b>	<b>\$ 46,410</b>
<b>Shareholders' equity</b>		
Total shareholders' equity	\$10,496	\$ 9,843
<b>Total liabilities and shareholders' equity</b>	<b>\$58,120</b>	<b>\$ 56,253</b>
<b>Diluted book value per ordinary share <sup>(3)</sup></b>	<b>\$ 34.28</b>	<b>\$ 32.50</b>

**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	
	2005	Restated	2005	Restated
		2004		2004
Gross premiums written	\$ 4,213	\$ 4,042	\$ 8,756	\$ 8,460
Net premiums written	2,909	2,861	6,275	6,081
Net premiums earned	2,921	2,782	5,798	5,370
Losses and loss expenses	1,844	1,726	3,633	3,255
Life and annuity benefits	(37)	44	72	86
Policy acquisition costs	429	396	817	761
Administrative expenses	316	304	652	622
Underwriting income <sup>(1)</sup>	295	312	624	646
Net investment income	305	243	590	491
Net realized gains (losses)	32	42	18	99
Interest expense	43	46	85	90
Other (income) expense	(6)	(1)	(11)	16
Income tax expense	128	129	254	253
Net income	467	423	904	877
Preference shares dividend	(11)	(11)	(22)	(22)
Net income available to holders of ordinary shares	\$ 456	\$ 412	\$ 882	\$ 855
<b><i>Diluted earnings per share:</i></b>				
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 1.50	\$ 1.33	\$ 3.04	\$ 2.76
Net income	\$ 1.58	\$ 1.44	\$ 3.06	\$ 3.00
Weighted average diluted shares outstanding	288,451,164	285,371,164	288,172,519	285,037,944
Loss and loss expense ratio	64.4%	63.2%	63.9%	61.8%
Policy acquisition cost ratio	14.8%	14.3%	14.2%	14.2%
Administrative expense ratio	11.0%	11.2%	11.4%	11.8%
Combined ratio	90.2%	88.7%	89.5%	87.8%

**Ratios exclude life reinsurance business**


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

	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>Restated</b>		<b>Restated</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Gross Premiums Written</b>				
Insurance—North American	\$ 2,344	\$ 2,102	\$ 4,494	\$ 4,007
Insurance—Overseas General	1,428	1,501	3,064	3,174
Global Reinsurance*	426	424	1,020	1,052
Financial Services	15	15	178	223
<i>Total</i>	<u>\$ 4,213</u>	<u>\$ 4,042</u>	<u>\$ 8,756</u>	<u>\$ 8,460</u>
<b>Net Premiums Written</b>				
Insurance—North American	\$ 1,412	\$ 1,330	\$ 2,837	\$ 2,541
Insurance—Overseas General	1,062	1,098	2,257	2,276
Global Reinsurance*	420	420	1,005	1,043
Financial Services	15	13	176	221
<i>Total</i>	<u>\$ 2,909</u>	<u>\$ 2,861</u>	<u>\$ 6,275</u>	<u>\$ 6,081</u>
<b>Net Premiums Earned</b>				
Insurance—North American	\$ 1,319	\$ 1,178	\$ 2,604	\$ 2,185
Insurance—Overseas General	1,081	1,069	2,169	2,088
Global Reinsurance*	429	401	843	784
Financial Services	92	134	182	313
<i>Total</i>	<u>\$ 2,921</u>	<u>\$ 2,782</u>	<u>\$ 5,798</u>	<u>\$ 5,370</u>
<b>Income (Loss) Excluding Net Realized Gains (Losses)<sup>(1)</sup></b>				
Insurance—North American	\$ 187	\$ 159	\$ 395	\$ 311
Insurance—Overseas General	146	103	305	216
Global Reinsurance*	128	123	245	248
Financial Services	49	58	90	143
Corporate	(67)	(52)	(137)	(109)
<i>Total</i>	<u>\$ 443</u>	<u>\$ 391</u>	<u>\$ 898</u>	<u>\$ 809</u>

\* Includes both property and casualty reinsurance and life reinsurance

###





# Financial Supplement

**June 30, 2005**

**Includes restatement of prior periods reported.**

## **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 the Company's current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause actual results to differ materially from those set forth in these statements. For example, the Company's forward-looking statements, such as statements concerning exposures, reserves and recoverables, could be affected by the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, internal investigation developments, the amount and timing of reinsurance receivable and credit developments among reinsurers. The Company's forward-looking statements could also be affected by competition, pricing and policy term trends, the levels of new and renewal business achieved, 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. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



**ACE Limited**  
**Financial Supplement Table of Contents**

	<u>Page</u>
<b>I. <u>Financial Highlights</u></b>	
- Consolidated Financial Highlights	1
<b>II. <u>Consolidated Results</u></b>	
- Consolidated Results - Consecutive Quarters	2-4
- Summary Consolidated Balance Sheets	5
- Consolidated Premiums by Line of Business	6
- Consolidating Statement of Operations	7-8
<b>III. <u>Segment Results</u></b>	
- Insurance-North American	9-10
- Insurance-Overseas General	11-12
- Global Reinsurance	13-15
- Financial Services	16-17
<b>IV. <u>Balance Sheet Details</u></b>	
- Loss Reserve Rollforward	18
- Reinsurance Recoverable Analysis	19-22
- Investment Portfolio	23
- Realized and Unrealized Gains (Losses)	24
- Capital Structure	25
- Computation of Basic and Diluted Earnings Per Share	26
<b>V. <u>Other Disclosures</u></b>	
- Non-GAAP Financial Measures	27
- Diluted Book Value per Ordinary Share	28
- Comprehensive Income	29
- Glossary	30



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

	Three months ended June 30		% Change 2Q-05 vs. 2Q-04	Six months ended June 30		% Change YTD-05 vs. YTD-04
	2005	2004		2005	2004	
		(Restated)			(Restated)	
Gross premiums written	\$ 4,213	\$ 4,042	4%	\$ 8,756	\$ 8,460	3%
Net premiums written	\$ 2,909	\$ 2,861	2%	\$ 6,275	\$ 6,081	3%
Net premiums earned	\$ 2,921	\$ 2,782	5%	\$ 5,798	\$ 5,370	8%
Net investment income	\$ 305	\$ 243	26%	\$ 590	\$ 491	20%
Net income	\$ 467	\$ 423	10%	\$ 904	\$ 877	3%
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 443	\$ 391	13%	\$ 898	\$ 809	11%
Comprehensive income	\$ 572	\$ (137)	NM	\$ 721	\$ 454	59%
Operating cash flow	\$ 1,147	\$ 1,097	5%	\$ 2,357	\$ 2,269	4%
<b>Combined ratio</b>						
Loss and loss expense ratio	64.4%	63.2%		63.9%	61.8%	
Underwriting and administrative expense ratio	25.8%	25.5%		25.6%	26.0%	
Combined ratio	90.2%	88.7%		89.5%	87.8%	
Annualized ROE*	17.9%	17.3%		18.2%	18.5%	
Annualized ROE, excluding FAS 115*	18.7%	18.4%		19.4%	19.6%	
<b>Diluted earnings per share</b>						
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 1.50	\$ 1.33	14%	\$ 3.04	\$ 2.76	10%
Net income	\$ 1.58	\$ 1.44	10%	\$ 3.06	\$ 3.00	2%
Diluted book value per ordinary share	\$ 34.28	\$ 30.41	13%	\$ 34.28	\$ 30.41	13%
Diluted tangible book value per ordinary share	\$ 25.39	\$ 21.27	19%	\$ 25.39	\$ 21.27	19%
Weighted average diluted ordinary shares outstanding	288.5	285.4		288.2	285.0	
Debt/ total capitalization	15.5%	19.8%		15.5%	19.8%	

(1) See page 27 Non-GAAP Financial Measures.

\* Calculated using income excluding net realized gains (losses).



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

**ACE Limited Consolidated**

	<u>2Q-05</u>	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>YTD 2005</u>	<u>YTD 2004</u>	<u>Full Year 2004</u>
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
<b>Property and Casualty <sup>(1)</sup></b>								
Gross premiums written	\$4,141	\$ 4,322	\$ 3,562	\$ 3,860	\$ 3,971	\$8,463	\$ 8,128	\$15,550
Net premiums written	2,837	3,147	2,559	2,647	2,793	5,984	5,754	10,960
Net premiums earned	2,772	2,729	2,730	2,688	2,594	5,501	4,952	10,370
Losses and loss expenses	1,774	1,706	2,108	2,117	1,636	3,480	3,080	7,305
Policy acquisition costs	424	382	405	385	381	806	730	1,520
Administrative expenses	308	330	335	301	294	638	591	1,222
<b>P&amp; C underwriting income (loss)</b>	<b>\$ 266</b>	<b>\$ 311</b>	<b>\$ (118)</b>	<b>\$ (115)</b>	<b>\$ 283</b>	<b>\$ 577</b>	<b>\$ 551</b>	<b>\$ 323</b>
Financial Services underwriting income (loss)	14	1	(3)	(11)	26	15	84	70
Life underwriting income (loss) excluding investment income	15	17	11	5	3	32	6	22
Net investment income	305	285	282	246	243	590	491	1,019
Net realized gains (losses)	32	(14)	130	(32)	42	18	99	197
Interest expense	43	42	43	50	46	85	90	183
Other (income) expense	(6)	(5)	1	(14)	(1)	(11)	16	3
Income tax expense (benefit)	128	126	(28)	61	127	254	251	286
<b>Net income (loss)</b>	<b>\$ 467</b>	<b>\$ 437</b>	<b>\$ 286</b>	<b>\$ (4)</b>	<b>\$ 423</b>	<b>\$ 904</b>	<b>\$ 874</b>	<b>\$ 1,159</b>
Net realized gains (losses)	32	(14)	130	(32)	42	18	99	197
Tax expense on net realized gains (losses)	8	4	12	1	10	12	31	44
<b>Income excluding net realized gains (losses) <sup>(2)</sup></b>	<b>\$ 443</b>	<b>\$ 455</b>	<b>\$ 168</b>	<b>\$ 29</b>	<b>\$ 391</b>	<b>\$ 898</b>	<b>\$ 806</b>	<b>\$ 1,006</b>
<b>% Change versus prior year period <sup>(1)</sup></b>								
Net premiums written	2%	6%	13%	23%	23%	4%	24%	21%
Net premiums earned	7%	16%	17%	24%	23%	11%	25%	23%
<b>Other ratios</b>								
Net premiums written/gross premiums written	69%	73%	72%	69%	70%	71%	71%	70%
Effective tax rate on income excluding net realized gains (losses)	21%	21%	-34%	65%	23%	21%	21%	19%

(1) Property and casualty excluding financial services is presented to allow for comparison and analysis with earnings guidance. This is a Non-GAAP measure. See pages 7 and 8 for a reconciliation to GAAP.

(2) See page 27 Non-GAAP Financial Measures.

\* Calculated using income excluding net realized gains (losses).



**ACE Limited**  
**Consolidated Results - Consecutive Quarters - 2**  
(in millions of U.S. dollars)  
(Unaudited)

**ACE Limited Consolidated**

	<u>2Q-05</u>	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>YTD 2005</u>	<u>YTD 2004</u>	<u>Full Year 2004</u>
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
<b>Combined ratio</b>								
Loss and loss expense ratio	64.4%	63.5%	78.1%	79.8%	63.2%	63.9%	61.8%	70.6%
Policy acquisition cost ratio	14.8%	13.6%	14.4%	13.8%	14.3%	14.2%	14.2%	14.2%
Administrative expense ratio	11.0%	11.9%	11.9%	10.9%	11.2%	11.4%	11.8%	11.6%
<b>Combined ratio</b>	<b>90.2%</b>	<b>89.0%</b>	<b>104.4%</b>	<b>104.5%</b>	<b>88.7%</b>	<b>89.5%</b>	<b>87.8%</b>	<b>96.4%</b>

**Property and Casualty <sup>(1)</sup>**

	<u>2Q-05</u>	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>YTD 2005</u>	<u>YTD 2004</u>	<u>Full Year 2004</u>
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
<b>Combined ratio</b>								
Loss and loss expense ratio	64.0%	62.5%	77.2%	78.7%	63.1%	63.3%	62.2%	70.4%
Policy acquisition cost ratio	15.3%	14.0%	14.9%	14.3%	14.7%	14.6%	14.7%	14.7%
Administrative expense ratio	11.1%	12.1% <sup>(2)</sup>	12.2%	11.2%	11.3%	11.6%	11.8%	11.8%
<b>Combined ratio</b>	<b>90.4%</b>	<b>88.6%</b>	<b>104.3%</b>	<b>104.2%</b>	<b>89.1%</b>	<b>89.5%</b>	<b>88.7%</b>	<b>96.9%</b>

**Large losses and other items**

Asbestos, environmental and other run-off losses	\$ —	\$ —	\$ 465	\$ —	\$ —	\$ —	\$ —	\$ 465
Catastrophe and other large losses	\$ —	\$ 3	\$ 31	\$ 457	\$ —	\$ 3	\$ —	\$ 488
Prior period development <sup>(3)</sup>	\$ 27	\$ 29	\$ 109	\$ 12	\$ 25	\$ 56	\$ 19	\$ 140

(1) Property and casualty excluding financial services is presented to allow for comparison and analysis with earnings guidance.

(2) Includes \$30M of legal expenses related to the investigations.

(3) See Financial Services schedule for prior period development related to that segment.





**ACE Limited**  
**Consolidated Results - Consecutive Quarters - 3**  
(in millions of U.S. dollars)  
(Unaudited)

**ACE Limited Consolidated**

	1Q-04	4Q-03	3Q-03	2Q-03	1Q-03	Full Year 2003	Full Year 2002
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
<b>Property and Casualty <sup>(1)</sup></b>							
Gross premiums written	\$ 4,157	\$ 3,331	\$ 3,296	\$ 3,242	\$ 3,533	\$13,402	\$11,116
Net premiums written	2,961	2,273	2,153	2,275	2,354	9,055	6,536
Net premiums earned	2,358	2,342	2,162	2,113	1,839	8,456	5,652
Losses and loss expenses	1,444	1,431	1,387	1,337	1,129	5,284	4,061
Policy acquisition costs	349	357	321	314	281	1,273	872
Administrative expenses	292	313	272	278	239	1,102	856
<b>P&amp; C underwriting income (loss)</b>	<b>\$ 273</b>	<b>\$ 241</b>	<b>\$ 182</b>	<b>\$ 184</b>	<b>\$ 190</b>	<b>\$ 797</b>	<b>\$ (137)</b>
Financial Services underwriting income (loss)	58	5	13	19	21	58	53
Life underwriting income (loss) excluding investment income	3	(2)	(4)	(5)	(5)	(16)	(22)
Net investment income	248	242	223	224	211	900	812
Net realized gains (losses)	57	127	56	116	(40)	259	(489)
Interest expense	44	45	44	43	45	177	193
Other (income) expense	17	21	4	1	8	34	36
Income tax expense (benefit)	124	87	68	97	59	311	(112)
<b>Net income (loss)</b>	<b>\$ 454</b>	<b>\$ 460</b>	<b>\$ 354</b>	<b>\$ 397</b>	<b>\$ 265</b>	<b>\$ 1,476</b>	<b>\$ 100</b>
Net realized gains (losses)	57	127	56	116	(40)	259	(489)
Tax expense on net realized gains (losses)	21	12	6	22	(8)	32	(72)
<b>Income excluding net realized gains (losses) <sup>(2)</sup></b>	<b>\$ 418</b>	<b>\$ 345</b>	<b>\$ 304</b>	<b>\$ 303</b>	<b>\$ 297</b>	<b>\$ 1,249</b>	<b>\$ 517</b>
<b>Combined ratio</b>							
Loss and loss expense ratio	60.3%	66.0%	65.0%	64.2%	62.7%	64.6%	73.7%
Policy acquisition cost ratio	14.2%	13.2%	14.3%	14.2%	14.4%	14.0%	14.0%
Administrative expense ratio	12.5%	12.0%	12.4%	12.8%	12.6%	12.4%	13.5%
<b>Combined ratio</b>	<b>87.0%</b>	<b>91.2%</b>	<b>91.7%</b>	<b>91.2%</b>	<b>89.7%</b>	<b>91.0%</b>	<b>101.2%</b>
<b>Property and Casualty (1)</b>							
<b>Combined ratio</b>							
Loss and loss expense ratio	61.2%	61.1%	64.2%	63.3%	61.4%	62.5%	71.9%
Policy acquisition cost ratio	14.8%	15.2%	14.9%	14.9%	15.3%	15.1%	15.4%
Administrative expense ratio	12.4%	13.4%	12.6%	13.1%	13.0%	13.0%	15.1%
<b>Combined ratio</b>	<b>88.4%</b>	<b>89.7%</b>	<b>91.7%</b>	<b>91.3%</b>	<b>89.7%</b>	<b>90.6%</b>	<b>102.4%</b>

(1) Property and casualty excluding financial services is presented to allow for comparison and analysis with earnings guidance.  
(2) See page 27 Non-GAAP Financial Measures.



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

	June 30 2005	March 31 2005	December 31 2004
	(Unaudited)	(Unaudited) (Restated)	(Unaudited) (Restated)
<b>Assets</b>			
Fixed maturities available for sale, at fair value	\$ 21,217	\$ 20,418	\$ 22,976
Fixed maturities held to maturity, at amortized cost	3,151	3,211	—
Equity securities, at fair value	1,380	1,351	1,265
Short-term investments	2,521	2,198	2,201
Other investments	628	622	606
<b>Total investments</b>	<b>28,897</b>	<b>27,800</b>	<b>27,048</b>
Cash	651	574	507
Securities lending collateral	958	1,255	1,059
Insurance and reinsurance balances receivable	3,728	3,695	3,255
Reinsurance recoverable	14,432	14,273	14,887
Deferred policy acquisition costs	990	999	944
Prepaid reinsurance premiums	1,434	1,427	1,355
Goodwill	2,699	2,691	2,695
Deferred tax assets	1,134	1,178	1,173
Investments in partially owned insurance companies	832	816	796
Other assets	2,365	2,297	2,534
<b>Total assets</b>	<b>\$ 58,120</b>	<b>\$ 57,005</b>	<b>\$ 56,253</b>
<b>Liabilities</b>			
Unpaid losses and loss expenses	\$ 32,101	\$ 31,426	\$ 31,483
Unearned premiums	6,457	6,527	5,983
Future policy benefits for life and annuity contracts	517	507	509
Insurance and reinsurance balances payable	2,438	2,290	2,337
Deposit liabilities	347	302	343
Securities lending payable	958	1,255	1,059
Payable for investments purchased	785	630	579
Accounts payable, accrued expenses and other liabilities	1,613	1,694	1,710
Short-term debt	147	147	146
Long-term debt	1,849	1,849	1,849
Trust preferred securities	412	412	412
<b>Total liabilities</b>	<b>47,624</b>	<b>47,039</b>	<b>46,410</b>
<b>Shareholders' equity</b>			
Total shareholders' equity, excl. AOCI	9,947	9,522	9,111
Accumulated other comprehensive income (AOCI)	549	444	732
<b>Total shareholders' equity</b>	<b>10,496</b>	<b>9,966</b>	<b>9,843</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 58,120</b>	<b>\$ 57,005</b>	<b>\$ 56,253</b>
<b>Diluted book value per ordinary share <sup>(1)</sup></b>	<b>\$ 34.28</b>	<b>\$ 32.63</b>	<b>\$ 32.50</b>
<b>Diluted tangible book value per ordinary share <sup>(1)</sup></b>	<b>\$ 25.39</b>	<b>\$ 23.56</b>	<b>\$ 23.38</b>

(1) See page 27 Non-GAAP Financial Measures.



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

**ACE Limited Consolidated**

	2Q-05	% of Total Consolidated	2Q-04  (Restated)	% of Total Consolidated	% Change 2Q-05 vs. 2Q-04	YTD 2005	% of Total Consolidated	YTD 2004  (Restated)	% of Total Consolidated	% Change YTD-05 vs. YTD-04
<b>Net premiums written</b>										
Property and all other	\$ 859	29%	\$ 995	35%	-14%	\$1,911	30%	\$ 2,004	33%	-5%
Casualty	1,655	57%	1,500	52%	10%	3,420	55%	3,169	52%	8%
Personal accident	323	11%	298	10%	8%	653	10%	581	9%	12%
<b>Total P&amp;C</b>	<b>2,837</b>	<b>97%</b>	<b>2,793</b>	<b>97%</b>	<b>2%</b>	<b>5,984</b>	<b>95%</b>	<b>5,754</b>	<b>94%</b>	<b>4%</b>
Global Re - life	57	2%	55	2%	4%	115	2%	106	2%	8%
Financial Services	15	1%	13	1%	15%	176	3%	221	4%	-20%
<b>Total Consolidated</b>	<b>\$2,909</b>	<b>100%</b>	<b>\$ 2,861</b>	<b>100%</b>	<b>2%</b>	<b>\$6,275</b>	<b>100%</b>	<b>\$ 6,081</b>	<b>100%</b>	<b>3%</b>
<b>Net premiums earned</b>										
Property and all other	\$ 871	30%	\$ 885	32%	-2%	\$1,745	30%	\$ 1,655	31%	5%
Casualty	1,588	54%	1,418	51%	12%	3,144	54%	2,750	51%	14%
Personal accident	313	11%	291	10%	8%	612	11%	546	10%	12%
<b>Total P&amp;C</b>	<b>2,772</b>	<b>95%</b>	<b>2,594</b>	<b>93%</b>	<b>7%</b>	<b>5,501</b>	<b>95%</b>	<b>4,951</b>	<b>92%</b>	<b>11%</b>
Global Re - life	57	2%	54	2%	6%	115	2%	105	2%	10%
Financial Services	92	3%	134	5%	-31%	182	3%	313	6%	-42%
<b>Total Consolidated</b>	<b>\$2,921</b>	<b>100%</b>	<b>\$ 2,782</b>	<b>100%</b>	<b>5%</b>	<b>\$5,798</b>	<b>100%</b>	<b>\$ 5,369</b>	<b>100%</b>	<b>8%</b>



**ACE Limited**  
**Consolidating Statement of Operations**  
**Three months ended June 30, 2005 and 2004**  
(in millions of U.S. dollars)  
(Unaudited)

	Insurance - North American	Insurance - Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Financial Services	ACE Consolidated
<b>June 30, 2005</b>							
Gross premiums written	\$ 2,344	\$ 1,428	\$ 369	\$ —	\$ 4,141	\$ 15	\$ 4,156
Net premiums written	1,412	1,062	363	—	2,837	15	2,852
Net premiums earned	1,319	1,081	372	—	2,772	92	2,864
Losses and loss expenses	948	610	206	10	1,774	70	1,844
Policy acquisition costs	130	217	77	—	424	1	425
Administrative expenses	111	142	16	39	308	7	315
<b>Underwriting income (loss)</b>	<b>130</b>	<b>112</b>	<b>73</b>	<b>(49)</b>	<b>266</b>	<b>14</b>	<b>280</b>
Life underwriting income (includes investment income)	—	—	25	—	25	—	25
Net investment income - property and casualty	142	80	40	3	265	30	295
Net realized gains (losses)	14	34	33	(52)	29	3	32
Interest expense	5	—	—	38	43	—	43
Other (income) expense	1	5	1	—	7	(13)	(6)
Income tax expense (benefit)	81	48	9	(17)	121	7	128
<b>Net income (loss)</b>	<b>199</b>	<b>173</b>	<b>161</b>	<b>(119)</b>	<b>414</b>	<b>53</b>	<b>467</b>
Net realized gains (losses)	14	34	33	(52)	29	3	32
Tax expense (benefit) on net realized gains (losses)	2	7	—	—	9	(1)	8
<b>Income (loss) excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 187</b>	<b>\$ 146</b>	<b>\$ 128</b>	<b>\$ (67)</b>	<b>\$ 394</b>	<b>\$ 49</b>	<b>\$ 443</b>
<b>June 30, 2004 (Restated)</b>							
Gross premiums written	\$ 2,102	\$ 1,501	\$ 368	\$ —	\$ 3,971	\$ 15	\$ 3,986
Net premiums written	1,330	1,098	365	—	2,793	13	2,806
Net premiums earned	1,178	1,069	347	—	2,594	134	2,728
Losses and loss expenses	836	627	173	—	1,636	90	1,726
Policy acquisition costs	112	195	74	—	381	9	390
Administrative expenses	110	139	16	29	294	9	303
<b>Underwriting income (loss)</b>	<b>120</b>	<b>108</b>	<b>84</b>	<b>(29)</b>	<b>283</b>	<b>26</b>	<b>309</b>
Life underwriting income (includes investment income)	—	—	11	—	11	—	11
Net investment income - property and casualty	110	58	29	2	199	36	235
Net realized gains (losses)	30	3	12	29	74	(32)	42
Interest expense	5	—	—	40	45	1	46
Other (income) expense	3	4	—	(1)	6	(7)	(1)
Income tax expense (benefit)	71	60	1	(14)	118	11	129
<b>Net income (loss)</b>	<b>181</b>	<b>105</b>	<b>135</b>	<b>(23)</b>	<b>398</b>	<b>25</b>	<b>423</b>
Net realized gains (losses)	30	3	12	29	74	(32)	42
Tax expense (benefit) on net realized gains (losses)	8	1	—	—	9	1	10
<b>Income (loss) excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 159</b>	<b>\$ 103</b>	<b>\$ 123</b>	<b>\$ (52)</b>	<b>\$ 333</b>	<b>\$ 58</b>	<b>\$ 391</b>

(1) See page 27 Non-GAAP Financial Measures.





**ACE Limited**  
**Consolidating Statement of Operations**  
**Six months ended June 30, 2005 and 2004**  
(in millions of U.S. dollars)  
**(Unaudited)**

	Insurance - North American	Insurance - Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Financial Services	ACE Consolidated
<b>June 30, 2005</b>							
Gross premiums written	\$ 4,494	\$ 3,064	\$ 905	\$ —	\$ 8,463	\$ 178	\$ 8,641
Net premiums written	2,837	2,257	890	—	5,984	176	6,160
Net premiums earned	2,604	2,169	728	—	5,501	182	5,683
Losses and loss expenses	1,840	1,220	411	9	3,480	153	3,633
Policy acquisition costs	247	409	150	—	806	3	809
Administrative expenses	222	290	31	95	638	11	649
<b>Underwriting income (loss)</b>	<b>295</b>	<b>250</b>	<b>136</b>	<b>(104)</b>	<b>577</b>	<b>15</b>	<b>592</b>
Life underwriting income (includes investment income)	—	—	51	—	51	—	51
Net investment income - property and casualty	273	154	79	3	509	62	571
Net realized gains (losses)	3	52	11	(57)	9	9	18
Interest expense	10	—	1	74	85	—	85
Other (income) expense	1	11	2	—	14	(25)	(11)
Income tax expense (benefit)	161	100	18	(38)	241	13	254
<b>Net income (loss)</b>	<b>399</b>	<b>345</b>	<b>256</b>	<b>(194)</b>	<b>806</b>	<b>98</b>	<b>904</b>
Net realized gains (losses)	3	52	11	(57)	9	9	18
Tax expense (benefit) on net realized gains (losses)	(1)	12	—	—	11	1	12
<b>Income (loss) excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 395</b>	<b>\$ 305</b>	<b>\$ 245</b>	<b>\$ (137)</b>	<b>\$ 808</b>	<b>\$ 90</b>	<b>\$ 898</b>
<b>June 30, 2004 (Restated)</b>							
Gross premiums written	\$ 4,007	\$ 3,174	\$ 947	\$ —	\$ 8,128	\$ 223	\$ 8,351
Net premiums written	2,541	2,276	937	—	5,754	221	5,975
Net premiums earned	2,185	2,088	679	—	4,952	313	5,265
Losses and loss expenses	1,534	1,213	333	—	3,080	175	3,255
Policy acquisition costs	212	380	138	—	730	20	750
Administrative expenses	213	277	34	62	586	34	620
<b>Underwriting income (loss)</b>	<b>226</b>	<b>218</b>	<b>174</b>	<b>(62)</b>	<b>556</b>	<b>84</b>	<b>640</b>
Life underwriting income (includes investment income)	—	—	22	—	22	—	22
Net investment income - property and casualty	220	108	56	2	386	89	475
Net realized gains (losses)	82	27	2	15	126	(27)	99
Interest expense	10	—	—	77	87	3	90
Other (income) expense	6	7	—	(1)	12	4	16
Income tax expense (benefit)	134	111	4	(27)	227	31	253
<b>Net income (loss)</b>	<b>378</b>	<b>235</b>	<b>250</b>	<b>(94)</b>	<b>769</b>	<b>108</b>	<b>877</b>
Net realized gains (losses)	82	27	2	15	126	(27)	99
Tax expense (benefit) on net realized gains (losses)	15	8	—	—	23	8	31
<b>Income (loss) excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 311</b>	<b>\$ 216</b>	<b>\$ 248</b>	<b>\$ (109)</b>	<b>\$ 666</b>	<b>\$ 143</b>	<b>\$ 809</b>

(1) See page 27 Non-GAAP Financial Measures.





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

**Insurance - North American**

	2Q-05	1Q-05	4Q-04	3Q-04	2Q-04	YTD 2005	YTD 2004	Full Year 2004
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
Gross premiums written	\$2,344	\$ 2,150	\$ 1,885	\$ 2,234	\$ 2,102	\$4,494	\$ 4,007	\$ 8,126
Net premiums written	1,412	1,425	1,194	1,366	1,330	2,837	2,541	5,101
Net premiums earned	1,319	1,285	1,243	1,251	1,178	2,604	2,185	4,679
Losses and loss expenses	948	892	1,354	1,010	836	1,840	1,534	3,898
Policy acquisition costs	130	117	114	121	112	247	212	447
Administrative expenses	111	111	128	110	110	222	213	451
<b>Underwriting income (loss)</b>	<b>130</b>	<b>165</b>	<b>(353)</b>	<b>10</b>	<b>120</b>	<b>295</b>	<b>226</b>	<b>(117)</b>
Net investment income	142	131	132	123	110	273	220	475
Net realized gains (losses)	14	(11)	35	9	30	3	82	126
Interest expense	5	5	5	6	5	10	10	21
Other (income) expense	1	—	2	(3)	3	1	6	5
Income tax expense (benefit)	81	80	(96)	44	71	161	134	82
<b>Net income (loss)</b>	<b>199</b>	<b>200</b>	<b>(97)</b>	<b>95</b>	<b>181</b>	<b>399</b>	<b>378</b>	<b>376</b>
Net realized gains (losses)	14	(11)	35	9	30	3	82	126
Tax expense on net realized gains (losses)	2	(3)	5	2	8	(1)	15	22
<b>Income excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 187</b>	<b>\$ 208</b>	<b>\$ (127)</b>	<b>\$ 88</b>	<b>\$ 159</b>	<b>\$ 395</b>	<b>\$ 311</b>	<b>\$ 272</b>
<b>Combined ratio</b>								
Loss and loss expense ratio	71.9%	69.4%	109.0%	80.7%	71.0%	70.7%	70.2%	83.3%
Policy acquisition cost ratio	9.8%	9.1%	9.1%	9.7%	9.5%	9.5%	9.7%	9.6%
Administrative expense ratio	8.4%	8.6%	10.3%	8.7%	9.4%	8.5%	9.8%	9.6%
<b>Combined ratio</b>	<b>90.1%</b>	<b>87.1%</b>	<b>128.4%</b>	<b>99.1%</b>	<b>89.9%</b>	<b>88.7%</b>	<b>89.7%</b>	<b>102.5%</b>
<b>Large losses and other items (before tax)</b>								
Asbestos, environmental and other run-off losses	\$ —	\$ —	\$ 459	\$ —	\$ —	\$ —	\$ —	\$ 459
Catastrophe losses (before tax)	\$ —	\$ —	\$ —	\$ 126	\$ —	\$ —	\$ —	\$ 126
Prior period development	\$ 51	\$ 22	\$ 96	\$ 42	\$ 42	\$ 73	\$ 57	\$ 195
<b>% Change versus prior year period</b>								
Net premiums written	6%	18%	12%	28%	36%	12%	33%	26%
Net premiums earned	12%	28%	23%	26%	27%	19%	30%	27%
<b>Other ratios</b>								
Net premiums written/gross premiums written	60%	66%	63%	61%	63%	63%	63%	63%

(1) See page 27 Non-GAAP Financial Measures.





**ACE Limited**  
**Segment Results - Consecutive Quarters - 2**  
(in millions of U.S. dollars)  
(Unaudited)

**Insurance - North American**

	<u>1Q-04</u>	<u>4Q-03</u>	<u>3Q-03</u>	<u>2Q-03</u>	<u>1Q-03</u>	<u>Full Year 2003</u>	<u>Full Year 2002</u>
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Gross premiums written	\$ 1,905	\$ 1,764	\$ 1,819	\$ 1,648	\$ 1,664	\$ 6,895	\$ 6,115
Net premiums written	1,211	1,070	1,066	979	935	4,050	2,921
Net premiums earned	1,007	1,013	991	931	754	3,689	2,477
Losses and loss expenses	698	648	726	644	523	2,541	2,222
Policy acquisition costs	100	102	95	100	83	380	216
Administrative expenses	103	109	103	103	87	402	342
<b>Underwriting income (loss)</b>	<b>106</b>	<b>154</b>	<b>67</b>	<b>84</b>	<b>61</b>	<b>366</b>	<b>(303)</b>
Net investment income	110	105	102	103	105	415	409
Net realized gains (losses)	52	24	7	34	(18)	47	(199)
Interest expense	5	4	6	5	6	21	22
Other (income) expense	3	7	1	—	6	14	(1)
Income tax expense (benefit)	63	70	43	47	34	194	(51)
<b>Net income (loss)</b>	<b>197</b>	<b>202</b>	<b>126</b>	<b>169</b>	<b>102</b>	<b>599</b>	<b>(63)</b>
Net realized gains (losses)	52	24	7	34	(18)	47	(199)
Tax expense on net realized gains (losses)	7	—	—	3	(3)	—	(43)
<b>Income excluding net realized gains (losses) (1)</b>	<b>\$ 152</b>	<b>\$ 178</b>	<b>\$ 119</b>	<b>\$ 138</b>	<b>\$ 117</b>	<b>\$ 552</b>	<b>\$ 93</b>
<b>Combined ratio</b>							
Loss and loss expense ratio	69.3%	64.0%	73.2%	69.3%	69.3%	68.9%	89.7%
Policy acquisition cost ratio	10.0%	10.0%	9.6%	10.8%	11.0%	10.3%	8.7%
Administrative expense ratio	10.3%	10.8%	10.4%	11.0%	11.6%	10.9%	13.8%
<b>Combined ratio</b>	<b>89.6%</b>	<b>84.8%</b>	<b>93.2%</b>	<b>91.1%</b>	<b>91.9%</b>	<b>90.1%</b>	<b>112.2%</b>

(1) See page 27 Non-GAAP Financial Measures.



**ACE Limited**  
**Segment Results - Consecutive Quarters - 2**  
(in millions of U.S. dollars)  
(Unaudited)

**Insurance - Overseas General**

	<u>2Q-05</u>	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>YTD 2005</u>	<u>YTD 2004</u>	<u>Full Year 2004</u>
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
Gross premiums written	\$1,428	\$ 1,636	\$ 1,391	\$ 1,292	\$ 1,501	\$3,064	\$ 3,174	\$ 5,857
Net premiums written	1,062	1,195	1,085	980	1,098	2,257	2,276	4,341
Net premiums earned	1,081	1,088	1,128	1,086	1,069	2,169	2,088	4,302
Losses and loss expenses	610	610	544	652	627	1,220	1,213	2,409
Policy acquisition costs	217	192	223	199	195	409	380	802
Administrative expenses	142	148	135	139	139	290	277	551
<b>Underwriting income</b>	<b>\$ 112</b>	<b>\$ 138</b>	<b>\$ 226</b>	<b>\$ 96</b>	<b>\$ 108</b>	<b>\$ 250</b>	<b>\$ 218</b>	<b>\$ 540</b>
Net investment income	80	74	65	51	58	154	108	224
Net realized gains (losses)	34	18	18	2	3	52	27	47
Interest expense	—	—	—	—	—	—	—	—
Other (income) expense	5	6	15	3	4	11	7	25
Income tax expense	48	52	86	38	60	100	111	235
<b>Net income</b>	<b>\$ 173</b>	<b>\$ 172</b>	<b>\$ 208</b>	<b>\$ 108</b>	<b>\$ 105</b>	<b>\$ 345</b>	<b>\$ 235</b>	<b>\$ 551</b>
Net realized gains (losses)	34	18	18	2	3	52	27	47
Tax expense on net realized gains (losses)	7	5	5	1	1	12	8	14
<b>Income excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 146</b>	<b>\$ 159</b>	<b>\$ 195</b>	<b>\$ 107</b>	<b>\$ 103</b>	<b>\$ 305</b>	<b>\$ 216</b>	<b>\$ 518</b>
<b>Combined ratio</b>								
Loss and loss expense ratio	56.4%	56.1%	48.2%	60.0%	58.6%	56.2%	58.1%	56.0%
Policy acquisition cost ratio	20.1%	17.7%	19.9%	18.3%	18.3%	18.9%	18.2%	18.7%
Administrative expense ratio	13.2%	13.6%	11.9%	12.8%	13.0%	13.4%	13.3%	12.8%
<b>Combined ratio</b>	<b>89.7%</b>	<b>87.4%</b>	<b>80.0%</b>	<b>91.1%</b>	<b>89.9%</b>	<b>88.5%</b>	<b>89.6%</b>	<b>87.5%</b>
<b>Large losses and other items</b>								
Asbestos, environmental and other run-off losses	\$ —	\$ —	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ 6
Large losses (before tax)	\$ —	\$ —	\$ —	\$ 53	\$ —	\$ —	\$ —	\$ 53
Prior period development	\$ (21)	\$ 7	\$ 26	\$ (8)	\$ (4)	\$ (14)	\$ (12)	\$ 6
<b>% Change versus prior year period</b>								
Net premiums written	-3%	1%	10%	13%	16%	-1%	18%	15%
Net premiums earned	1%	7%	11%	21%	17%	4%	19%	17%
<b>Other ratios</b>								
Net premiums written/gross premiums written	74%	73%	78%	76%	73%	74%	72%	74%

(1) See page 27 Non-GAAP Financial Measures.



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

**Insurance - Overseas General**

	<u>1Q-04</u>	<u>4Q-03</u>	<u>3Q-03</u>	<u>2Q-03</u>	<u>1Q-03</u>	<u>Full Year 2003</u>	<u>Full Year 2002</u>
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Gross premiums written	\$ 1,673	\$ 1,341	\$ 1,200	\$ 1,244	\$ 1,406	\$ 5,191	\$ 4,114
Net premiums written	1,178	983	868	949	976	3,776	2,838
Net premiums earned	1,019	1,019	895	912	836	3,662	2,498
Losses and loss expenses	586	616	527	550	490	2,183	1,535
Policy acquisition costs	185	197	170	163	152	682	533
Administrative expenses	138	134	121	121	114	490	381
<b>Underwriting income</b>	<b>\$ 110</b>	<b>\$ 72</b>	<b>\$ 77</b>	<b>\$ 78</b>	<b>\$ 80</b>	<b>\$ 307</b>	<b>\$ 49</b>
Net investment income	50	44	43	40	39	166	112
Net realized gains (losses)	24	1	4	2	(13)	(6)	(37)
Interest expense	—	(1)	1	—	—	—	1
Other (income) expense	3	6	4	2	3	15	14
Income tax expense	51	21	19	31	27	98	2
<b>Net income</b>	<b>\$ 130</b>	<b>\$ 91</b>	<b>\$ 100</b>	<b>\$ 87</b>	<b>\$ 76</b>	<b>\$ 354</b>	<b>\$ 107</b>
Net realized gains (losses)	24	1	4	2	(13)	(6)	(37)
Tax expense on net realized gains (losses)	7	—	—	—	(5)	(5)	(12)
<b>Income excluding net realized gains (losses) (1)</b>	<b>\$ 113</b>	<b>\$ 90</b>	<b>\$ 96</b>	<b>\$ 85</b>	<b>\$ 84</b>	<b>\$ 355</b>	<b>\$ 132</b>
<b>Combined ratio</b>							
Loss and loss expense ratio	57.5%	60.5%	58.9%	60.2%	58.7%	59.6%	61.5%
Policy acquisition cost ratio	18.1%	19.3%	19.0%	17.8%	18.2%	18.6%	21.3%
Administrative expense ratio	13.5%	13.2%	13.5%	13.3%	13.7%	13.4%	15.3%
<b>Combined ratio</b>	<b>89.1%</b>	<b>93.0%</b>	<b>91.4%</b>	<b>91.3%</b>	<b>90.6%</b>	<b>91.6%</b>	<b>98.1%</b>

(1) See page 27 Non-GAAP Financial Measures.



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

**Global Reinsurance**

	2Q-05	1Q-05	4Q-04	3Q-04	2Q-04	YTD 2005	YTD 2004	Full Year 2004
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
<b>Property and casualty</b>								
Gross premiums written	\$ 369	\$ 536	\$ 286	\$ 334	\$ 368	\$ 905	\$ 947	\$ 1,567
Net premiums written	363	527	280	301	365	890	937	1,518
Net premiums earned	372	356	359	351	347	728	679	1,389
Losses and loss expenses	206	205	204	436	173	411	333	973
Policy acquisition costs	77	73	68	65	74	150	138	271
Administrative expenses	16	15	15	16	16	31	34	65
<b>P&amp;C underwriting income (loss)</b>	<b>73</b>	<b>63</b>	<b>72</b>	<b>(166)</b>	<b>84</b>	<b>136</b>	<b>174</b>	<b>80</b>
<b>Life</b>								
Gross premiums written	57	58	55	60	56	115	109	224
Net premiums written	57	58	55	59	55	115	106	220
Net premiums earned	57	58	55	60	54	115	105	220
Life and annuity benefits	37	35	38	48	44	72	86	172
Policy acquisition costs	4	4	5	6	6	8	11	22
Administrative expenses	1	2	1	1	1	3	2	4
Net investment income	10	9	9	8	8	19	16	33
<b>Life underwriting income</b>	<b>25</b>	<b>26</b>	<b>20</b>	<b>13</b>	<b>11</b>	<b>51</b>	<b>22</b>	<b>55</b>
<b>Total underwriting income (loss)</b>	<b>98</b>	<b>89</b>	<b>92</b>	<b>(153)</b>	<b>95</b>	<b>187</b>	<b>196</b>	<b>135</b>
Net investment income - property and casualty	40	39	38	32	29	79	56	126
Net realized gains (losses)	33	(22)	67	(35)	12	11	2	34
Interest expense	—	1	—	—	—	1	—	—
Other (income) expense	1	1	(1)	—	—	2	—	(1)
Income tax expense (benefit)	9	9	11	(1)	1	18	4	14
<b>Net income (loss)</b>	<b>161</b>	<b>95</b>	<b>187</b>	<b>(155)</b>	<b>135</b>	<b>256</b>	<b>250</b>	<b>282</b>
Net realized gains (losses)	33	(22)	67	(35)	12	11	2	34
Tax expense on net realized gains (losses)	—	—	—	—	—	—	—	—
<b>Income (loss) excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 128</b>	<b>\$ 117</b>	<b>\$ 120</b>	<b>\$ (120)</b>	<b>\$ 123</b>	<b>\$ 245</b>	<b>\$ 248</b>	<b>\$ 248</b>
<b>P&amp;C combined ratio</b>								
Loss and loss expense ratio	55.4%	57.6%	57.0%	123.9%	50.0%	56.5%	49.1%	70.1%
Policy acquisition cost ratio	20.7%	20.5%	19.0%	18.6%	21.3%	20.6%	20.3%	19.5%
Administrative expense ratio	4.1%	4.3%	4.0%	4.6%	4.5%	4.2%	5.0%	4.6%
<b>P&amp;C combined ratio</b>	<b>80.2%</b>	<b>82.4%</b>	<b>80.0%</b>	<b>147.1%</b>	<b>75.8%</b>	<b>81.3%</b>	<b>74.4%</b>	<b>94.2%</b>
<b>Large losses and other items</b>								
Large losses (before tax)	\$ —	\$ 3	\$ 31	\$ 278	\$ —	\$ 3	\$ —	\$ 309
Prior period development	\$ (3)	\$ —	\$ (13)	\$ (22)	\$ (13)	\$ (3)	\$ (26)	\$ (61)

(1) See page 27 Non-GAAP Financial Measures.



**ACE Limited**  
**Segment Results - Consecutive Quarters - 2**  
(in millions of U.S. dollars)  
(Unaudited)

**Global Reinsurance**

	1Q-04	4Q-03	3Q-03	2Q-03	1Q-03	Full Year 2003	Full Year 2002
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
<b>Property and casualty</b>							
Gross premiums written	\$ 579	\$ 226	\$ 277	\$ 350	\$ 463	\$ 1,316	\$ 887
Net premiums written	572	220	219	347	443	1,229	777
Net premiums earned	332	310	276	270	249	1,105	677
Losses and loss expenses	160	167	134	143	116	560	304
Policy acquisition costs	64	58	56	51	46	211	123
Administrative expenses	18	17	16	14	15	62	40
<b>P&amp;C underwriting income (loss)</b>	<b>90</b>	<b>68</b>	<b>70</b>	<b>62</b>	<b>72</b>	<b>272</b>	<b>210</b>
<b>Life</b>							
Gross premiums written	53	49	49	46	49	193	165
Net premiums written	51	47	47	44	47	185	159
Net premiums earned	51	48	46	42	48	184	158
Life and annuity benefits	42	44	45	44	48	181	158
Policy acquisition costs	5	5	5	2	4	16	16
Administrative expenses	1	1	—	1	1	3	6
Net investment income	8	8	10	8	7	33	27
<b>Life underwriting income</b>	<b>11</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>17</b>	<b>5</b>
<b>Total underwriting income (loss)</b>	<b>101</b>	<b>74</b>	<b>76</b>	<b>65</b>	<b>74</b>	<b>289</b>	<b>215</b>
Net investment income - property and casualty	27	24	24	22	17	87	82
Net realized gains (losses)	(10)	7	10	13	3	33	(57)
Interest expense	—	—	—	—	—	—	1
Other (income) expense	—	(1)	(1)	—	(1)	(3)	(1)
Income tax expense (benefit)	3	4	3	4	3	14	1
<b>Net income (loss)</b>	<b>115</b>	<b>102</b>	<b>108</b>	<b>96</b>	<b>92</b>	<b>398</b>	<b>239</b>
Net realized gains (losses)	(10)	7	10	13	3	33	(57)
Tax expense on net realized gains (losses)	—	1	—	(1)	—	—	—
<b>Income (loss) excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 125</b>	<b>\$ 96</b>	<b>\$ 98</b>	<b>\$ 82</b>	<b>\$ 89</b>	<b>\$ 365</b>	<b>\$ 296</b>
<b>P&amp;C combined ratio</b>							
Loss and loss expense ratio	48.1%	53.8%	48.6%	52.9%	46.6%	50.6%	44.9%
Policy acquisition cost ratio	19.3%	18.8%	20.3%	18.7%	18.5%	19.1%	18.1%
Administrative expense ratio	5.6%	5.5%	5.6%	5.3%	6.0%	5.6%	5.9%
<b>P&amp;C combined ratio</b>	<b>73.0%</b>	<b>78.1%</b>	<b>74.5%</b>	<b>76.9%</b>	<b>71.1%</b>	<b>75.3%</b>	<b>68.9%</b>

(1) See page 27 Non-GAAP Financial Measures.



**ACE Limited**  
**Segment Results - Consecutive Quarters - 3**  
(in millions of U.S. dollars)  
(Unaudited)

**Global Reinsurance - Property & Casualty**

	2Q-05	1Q-05	4Q-04	3Q-04	2Q-04	YTD 2005	YTD 2004	Full Year 2004
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
<b>% Change versus prior year period</b>								
Net premiums written	-1%	-8%	27%	37%	5%	-5%	19%	24%
Net premiums earned	7%	7%	16%	27%	29%	7%	31%	26%
<b>Other ratios</b>								
Net premiums written/gross premiums written	98%	98%	98%	90%	99%	98%	99%	97%

**Global Reinsurance - By Division**

**Gross premiums written**

Tempest Europe	\$ 49	\$ 105	\$ 64	\$ 76	\$ 60	\$154	\$ 186	\$ 326
Tempest USA	228	248	204	196	225	476	477	881
Tempest Bermuda	92	183	18	62	83	275	284	360
<b>Total</b>	<b>\$369</b>	<b>\$ 536</b>	<b>\$ 286</b>	<b>\$ 334</b>	<b>\$ 368</b>	<b>\$905</b>	<b>\$ 947</b>	<b>\$ 1,567</b>

**Net premiums written**

Tempest Europe	\$ 46	\$ 102	\$ 61	\$ 74	\$ 54	\$148	\$ 176	\$ 311
Tempest USA	227	247	204	195	224	474	476	877
Tempest Bermuda	90	178	15	32	87	268	285	330
<b>Total</b>	<b>\$363</b>	<b>\$ 527</b>	<b>\$ 280</b>	<b>\$ 301</b>	<b>\$ 365</b>	<b>\$890</b>	<b>\$ 937</b>	<b>\$ 1,518</b>

**Net premiums earned**

Tempest Europe	\$ 66	\$ 76	\$ 76	\$ 77	\$ 75	\$142	\$ 150	\$ 303
Tempest USA	230	212	204	185	189	442	358	749
Tempest Bermuda	76	68	79	89	83	144	171	337
<b>Total</b>	<b>\$372</b>	<b>\$ 356</b>	<b>\$ 359</b>	<b>\$ 351</b>	<b>\$ 347</b>	<b>\$728</b>	<b>\$ 679</b>	<b>\$ 1,389</b>

**Net premiums written/gross premiums written**

Tempest Europe	94%	97%	95%	97%	90%	96%	95%	95%
Tempest USA	100%	100%	100%	99%	100%	100%	100%	100%
Tempest Bermuda	98%	97%	83%	52%	105%	97%	100%	92%
<b>Total NPW/GPW</b>	<b>98%</b>	<b>98%</b>	<b>98%</b>	<b>90%</b>	<b>99%</b>	<b>98%</b>	<b>99%</b>	<b>97%</b>



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

**Financial Services**

	2Q-05	1Q-05	4Q-04	3Q-04	2Q-04	YTD 2005	YTD 2004	Full Year 2004
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
Gross premiums written	\$ 15	\$ 163	\$ 29	\$ 68	\$ 15	\$ 178	\$ 223	\$ 320
Net premiums written	15	161	27	68	13	176	221	316
Net premiums earned	92	90	96	111	134	182	313	520
Losses and loss expenses	70	83	97	116	90	153	175	388
Policy acquisition costs	1	2	1	2	9	3	20	23
Administrative expenses	7	4	1	4	9	11	34	39
<b>Underwriting income (loss)</b>	<b>14</b>	<b>1</b>	<b>(3)</b>	<b>(11)</b>	<b>26</b>	<b>15</b>	<b>84</b>	<b>70</b>
Net investment income	30	32	29	29	36	62	89	147
Net realized gains (losses)	3	6	12	(2)	(32)	9	(27)	(17)
Interest expense	—	—	—	2	1	—	3	5
Other (income) expense	(13)	(12)	(15)	(14)	(7)	(25)	4	(25)
Income tax expense	7	6	3	1	11	13	31	35
<b>Net income</b>	<b>53</b>	<b>45</b>	<b>50</b>	<b>27</b>	<b>25</b>	<b>98</b>	<b>108</b>	<b>185</b>
Net realized gains (losses)	3	6	12	(2)	(32)	9	(27)	(17)
Tax expense (benefit) on net realized gains (losses)	(1)	2	2	(2)	1	1	8	8
<b>Income excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 49</b>	<b>\$ 41</b>	<b>\$ 40</b>	<b>\$ 27</b>	<b>\$ 58</b>	<b>\$ 90</b>	<b>\$ 143</b>	<b>\$ 210</b>
<b>Combined ratio</b>								
Loss and loss expense ratio	76.0%	92.2%	101.3%	104.7%	66.1%	84.0%	55.8%	74.6%
Policy acquisition cost ratio	1.4%	2.2%	-0.1%	2.3%	7.0%	1.8%	6.4%	4.3%
Administrative expense ratio	6.7%	4.6%	1.8%	2.7%	7.5%	5.7%	11.0%	7.5%
<b>Combined ratio</b>	<b>84.1%</b>	<b>99.0%</b>	<b>103.0%</b>	<b>109.7%</b>	<b>80.6%</b>	<b>91.5%</b>	<b>73.2%</b>	<b>86.4%</b>
<b>Large losses and other items</b>								
Loss portfolio transfers <sup>(2)</sup>	\$ —	\$ —	\$ 8	\$ 19	\$ —	\$ —	\$ —	\$ 27
Large losses (before tax)	\$ —	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ —	\$ 11
Prior period development	\$ (8)	\$ 1	\$ (8)	\$ (14)	\$ (5)	\$ (7)	\$ (7)	\$ (29)
<b>% Change versus prior year period</b>								
Net premiums written	15%	-23%	-90%	-35%	-90%	-20%	-66%	-69%
Net premiums earned	-31%	-50%	-80%	-46%	-37%	-42%	-24%	-52%
<b>Other ratios</b>								
Net premiums written/gross premiums written	100%	99%	93%	100%	87%	99%	99%	99%

(1) See page 27 Non-GAAP Financial Measures.

(2) Total premiums typically included in gross premiums written, net premiums written, and net premiums earned in the quarter it is written; usually accrued at 100% loss ratio.



**ACE Limited**  
**Segment Results - Consecutive Quarters - 2**  
(in millions of U.S. dollars)  
(Unaudited)

**Financial Services**

	1Q-04	4Q-03	3Q-03	2Q-03	1Q-03	Full Year 2003	Full Year 2002
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Gross premiums written	\$ 208	\$ 290	\$ 106	\$ 118	\$ 521	\$ 1,035	\$ 1,504
Net premiums written	208	276	105	132	515	1,028	1,464
Net premiums earned	179	471	204	214	198	1,087	1,094
Losses and loss expenses	85	427	151	158	148	884	912
Policy acquisition costs	11	15	18	17	11	61	72
Administrative expenses	25	24	22	20	18	84	57
<b>Underwriting income (loss)</b>	<b>58</b>	<b>5</b>	<b>13</b>	<b>19</b>	<b>21</b>	<b>58</b>	<b>53</b>
Net investment income	53	53	49	48	51	201	190
Net realized gains (losses)	5	93	29	73	(4)	191	(117)
Interest expense	2	2	2	1	1	6	10
Other (income) expense	11	—	—	(1)	—	(1)	(2)
Income tax expense	20	10	17	28	9	64	13
<b>Net income</b>	<b>83</b>	<b>139</b>	<b>72</b>	<b>112</b>	<b>58</b>	<b>381</b>	<b>105</b>
Net realized gains (losses)	5	93	29	73	(4)	191	(117)
Tax expense (benefit) on net realized gains (losses)	7	11	6	20	—	37	(17)
<b>Income excluding net realized gains (losses) <sup>(1)</sup></b>	<b>\$ 85</b>	<b>\$ 57</b>	<b>\$ 49</b>	<b>\$ 59</b>	<b>\$ 62</b>	<b>\$ 227</b>	<b>\$ 205</b>
<b>Combined ratio</b>							
Loss and loss expense ratio	48.0%	90.7%	73.9%	73.9%	74.8%	81.3%	83.4%
Policy acquisition cost ratio	5.9%	3.2%	8.7%	7.8%	5.5%	5.6%	6.6%
Administrative expense ratio	13.7%	5.1%	10.7%	9.6%	9.1%	7.8%	5.2%
<b>Combined ratio</b>	<b>67.6%</b>	<b>99.0%</b>	<b>93.3%</b>	<b>91.3%</b>	<b>89.4%</b>	<b>94.7%</b>	<b>95.2%</b>

(1) See page 27 Non-GAAP Financial Measures.





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

	Total			Ongoing			Run-off <sup>(1)</sup>		
	Unpaid Losses			Unpaid Losses			Unpaid Losses		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
<b>Balance at December 31, 2003</b>	<b>\$27,166</b>	<b>\$12,443</b>	<b>\$14,723</b>	<b>\$19,846</b>	<b>\$ 6,950</b>	<b>\$12,896</b>	<b>\$7,320</b>	<b>\$5,493</b>	<b>\$1,827</b>
Losses and loss expenses incurred	2,285	756	1,529	2,243	724	1,519	42	32	10
Losses and loss expenses paid	(1,860)	(781)	(1,079)	(1,639)	(545)	(1,094)	(221)	(236)	15
Other (incl. foreign exch. revaluation)	117	110	7	117	110	7	—	—	—
<b>Balance at March 31, 2004</b>	<b>27,708</b>	<b>12,528</b>	<b>15,180</b>	<b>20,567</b>	<b>7,239</b>	<b>13,328</b>	<b>7,141</b>	<b>5,289</b>	<b>1,852</b>
Losses and loss expenses incurred	2,453	727	1,726	2,483	761	1,722	(30)	(34)	4
Losses and loss expenses paid	(1,693)	(593)	(1,100)	(1,402)	(399)	(1,003)	(291)	(194)	(97)
Other (incl. foreign exch. revaluation)	(233)	166	(399)	(233)	166	(399)	—	—	—
<b>Balance at June 30, 2004</b>	<b>28,235</b>	<b>12,828</b>	<b>15,407</b>	<b>21,415</b>	<b>7,767</b>	<b>13,648</b>	<b>6,820</b>	<b>5,061</b>	<b>1,759</b>
Losses and loss expenses incurred	3,309	1,076	2,233	3,280	1,058	2,222	29	18	11
Losses and loss expenses paid	(1,957)	(697)	(1,260)	(1,749)	(372)	(1,377)	(208)	(325)	117
Other (incl. foreign exch. revaluation)	27	48	(21)	(396)	(375)	(21)	423	423	—
<b>Balance at September 30, 2004</b>	<b>29,614</b>	<b>13,255</b>	<b>16,359</b>	<b>22,550</b>	<b>8,078</b>	<b>14,472</b>	<b>7,064</b>	<b>5,177</b>	<b>1,887</b>
Losses and loss expenses incurred	3,719	1,514	2,205	2,679	1,090	1,589	1,040	424	616
Losses and loss expenses paid	(2,381)	(987)	(1,394)	(2,272)	(939)	(1,333)	(109)	(48)	(61)
Other (incl. foreign exch. revaluation)	531	188	343	244	(141)	385	287	329	(42)
<b>Balance at December 31, 2004</b>	<b>31,483</b>	<b>13,970</b>	<b>17,513</b>	<b>23,201</b>	<b>8,088</b>	<b>15,113</b>	<b>8,282</b>	<b>5,882</b>	<b>2,400</b>
Losses and loss expenses incurred	2,539	750	1,789	2,495	728	1,767	44	22	22
Losses and loss expenses paid	(2,001)	(765)	(1,236)	(1,820)	(663)	(1,157)	(181)	(102)	(79)
Other (incl. foreign exch. revaluation) <sup>(2)</sup>	(595)	(595)	—	(669)	(670)	1	74	75	(1)
<b>Balance at March 31, 2005</b>	<b>31,426</b>	<b>13,360</b>	<b>18,066</b>	<b>23,207</b>	<b>7,483</b>	<b>15,724</b>	<b>8,219</b>	<b>5,877</b>	<b>2,342</b>
Losses and loss expenses incurred	2,809	965	1,844	2,789	954	1,835	20	11	9
Losses and loss expenses paid	(1,916)	(750)	(1,166)	(1,708)	(565)	(1,143)	(208)	(185)	(23)
Other (incl. foreign exch. revaluation)	(218)	(71)	(147)	(191)	(71)	(120)	(27)	—	(27)
<b>Balance at June 30, 2005</b>	<b>\$32,101</b>	<b>\$13,504</b>	<b>\$18,597</b>	<b>\$24,097</b>	<b>\$ 7,801</b>	<b>\$16,296</b>	<b>\$8,004</b>	<b>\$5,703</b>	<b>\$2,301</b>

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

(2) Novation of a contract for \$597M.



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

**Net Reinsurance Recoverable by Division**

	<b>June 30 2005</b>	<b>March 31 2005</b>	<b>December 31 2004</b>
	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>
<b>Reinsurance recoverable on paid losses &amp; loss expenses</b>			
Active operations	\$ 768	\$ 795	\$ 788
Brandywine	415	385	398
Westchester	32	24	24
<b>Total</b>	<b>\$ 1,215</b>	<b>\$ 1,204</b>	<b>\$ 1,210</b>
<b>Reinsurance recoverable on unpaid losses &amp; loss expenses</b>			
Active operations	\$ 8,911	\$ 8,612	\$ 9,296
Brandywine	4,654	4,796	4,720
Westchester	571	578	589
<b>Total</b>	<b>\$14,136</b>	<b>\$13,986</b>	<b>\$ 14,605</b>
<b>Gross reinsurance recoverable</b>			
Active operations	\$ 9,679	\$ 9,407	\$ 10,084
Brandywine	5,069	5,181	5,118
Westchester	603	602	613
<b>Total</b>	<b>\$15,351</b>	<b>\$15,190</b>	<b>\$ 15,815</b>
<b>Bad debt reserve</b>			
Active operations	\$ (579)	\$ (577)	\$ (547)
Brandywine	(302)	(302)	(341)
Westchester	(38)	(38)	(40)
<b>Total</b>	<b>\$ (919)</b>	<b>\$ (917)</b>	<b>\$ (928)</b>
<b>Net reinsurance recoverable</b>			
Active operations	\$ 9,100	\$ 8,830	\$ 9,537
Brandywine	4,767	4,879	4,777
Westchester	565	564	573
<b>Total</b>	<b>\$14,432</b>	<b>\$14,273</b>	<b>\$ 14,887</b>



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

**Reinsurance Recoverable for Active Operations**

<u>Categories</u>	March 31, 2005 (Restated)		
	Recoverable	Bad Debt	% of Gross
Top 10 reinsurers	\$ 4,341	\$ 71	1.6%
Other reinsurers balances >\$20 million	2,220	118	5.3%
Other reinsurers balances <\$20 million	432	35	8.1%
Mandatory pools and government agencies	697	3	0.4%
Structured settlements	207	1	0.5%
Captives	1,106	1	0.1%
Other <sup>(1)</sup>	404	348	86.1%
<b>Total</b>	<b>\$ 9,407</b>	<b>\$ 577</b>	<b>6.1%</b>

At March 31, 2005, \$6.5 billion of the active operations' recoverables were from rated reinsurers, of which 93.7% were rated the equivalent of A- or better by internationally recognized rating agencies. The Company held collateral of \$2.8 billion, of which \$1.5 billion was matched and usable against existing recoverables.

**Top 10 Reinsurers (net of collateral) <sup>(2)</sup>**

American International Group (including Transatlantic Reinsurance Company)  
Berkshire Hathaway Insurance Group  
Chubb Insurance Group  
Electric Insurance Company  
GE Insurance Solutions  
HDI Haftpflichtverband Der Deutschen Industrie VAG  
Lloyd's of London  
Munich Re  
Swiss Re Group  
XL Capital Group

**Other Reinsurers Balances Greater Than \$20 million (net of collateral) <sup>(2)</sup>**

AGRI General Ins Co  
AIOI Insurance  
Allianz  
Arch Capital  
Aspen Insurance Holdings Ltd  
AXA  
Cigna  
CNA Insurance Companies  
Converium Group  
Endurance Specialty  
Everest Re Group  
Fairfax Financial  
Federal Crop Insurance Corp  
FM Global Group  
Gerling Group  
Hartford Insurance Group  
Independence Blue Cross (Amerihealth)  
ING - Internationale Nederlanden GRP  
IRB - Brasil Reaseguros S.A.  
Liberty Mutual Insurance Companies  
Overseas Partners Ltd  
Partner Re  
Platinum Underwriters  
Renaissance Re Holdings Ltd  
Royal & Sun Alliance Insurance Group  
SCOR Group  
Sompo Japan  
St. Paul Travelers Companies  
Toa Reinsurance Company  
Trenwick Group  
White Mountains Insurance Group  
WR Berkley Corp  
Zurich Financial Services Group

- (1) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation or liquidation. Our estimate of bad debt reserve associated with Other considers the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as parental guarantees.
- (2) Excludes recoverable amounts from companies who are in supervision, rehabilitation or liquidation, or are captive reinsurers, mandatory pools or voluntary pools.



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

**Consolidated Reinsurance Recoverable**

Categories	March 31, 2005 (Restated)		
	Recoverable	Bad Debt	% of Gross
Top 10 reinsurers	\$ 7,520	\$ 100	1.3%
Other reinsurers balances >\$20 million	3,399	219	6.4%
Other reinsurers balances <\$20 million	939	123	13.1%
Mandatory pools and government agencies	724	4	0.6%
Structured settlements	489	2	0.4%
Captives	1,198	2	0.2%
Other <sup>(1)</sup>	921	467	50.7%
<b>Total</b>	<b>\$ 15,190</b>	<b>\$ 917</b>	<b>6.0%</b>

At March 31, 2005, \$10.6 billion of consolidated recoverables were from rated reinsurers, of which 94.5% were rated the equivalent of A- or better by internationally recognized rating agencies.

**Top 10 Reinsurers (net of collateral) <sup>(2)</sup>**

American International Group (including Transatlantic Reinsurance Company)  
Berkshire Hathaway Insurance Group  
Everest Re Group  
Equitas  
GE Insurance Solutions  
HDI Haftpflichtverband Der Deutschen Industrie VAG  
Lloyd's of London  
Munich Re  
Swiss Re Group  
XL Capital Group

**Other Reinsurers Balances Greater Than \$20 million (net of collateral) <sup>(2)</sup>**

AGRI General Ins Co  
AIOI Insurance  
Allianz  
Allstate  
Arch Capital  
Aspen Insurance Holdings Ltd  
Assicurazioni Generali SPA  
AVIVA  
AXA  
Chubb Insurance Group  
CIGNA  
CNA Insurance Companies  
Converium Group  
Dominion Ins. Co. Ltd  
Dukes Place Holdings  
Electric Insurance Company  
Endurance Specialty  
Fairfax Financial  
Federal Crop Insurance Corp  
FM Global Group  
Gerling Group  
Hartford Insurance Group  
Independence Blue Cross (Amerihealth)  
ING - Internationale Nederlanden GRP  
IRB - Brasil Reaseguros S.A.  
Liberty Mutual Insurance Companies  
Millea Holdings  
Mitsui Sumitomo Insurance Company Ltd.  
Overseas Partners Ltd  
Partner Re  
Platinum Underwriters  
QBE Insurance  
Renaissance Re Holdings Ltd  
Royal & Sun Alliance Insurance Group  
SCOR Group  
Sompo Japan  
St. Paul Travelers Companies  
Toa Reinsurance Company  
Trenwick Group  
White Mountains Insurance Group  
WR Berkley Corp  
Zurich Financial Services Group

(1) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation or liquidation. Our estimate of bad debt reserve associated with Other considers the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as parental guarantees.

(2) Excludes recoverable amounts from companies who are in supervision, rehabilitation or liquidation, or are captive reinsurers, mandatory pools or voluntary pools.



**ACE Limited**  
**Reinsurance Recoverable Analysis - 4**  
**(in millions of U.S. dollars)**  
**(Unaudited)**

**Detail on Reinsurance Recoverable on Paid Losses and Loss Expenses**

	General Collections (1)	Other (2)	Total
	(Restated)	(Restated)	(Restated)
<b>Gross balance at December 31, 2004</b>	\$ 716	\$ 494	\$ 1,210
Bad debt reserve at 12/31/04	37	272	309
% of gross	5.2%	55.1%	25.5%
<b>Net balance at December 31, 2004 (3)</b>	\$ 679	\$ 222	\$ 901
<b>Gross balance at March 31, 2005</b>	\$ 712	\$ 492	\$ 1,204
Bad debt reserve at 3/31/05	37	268	305
% of gross	5.2%	54.5%	25.3%
<b>Net balance at March 31, 2005 (3)</b>	\$ 675	\$ 224	\$ 899
<b>Gross balance at June 30, 2005</b>	\$ 719	\$ 496	\$ 1,215
Bad debt reserve at 6/30/05	29	271	300
% of gross	4.0%	54.6%	24.7%
<b>Net balance at June 30, 2005</b>	\$ 690	\$ 225	\$ 915

(1) General collections balances represent amounts in process of collection in the normal course of business, for which we have no indication of dispute or credit issues.

(2) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation or liquidation for Brandywine Group and active operations. Our estimation of the reserve for other, considers the merits of the underlying matter, the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as parental guarantees.

(3) The current quarter allocation between general collections and other is estimated based on prior quarter balances. Balances are adjusted to actual in the next quarter.



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

	June 30 2005	March 31 2005	December 31 2004
		(Restated)	(Restated)
<b>Market Value</b>			
Fixed maturities available for sale	\$ 21,217	\$ 20,418	\$ 22,976
Fixed maturities held to maturity	3,207	3,207	—
Short-term investments	2,521	2,198	2,201
<b>Total</b>	<b>\$ 26,945</b>	<b>\$ 25,823</b>	<b>\$ 25,177</b>
<b>Asset Allocation by Market Value</b>			
Treasury	\$ 1,704	\$ 1,728	\$ 1,551
Agency	1,555	1,519	1,549
Corporate	7,612	7,674	7,677
Mortgage-backed securities	6,180	5,515	5,043
Asset-backed securities	1,453	1,223	1,234
Municipal	550	561	568
Non-US	5,370	5,405	5,376
Cash & cash equivalent	2,521	2,198	2,179
<b>Total</b>	<b>26,945</b>	<b>25,823</b>	<b>\$ 25,177</b>
<b>Credit Quality by Market Value</b>			
AAA	\$ 16,266	\$ 14,800	\$ 13,944
AA	2,208	2,485	2,642
A	4,336	4,492	4,441
BBB	1,982	2,195	2,289
BB	1,046	819	776
B	1,060	982	1,041
Other	47	50	44
<b>Total</b>	<b>26,945</b>	<b>25,823</b>	<b>\$ 25,177</b>
<b>Cost/Amortized Cost</b>			
Fixed maturities available for sale	\$ 20,908	\$ 20,302	\$ 22,510
Fixed maturities held to maturity	3,151	3,211	—
Short term investments	2,521	2,198	2,201
<b>Subtotal</b>	<b>26,580</b>	<b>25,711</b>	<b>24,711</b>
Equity securities	1,213	1,170	1,061
Other investments	562	564	551
<b>Total</b>	<b>\$ 28,355</b>	<b>\$ 27,445</b>	<b>\$ 26,323</b>
Avg. duration of fixed maturities, adjusted for int. rate swaps	3.0 years	3.1 years	3.4 years
Avg. market yield of fixed maturities	4.3%	4.5%	4.1%
Avg. credit quality	AA	AA	AA



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

	Three months ended June 30, 2005			Six months ended June 30, 2005		
	Net Realized	Net Unrealized		Net Realized	Net Unrealized	
	Gains (Losses) (1)	Gains (Losses)	Net Impact	Gains (Losses) (1)	Gains (Losses)	Net Impact
<b>Investment Portfolio Gains (Losses)</b>						
Fixed maturities	\$ 26	\$ 191	\$ 217	\$ 13	\$ (151)	\$(138)
Interest rate swaps	(2)	—	(2)	—	—	—
Equity securities	21	(14)	7	35	(37)	(2)
Equity and fixed income derivatives	(41)	—	(41)	(43)	—	(43)
Foreign exchange gains (losses)	2	—	2	(1)	—	(1)
Other	2	13	15	4	29	33
<b>Total inv. portfolio gains (losses)</b>	<b>8</b>	<b>190</b>	<b>198</b>	<b>8</b>	<b>(159)</b>	<b>(151)</b>
Other FAS 133 adjustments	24	—	24	10	—	10
<b>Total gains (losses)</b>	<b>32</b>	<b>190</b>	<b>222</b>	<b>18</b>	<b>(159)</b>	<b>(141)</b>
Income tax expense (benefit)	8	44	52	12	(25)	(13)
<b>Net gains (losses)</b>	<b>\$ 24</b>	<b>\$ 146</b>	<b>\$ 170</b>	<b>\$ 6</b>	<b>\$ (134)</b>	<b>\$(128)</b>

(1) The quarter includes impairments of \$4M for fixed maturities and \$1M for equities. Year to date includes impairments of \$24M for fixed maturities and \$2M for equities.

	Three months ended June 30, 2004			Six months ended June 30, 2004		
	Net Realized	Net Unrealized		Net Realized	Net Unrealized	
	Gains (Losses) (2)	Gains (Losses)	Net Impact	Gains (Losses) (1)	Gains (Losses)	Net Impact
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
<b>Investment Portfolio Gains (Losses)</b>						
Fixed maturities	\$ (8)	\$ (716)	\$ (724)	\$ 47	\$ (538)	\$ (491)
Interest rate swaps	27	—	27	13	—	13
Equity securities	40	(27)	13	68	(31)	37
Equity and fixed income derivatives	3	—	3	16	—	16
Foreign exchange gains (losses)	(8)	—	(8)	(3)	—	(3)
Other	(4)	26	22	(11)	30	19
<b>Total inv. portfolio gains (losses)</b>	<b>50</b>	<b>(717)</b>	<b>(667)</b>	<b>130</b>	<b>(539)</b>	<b>(409)</b>
Other FAS 133 adjustments	(8)	—	(8)	(31)	—	(31)
<b>Total gains (losses)</b>	<b>42</b>	<b>(717)</b>	<b>(675)</b>	<b>99</b>	<b>(539)</b>	<b>(440)</b>
Income tax expense (benefit)	10	(171)	(161)	31	(123)	(92)
<b>Net gains (losses)</b>	<b>\$ 32</b>	<b>\$ (546)</b>	<b>\$ (514)</b>	<b>\$ 68</b>	<b>\$ (416)</b>	<b>\$ (348)</b>

(2) The quarter includes impairments of \$3M for fixed maturities and \$2M for equities. Year to date includes impairments of \$4M for fixed maturities and \$3M for equities.



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

	<u>June 30</u> <u>2005</u>	<u>March 31</u> <u>2005</u>	<u>December 31</u> <u>2004</u>	<u>December 31</u> <u>2003</u>
		(Restated)	(Restated)	(Restated)
Total short-term debt	\$ 147	\$ 147	\$ 146	\$ 546
Total long-term debt	1,849	1,849	1,849	1,349
<b>Total debt</b>	<b>1,996</b>	<b>1,996</b>	<b>1,995</b>	<b>1,895</b>
Total trust preferreds	412	412	412	475
Perpetual preferred	557	557	557	557
Ordinary shareholders' equity	9,939	9,409	9,286	8,254
<b>Total shareholders' equity</b>	<b>\$10,496</b>	<b>\$ 9,966</b>	<b>\$ 9,843</b>	<b>\$ 8,811</b>
Total capitalization	\$12,904	\$12,374	\$ 12,250	\$ 11,181
Tangible shareholders' equity <sup>(1)</sup>	\$ 7,797	\$ 7,275	\$ 7,148	\$ 6,018
<b>Leverage ratios</b>				
Debt/ total capitalization	15.5%	16.1%	16.3%	16.9%
Debt plus trust preferreds/ total capitalization	18.7%	19.5%	19.6%	21.2%
Debt/ tangible equity	25.6%	27.4%	27.9%	31.5%
Debt plus trust preferreds/ tangible equity	30.9%	33.1%	33.7%	39.4%
Debt plus total preferred stock/ total capitalization	23.0%	24.0%	24.2%	26.2%

(1) Tangible equity is equal to shareholders' equity less goodwill.





**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	
	2005	2004 (Restated)	2005	2004 (Restated)
<b>Numerator</b>				
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 443	\$ 391	\$ 898	\$ 809
Perpetual preferred dividend	(11)	(11)	(22)	(22)
Income to ordinary shares, excl. net realized gains (losses)	432	380	876	787
Net realized gains (losses), net of income tax	24	32	6	68
Net income available to the holders of ordinary shares	\$ 456	\$ 412	\$ 882	\$ 855
<b>Rollforward of ordinary shares</b>				
Ordinary shares - beginning of period	287,353,327	282,714,909	284,478,525	279,897,193
Issued under employee stock purchase plan	—	(2)	109,411	125,629
Stock (cancelled) granted	(3,505)	(347,919)	1,340,712	911,686
Issued for option exercises	723,617	1,237,457	2,144,791	2,669,937
Ordinary shares - end of period	288,073,439	283,604,445	288,073,439	283,604,445
<b>Denominator</b>				
Weighted average shares outstanding	283,972,257	280,007,156	283,595,386	279,477,772
Effect of other dilutive securities	4,478,907	5,364,008	4,577,133	5,560,172
Adj. wtd. avg. shares outstanding and assumed conversions	288,451,164	285,371,164	288,172,519	285,037,944
<b>Basic earnings per share</b>				
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 1.52	\$ 1.36	\$ 3.09	\$ 2.81
Net realized gains (losses), net of income tax	0.09	0.11	0.02	0.25
Net income	\$ 1.61	\$ 1.47	\$ 3.11	\$ 3.06
<b>Diluted earnings per share</b>				
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 1.50	\$ 1.33	\$ 3.04	\$ 2.76
Net realized gains (losses), net of income tax	0.08	0.11	0.02	0.24
Net income	\$ 1.58	\$ 1.44	\$ 3.06	\$ 3.00

(1) See page 27 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 GAAP. A reconciliation of book value per share to diluted book value per ordinary share is provided on page 28.

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, life and annuity benefits, policy acquisition costs and administrative expenses from net premiums earned. We use underwriting results and operating ratios to monitor the results of our operations without the impact of certain factors, including investment income, other income and expenses, interest and income tax expense and net realized gains (losses).

The following non-GAAP measure is a common performance measurement and is defined as income (loss) excluding net realized gains (losses) and the tax expense on net realized gains (losses). 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) because the amount of these gains (losses) is heavily influenced by, and fluctuates in part, according to the availability of market opportunities. We believe these amounts are largely independent of our business and including them would distort the analysis of trends. Income excluding net realized gains (losses) should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

	<u>2Q-05</u>	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>YTD 2005</u>	<u>YTD 2004</u>	<u>Full Year 2004</u>
		<u>(Restated)</u>	<u>(Restated)</u>	<u>(Restated)</u>	<u>(Restated)</u>		<u>(Restated)</u>	<u>(Restated)</u>
Net income (loss), as reported	\$467	\$ 437	\$ 286	\$ (4)	\$ 423	\$904	\$ 877	\$ 1,159
Net realized gains (losses)	32	(14)	130	(32)	42	18	99	197
Income tax expense on net realized gains (losses)	8	4	12	1	10	12	31	44
Income excluding net realized gains (losses)	<u>\$443</u>	<u>\$ 455</u>	<u>\$ 168</u>	<u>\$ 29</u>	<u>\$ 391</u>	<u>\$898</u>	<u>\$ 809</u>	<u>\$ 1,006</u>



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

**Reconciliation of Book Value per Ordinary Share to Diluted Book Value per Ordinary Share**

	June 30 2005	March 31 2005	December 31 2004
		(Restated)	(Restated)
Shareholders' equity	\$ 10,496	\$ 9,966	\$ 9,843
Net proceeds from assumed conversions of options	468	271	312
Proceeds from issuance of preferred shares	(557)	(557)	(557)
Numerator for diluted book value per share calculation	10,407	9,680	9,598
Less: goodwill	2,699	2,691	2,695
Numerator for diluted tangible book value per share	\$ 7,708	\$ 6,989	\$ 6,903
Ordinary shares outstanding - end of period	288,073,439	287,353,327	284,478,525
Shares issued from assumed conversions of options	15,478,846	9,346,765	10,830,932
Denominator for diluted and diluted tangible book value	303,552,285	296,700,092	295,309,457
Book value per ordinary share	\$ 34.50	\$ 32.74	\$ 32.64
Diluted book value per ordinary share	\$ 34.28	\$ 32.63	\$ 32.50
Diluted tangible book value per ordinary share	\$ 25.39	\$ 23.56	\$ 23.38

Reconciliation Book Value

Page 28



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

**Consolidated Statement of Comprehensive Income**

	2Q-05	1Q-05	4Q-04	3Q-04	2Q-04	YTD 2005	YTD 2004	Full Year 2004
		(Restated)	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)
Net income (loss)	\$467	\$ 437	\$ 286	\$ (4)	\$ 423	\$ 904	\$ 877	\$ 1,159
Net unrealized appreciation (depreciation) on investments								
Unrealized appreciation (depreciation) on investments	248	(301)	169	408	(634)	(53)	(395)	182
Reclassification adjustment for net realized gains (losses) included in net income	(56)	(48)	(96)	(32)	(83)	(104)	(144)	(272)
Amortization of net unrealized appreciation related to held to maturity securities	(2)	—	—	—	—	(2)	—	—
Cumulative translation adjustment	(68)	(13)	126	33	(24)	(81)	(22)	137
Minimum pension liability adjustment	4	2	(45)	3	1	6	(1)	(43)
Income tax (expense) benefit related to other comprehensive income items	(21)	72	(35)	(83)	180	51	139	21
Other comprehensive income (loss)	105	(288)	119	329	(560)	(183)	(423)	25
Comprehensive income (loss)	\$572	\$ 149	\$ 405	\$ 325	\$ (137)	\$ 721	\$ 454	\$ 1,184



## ACE Limited Glossary

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

**Combined ratio:** The sum of the loss and loss expense ratio, acquisition cost ratio and the administrative expense ratio for the property and casualty and financial services operations. Calculated on a GAAP basis.

**Diluted book value per ordinary share:** Ordinary shareholders' equity and net proceeds from assumed conversions of outstanding in-the-money options divided by the sum of shares outstanding and the number of options assumed issued.

**Diluted tangible book value per ordinary share:** Ordinary shareholders' equity and net proceeds from assumed conversions of outstanding in-the-money options less goodwill divided by the sum of shares outstanding and the number of options assumed issued.

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

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

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

**NM:** Not meaningful.

**Ordinary shareholders' equity:** Shareholders' equity less perpetual preferred shares.

**P & C:** Property and casualty.

**Property and casualty combined ratios:** Loss and loss expense ratios, policy acquisition cost ratios and administrative expense ratios excluding life reinsurance business and financial services segment. Calculated on a GAAP basis.

**Return on ordinary shareholders' equity (ROE):** Income (loss) excluding net realized gains (losses) less perpetual preferred securities divided by average ordinary shareholders' equity.

**Tangible equity:** Shareholders' equity less goodwill.

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

**YTD:** Year to date.

Glossary

Page 30

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**End of Filing**

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