

ACE LTD

FORM 8-K (Current report filing)

Filed 04/27/05 for the Period Ending 04/26/05

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 4/27/2005 For Period Ending 4/26/2005

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

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported) – April 26, 2005

ACE LIMITED

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction
of Incorporation)

1-11778
(Commission File Number)

98-0091805
(I.R.S. Employer
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)

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))
-

Item 2.02. Results of Operations and Financial Condition

On April 26, 2005, ACE Limited issued a press release reporting its first quarter 2005 results and the availability of its first 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

Exhibit Number	Description
99.1	Press release, dated April 26, 2005, reporting first quarter results
99.2	First Quarter 2005 Financial Supplement

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press release, dated April 26, 2005, reporting first quarter results	Furnished herewith
99.2	First Quarter 2005 Financial Supplement	Furnished herewith

Exhibit 99.1



ace limited

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Hamilton HM 08
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**News
Release**

FOR IMMEDIATE RELEASE

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**ACE LIMITED REPORTS RECORD FIRST QUARTER OPERATING INCOME;
NET INVESTMENT INCOME INCREASED 19%**

HAMILTON, Bermuda — April 26, 2005 — ACE Limited (NYSE: ACE) today reported net income for the first quarter ended March 31, 2005 of \$433 million or \$1.46 per common share after payment of preferred dividends, compared with net income of \$447 million or \$1.53 per share for the same quarter last year. Income excluding net realized gains (losses) for the first quarter was \$441 million, or \$1.49 per share, compared with \$411 million or \$1.40 per share for the same quarter a year ago. ⁽¹⁾

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

	2005	2004	Change	(Per Share - Diluted)		
				2005	2004	Change
Net income	\$433	\$447	(3)%	\$ 1.46	\$1.53	(5)%
Net realized gains (losses), net of tax	(8)	36	—	(0.03)	0.13	—
Income excluding net realized gains (losses), net of tax ⁽¹⁾	441	411	7 %	1.49	1.40	6 %

Evan Greenberg, President and Chief Executive Officer of ACE Limited, commented: “This was a very good quarter for ACE. We had record operating income, led by substantial increases in earned premiums and net investment income, and excellent P&C underwriting results as reflected in a combined ratio of 89.2%. Our written premium growth rate is naturally slowing in line with a softening rate environment and our determination to maintain underwriting discipline.”

Other first quarter operating highlights were as follows:

- P&C net earned premiums increased 15% over the prior year quarter
- The P&C combined ratio was 89.2% for the quarter compared with 88.4% a year ago
- Operating cash flow amounted to \$1.2 billion for the quarter
- Invested assets increased by \$756 million from year-end 2004
- Net investment income increased 19% to \$284 million over the prior year quarter

-
- Shareholders' equity increased to \$9.9 billion from year-end 2004
 - Tangible equity rose to \$7.3 billion, a gain of 2% from year-end 2004
 - Debt to total capital ratio improved to 16.1% from 16.3% at year-end 2004
 - Return on equity for the quarter was 18.4%; excluding FAS 115 it was 19.4% ⁽²⁾
 - Diluted book value per share as of March 31, 2005 was \$32.62 ⁽³⁾

Financial results 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 18% for the quarter and the combined ratio was 88.6%.
- Insurance-Overseas General: Net premiums written were flat for the quarter. The segment's combined ratio improved to 87.0%.
- Global Reinsurance: Net premiums written were down 7% for the quarter. This segment had a combined ratio of 82.4%.
- Financial Services: Income excluding net realized gains (losses) was \$40 million for the quarter.

Please refer to the ACE Financial Supplement March 31, 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_march_31_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 first quarter 2005 earnings conference call and webcast on Wednesday, April 27, 2005 beginning at 8:30 a.m. EDT. The earnings conference call will be available via live and archived webcast at www.acelimited.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 Wednesday, April 27, 2005 until Friday, May 27, 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.acelimited.com.

¹ 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.

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

2 Calculated using income excluding net realized gains (losses).

3 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 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 and other governmental developments, litigation tactics, 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)

	March 31 2005	December 31 2004
	(Unaudited)	
Assets		
Total investments	\$ 27,406	\$ 26,650
Cash	574	534
Insurance and reinsurance balances receivable	3,692	3,272
Reinsurance recoverable	14,608	15,254
Other assets	10,685	10,632
	<u> </u>	<u> </u>
Total assets	\$ 56,965	\$ 56,342
	<u> </u>	<u> </u>
Liabilities		
Unpaid losses and loss expenses	\$ 31,426	\$ 31,513
Unearned premiums	6,527	5,923
Other liabilities	9,047	9,070
	<u> </u>	<u> </u>
Total liabilities	\$ 47,000	\$ 46,506
	<u> </u>	<u> </u>
Shareholders' equity		
Total shareholders' equity	\$ 9,965	\$ 9,836
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$ 56,965	\$ 56,342
	<u> </u>	<u> </u>
Diluted book value per ordinary share ⁽³⁾	\$ 32.62	\$ 32.48

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

	Three Months Ended March 31	
	2005	2004
Gross premiums written	\$ 4,543	\$ 4,416
Net premiums written	3,365	3,238
Net premiums earned	2,876	2,600
Losses and loss expenses	1,786	1,542
Life and annuity benefits	35	42
Policy acquisition costs	388	365
Administrative expenses	356	315
Underwriting income ⁽¹⁾	311	336
Net investment income	284	238
Net realized gains (losses)	(4)	57
Interest expense	42	44
Other (income) expense	(4)	17
Income tax expense	120	123
Net income	433	447
Preference shares dividend	(11)	(11)
Net income available to holders of ordinary shares	\$ 422	\$ 436
<i>Diluted earnings per share:</i>		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.49	\$ 1.40
Net income	\$ 1.46	\$ 1.53
Weighted average diluted shares outstanding	287,565,370	284,289,568
Loss and loss expense ratio	63.4%	60.5%
Policy acquisition cost ratio	13.6%	14.1%
Administrative expense ratio	12.6%	12.3%
Combined ratio	89.6%	86.9%

Ratios exclude life reinsurance business

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


	Three Months Ended March 31	
	2005	2004
Gross Premiums Written		
Insurance - North American	\$ 2,151	\$ 1,905
Insurance - Overseas General	1,635	1,674
Global Reinsurance*	594	629
Financial Services	163	208
<i>Total</i>	<u>\$ 4,543</u>	<u>\$ 4,416</u>
Net Premiums Written		
Insurance - North American	\$ 1,425	\$ 1,212
Insurance - Overseas General	1,194	1,198
Global Reinsurance*	585	620
Financial Services	161	208
<i>Total</i>	<u>\$ 3,365</u>	<u>\$ 3,238</u>
Net Premiums Earned		
Insurance - North American	\$ 1,283	\$ 1,007
Insurance - Overseas General	1,089	1,034
Global Reinsurance*	414	380
Financial Services	90	179
<i>Total</i>	<u>\$ 2,876</u>	<u>\$ 2,600</u>
Income (Loss) Excluding Net Realized Gains (Losses) ⁽¹⁾		
Insurance - North American	\$ 193	\$ 148
Insurance - Overseas General	162	112
Global Reinsurance*	118	122
Financial Services	40	85
Corporate	(72)	(56)
<i>Total</i>	<u>\$ 441</u>	<u>\$ 411</u>

* Includes both property and casualty reinsurance and life reinsurance

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ace limited



Financial Supplement

March 31, 2005

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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 and other governmental developments, litigation tactics, 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 and economic, political, regulatory, insurance and reinsurance business conditions, as well as management's response to these factors. Other factors that could affect forward-looking statements are identified in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2004, the Company's quarterly reports on Form 10-Q and in the Company's earnings press release, which are available on the Company's website.

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

	Three months ended March 31		% Change 1Q-05 vs. 1Q-04
	2005	2004	
Gross premiums written	\$ 4,543	\$ 4,416	3%
Net premiums written	\$ 3,365	\$ 3,238	4%
Net premiums earned	\$ 2,876	\$ 2,600	11%
Net investment income	\$ 284	\$ 238	19%
Net income	\$ 433	\$ 447	-3%
Income excluding net realized gains (losses) ⁽¹⁾	\$ 441	\$ 411	7%
Comprehensive income	\$ 156	\$ 581	-73%
Operating cash flow	\$ 1,210	\$ 1,172	3%
Combined ratio			
Loss and loss expense ratio	63.4%	60.5%	
Underwriting and administrative expense ratio	26.2%	26.4%	
Combined ratio	89.6%	86.9%	
Annualized ROE*	18.4%	18.7%	
Annualized ROE, excluding FAS 115*	19.4%	20.4%	
Diluted earnings per share			
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.49	\$ 1.40	6%
Net income	\$ 1.46	\$ 1.53	-5%
Diluted book value per ordinary share	\$ 32.62	\$ 31.36	4%
Diluted tangible book value per ordinary share	\$ 23.83	\$ 22.41	6%
Weighted average diluted ordinary shares outstanding	287.6	284.3	
Debt/ total capitalization	16.1%	16.1%	

(1) See page 21 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

	1Q-05	4Q-04	3Q-04	2Q-04	1Q-04	Full Year 2004
Property and Casualty ⁽¹⁾						
Gross premiums written	\$4,322	\$3,575	\$3,854	\$3,969	\$4,155	15,553
Net premiums written	3,146	2,574	2,641	2,798	2,979	10,992
Net premiums earned	2,728	2,744	2,682	2,600	2,370	10,396
Losses and loss expenses	1,703	2,116	2,118	1,636	1,456	7,326
Policy acquisition costs	382	406	378	381	349	1,514
Administrative expenses	350	335	321	298	290	1,244
P& C underwriting income (loss)	\$ 293	\$ (113)	\$ (135)	\$ 285	\$ 275	\$ 312
Financial Services underwriting income (loss)	1	(3)	(11)	26	58	70
Life underwriting income (loss) excluding investment income	17	11	5	3	3	22
Net investment income	284	275	252	236	238	1,001
Net realized gains (losses)	(4)	128	(33)	43	57	195
Interest expense	42	44	48	47	44	183
Other (income) expense	(4)	—	(21)	6	17	2
Income tax expense (benefit)	120	(28)	54	127	123	276
Net income (loss)	\$ 433	\$ 282	\$ (3)	\$ 413	\$ 447	\$ 1,139
Net realized gains (losses)	(4)	128	(33)	43	57	195
Tax expense on net realized gains (losses)	4	12	1	10	21	44
Income excluding net realized gains (losses) ⁽²⁾	\$ 441	\$ 166	\$ 31	\$ 380	\$ 411	\$ 988
% Change versus prior year period ⁽¹⁾						
Net premiums written	6%	14%	23%	25%	26%	22%
Net premiums earned	15%	19%	25%	27%	31%	25%
Other ratios						
Net premiums written/gross premiums written	73%	72%	69%	70%	72%	71%
Effective tax rate on income excluding net realized gains (losses)	21%	-32%	63%	24%	20%	19%
ROE						
Annualized ROE*	18.4%	6.8%	0.9%	16.9%	18.7%	10.7%
Annualized ROE, excluding FAS 115*	19.4%	7.3%	0.9%	17.7%	20.4%	11.6%

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

(2) See page 21 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>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>1Q-04</u>	Full Year 2004
Combined ratio						
Loss and loss expense ratio	63.4%	77.9%	80.0%	63.1%	60.5%	70.7%
Policy acquisition cost ratio	13.6%	14.3%	13.6%	14.3%	14.1%	14.1%
Administrative expense ratio	12.6%	11.8%	11.6%	11.3%	12.3%	11.8%
Combined ratio	89.6%	104.0%	105.2%	88.7%	86.9%	96.6%

Property and Casualty ⁽¹⁾

	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>1Q-04</u>	Full Year 2004
Combined ratio						
Loss and loss expense ratio	62.4%	77.1%	78.9%	62.9%	61.5%	70.5%
Policy acquisition cost ratio	14.0%	14.8%	14.1%	14.6%	14.7%	14.6%
Administrative expense ratio	12.8% ⁽²⁾	12.2%	12.0%	11.5%	12.2%	12.0%
Combined ratio	89.2%	104.1%	105.0%	89.0%	88.4%	97.1%

Large losses and other items

Asbestos, environmental and other run-off losses	\$ —	\$ 465	\$ —	\$ —	\$ —	\$ 465
Catastrophe and other large losses	\$ 3	\$ 31	\$ 457	\$ —	\$ —	\$ 488
Prior period development ⁽³⁾	\$ 29	\$ 109	\$ 12	\$ 25	\$ (6)	\$ 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
Summary Consolidated Balance Sheets
(in millions of U.S. dollars, except per share data)

	March 31 2005	December 31 2004
	(Unaudited)	(Audited)
Assets		
Fixed maturities available for sale, at fair value	\$ 20,188	\$ 22,741
Fixed maturities held to maturity, at amortized cost	3,211	—
Equity securities, at fair value	1,351	1,265
Short-term investments	2,135	2,140
Other investments	521	504
Total investments	27,406	26,650
Cash	574	534
Securities lending collateral	1,255	1,059
Insurance and reinsurance balances receivable	3,692	3,272
Reinsurance recoverable	14,608	15,254
Deferred policy acquisition costs	999	944
Prepaid reinsurance premiums	1,427	1,320
Goodwill	2,608	2,612
Deferred tax assets	1,172	1,161
Investments in partially owned insurance companies	823	797
Other assets	2,401	2,739
Total assets	\$ 56,965	\$ 56,342
Liabilities		
Unpaid losses and loss expenses	\$ 31,426	\$ 31,513
Unearned premiums	6,527	5,923
Future policy benefits for life and annuity contracts	507	509
Insurance and reinsurance balances payable	2,260	2,308
Deposit liabilities	302	343
Securities lending payable	1,255	1,059
Payable for investments purchased	630	717
Accounts payable, accrued expenses and other liabilities	1,685	1,727
Short-term debt	147	146
Long-term debt	1,849	1,849
Trust preferred securities	412	412
Total liabilities	47,000	46,506
Shareholders' equity		
Total shareholders' equity, excl. AOCI	9,506	9,100
Accumulated other comprehensive income (AOCI)	459	736
Total shareholders' equity	9,965	9,836
Total liabilities and shareholders' equity	\$ 56,965	\$ 56,342
Diluted book value per ordinary share ⁽¹⁾	\$ 32.62	\$ 32.48
Diluted tangible book value per ordinary share ⁽¹⁾	\$ 23.83	\$ 23.63

(1) See page 21 Non-GAAP Financial Measures.



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

ACE Limited Consolidated

	<u>1Q-05</u>	<u>% of Total Consolidated</u>	<u>1Q-04</u>	<u>% of Total Consolidated</u>	<u>% Change 1Q-05 vs. 1Q-04</u>
Net premiums written					
Property and all other	\$1,051	31%	\$1,029	32%	2%
Casualty	1,765	52%	1,667	51%	6%
Personal accident	330	10%	283	9%	17%
Total P&C	3,146	93%	2,979	92%	6%
Global Re - life	58	2%	51	2%	14%
Financial Services	161	5%	208	6%	-23%
Total Consolidated	\$3,365	100%	\$3,238	100%	4%
Net premiums earned					
Property and all other	\$ 873	30%	\$ 785	30%	11%
Casualty	1,556	54%	1,330	51%	17%
Personal accident	299	11%	255	10%	17%
Total P&C	2,728	95%	2,370	91%	15%
Global Re - life	58	2%	51	2%	14%
Financial Services	90	3%	179	7%	-50%
Total Consolidated	\$2,876	100%	\$2,600	100%	11%



ACE Limited
Consolidating Statement of Operations
Three months ended March 31, 2005 and 2004
(in millions of U.S. dollars)
(Unaudited)

	<u>Insurance - North American</u>	<u>Insurance - Overseas General</u>	<u>Global Reinsurance</u>	<u>Corporate & Other</u>	<u>Consolidated P&C</u>	<u>Financial Services</u>	<u>ACE Consolidated</u>
March 31, 2005							
Gross premiums written	\$ 2,151	\$ 1,635	\$ 536	\$ —	\$ 4,322	\$ 163	\$ 4,485
Net premiums written	1,425	1,194	527	—	3,146	161	3,307
Net premiums earned	1,283	1,089	356	—	2,728	90	2,818
Losses and loss expenses	888	611	205	(1)	1,703	83	1,786
Policy acquisition costs	117	192	73	—	382	2	384
Administrative expenses	132	144	15	59	350	4	354
Underwriting income (loss)	146	142	63	(58)	293	1	294
Life underwriting income (includes investment income)	—	—	26	—	26	—	26
Net investment income - property and casualty	128	74	40	1	243	32	275
Net realized gains (losses)	(4)	18	(22)	(5)	(13)	9	(4)
Interest expense	5	—	1	36	42	—	42
Other (income) expense	—	6	1	—	7	(11)	(4)
Income tax expense (benefit)	73	53	9	(21)	114	6	120
Net income (loss)	192	175	96	(77)	386	47	433
Net realized gains (losses)	(4)	18	(22)	(5)	(13)	9	(4)
Tax expense (benefit) on net realized gains (losses)	(3)	5	—	—	2	2	4
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 193	\$ 162	\$ 118	\$ (72)	\$ 401	\$ 40	\$ 441
March 31, 2004							
Gross premiums written	\$ 1,905	\$ 1,674	\$ 576	\$ —	\$ 4,155	\$ 208	\$ 4,363
Net premiums written	1,212	1,198	569	—	2,979	208	3,187
Net premiums earned	1,007	1,034	329	—	2,370	179	2,549
Losses and loss expenses	696	601	159	—	1,456	86	1,542
Policy acquisition costs	101	184	64	—	349	11	360
Administrative expenses	103	138	19	30	290	24	314
Underwriting income (loss)	107	111	87	(30)	275	58	333
Life underwriting income (includes investment income)	—	—	11	—	11	—	11
Net investment income - property and casualty	104	48	27	(2)	177	53	230
Net realized gains (losses)	52	24	(10)	(14)	52	5	57
Interest expense	5	—	—	37	42	2	44
Other (income) expense	3	3	—	—	6	11	17
Income tax expense (benefit)	62	51	3	(13)	103	20	123
Net income (loss)	193	129	112	(70)	364	83	447
Net realized gains (losses)	52	24	(10)	(14)	52	5	57
Tax expense (benefit) on net realized gains (losses)	7	7	—	—	14	7	21
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 148	\$ 112	\$ 122	\$ (56)	\$ 326	\$ 85	\$ 411

(1) See page 21 Non-GAAP Financial Measures.

Segment 2005 Qtr

Page 6



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

Insurance - North American

	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>1Q-04</u>	<u>Full Year 2004</u>
Gross premiums written	\$2,151	\$1,898	\$2,219	\$2,102	\$1,905	\$ 8,124
Net premiums written	1,425	1,208	1,349	1,329	1,212	5,098
Net premiums earned	1,283	1,259	1,234	1,178	1,007	4,678
Losses and loss expenses	888	1,359	1,010	837	696	3,902
Policy acquisition costs	117	114	114	111	101	440
Administrative expenses	132	135	129	115	103	482
Underwriting income (loss)	146	(349)	(19)	115	107	(146)
Net investment income	128	129	120	107	104	460
Net realized gains (losses)	(4)	32	9	31	52	124
Interest expense	5	6	5	5	5	21
Other (income) expense	—	1	(2)	3	3	5
Income tax expense (benefit)	73	(96)	33	69	62	68
Net income (loss)	192	(99)	74	176	193	344
Net realized gains (losses)	(4)	32	9	31	52	124
Tax expense on net realized gains (losses)	(3)	5	2	8	7	22
Income excluding net realized gains (losses) ⁽¹⁾	\$ 193	\$ (126)	\$ 67	\$ 153	\$ 148	\$ 242
Combined ratio						
Loss and loss expense ratio	69.2%	108.0%	81.8%	71.1%	69.1%	83.4%
Policy acquisition cost ratio	9.1%	9.0%	9.3%	9.5%	10.0%	9.4%
Administrative expense ratio	10.3%	10.7%	10.5%	9.7%	10.3%	10.3%
Combined ratio	88.6%	127.7%	101.6%	90.3%	89.4%	103.1%
Large losses and other items (before tax)						
Asbestos, environmental and other run-off losses	\$ —	\$ 459	\$ —	\$ —	\$ —	\$ 459
Catastrophe losses (before tax)	\$ —	\$ —	\$ 126	\$ —	\$ —	\$ 126
Prior period development	\$ 22	\$ 96	\$ 42	\$ 42	\$ 15	\$ 195
% Change versus prior year period						
Net premiums written	18%	15%	27%	37%	30%	27%
Net premiums earned	27%	27%	25%	28%	34%	28%
Other ratios						
Net premiums written/gross premiums written	66%	64%	61%	63%	64%	63%

(1) See page 21 Non-GAAP Financial Measures.



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

Insurance - Overseas General

	1Q-05	4Q-04	3Q-04	2Q-04	1Q-04	Full Year 2004
Gross premiums written	\$1,635	\$1,392	\$1,292	\$1,500	\$1,674	\$ 5,858
Net premiums written	1,194	1,087	980	1,105	1,198	4,370
Net premiums earned	1,089	1,126	1,086	1,076	1,034	4,322
Losses and loss expenses	611	547	653	625	601	2,426
Policy acquisition costs	192	224	199	196	184	803
Administrative expenses	144	138	139	139	138	554
Underwriting income	\$ 142	\$ 217	\$ 95	\$ 116	\$ 111	\$ 539
Net investment income	74	69	61	55	48	233
Net realized gains (losses)	18	18	2	3	24	47
Interest expense	—	—	—	—	—	—
Other (income) expense	6	15	3	4	3	25
Income tax expense	53	84	42	61	51	238
Net income	\$ 175	\$ 205	\$ 113	\$ 109	\$ 129	\$ 556
Net realized gains (losses)	18	18	2	3	24	47
Tax expense on net realized gains (losses)	5	5	1	1	7	14
Income excluding net realized gains (losses) ⁽¹⁾	\$ 162	\$ 192	\$ 112	\$ 107	\$ 112	\$ 523
Combined ratio						
Loss and loss expense ratio	56.1%	48.6%	60.1%	58.1%	58.1%	56.1%
Policy acquisition cost ratio	17.6%	19.9%	18.3%	18.2%	17.9%	18.6%
Administrative expense ratio	13.3%	12.2%	12.8%	13.0%	13.3%	12.8%
Combined ratio	87.0%	80.7%	91.2%	89.3%	89.3%	87.5%
Large losses and other items						
Asbestos, environmental and other run-off losses	\$ —	\$ 6	\$ —	\$ —	\$ —	\$ 6
Large losses (before tax)	\$ —	\$ —	\$ 53	\$ —	\$ —	\$ 53
Prior period development	\$ 7	\$ 26	\$ (8)	\$ (4)	\$ (8)	\$ 6
% Change versus prior year period						
Net premiums written	0%	11%	12%	21%	22%	17%
Net premiums earned	5%	12%	23%	25%	27%	21%
Other ratios						
Net premiums written/gross premiums written	73%	78%	76%	74%	72%	75%

(1) See page 21 Non-GAAP Financial Measures.



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

Global Reinsurance

	1Q-05	4Q-04	3Q-04	2Q-04	1Q-04	Full Year 2004
Property and casualty						
Gross premiums written	\$ 536	\$ 285	\$ 343	\$ 367	\$ 576	\$ 1,571
Net premiums written	527	279	312	364	569	1,524
Net premiums earned	356	359	362	346	329	1,396
Losses and loss expenses	205	204	436	174	159	973
Policy acquisition costs	73	68	65	74	64	271
Administrative expenses	15	15	16	15	19	65
P&C underwriting income (loss)	63	72	(155)	83	87	87
Life						
Gross premiums written	58	55	60	56	53	224
Net premiums written	58	55	59	55	51	220
Net premiums earned	58	55	60	54	51	220
Losses and loss expenses	35	38	48	44	42	172
Policy acquisition costs	4	5	6	6	5	22
Administrative expenses	2	1	1	1	1	4
Net investment income	9	9	8	8	8	33
Life underwriting income	26	20	13	11	11	55
Total underwriting income (loss)	89	92	(142)	94	98	142
Net investment income - property and casualty	40	39	31	29	27	126
Net realized gains (losses)	(22)	67	(35)	12	(10)	34
Interest expense	1	—	—	—	—	—
Other (income) expense	1	(1)	—	—	—	(1)
Income tax expense (benefit)	9	12	(1)	1	3	15
Net income (loss)	96	187	(145)	134	112	288
Net realized gains (losses)	(22)	67	(35)	12	(10)	34
Tax expense on net realized gains (losses)	—	—	—	—	—	—
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 118	\$ 120	\$ (110)	\$ 122	\$ 122	\$ 254
P&C combined ratio						
Loss and loss expense ratio	57.6%	57.0%	120.2%	50.2%	48.5%	69.7%
Policy acquisition cost ratio	20.5%	19.0%	18.0%	21.4%	19.4%	19.4%
Administrative expense ratio	4.3%	4.0%	4.5%	4.5%	5.6%	4.6%
P&C combined ratio	82.4%	80.0%	142.7%	76.1%	73.5%	93.7%
Large losses and other items						
Large losses (before tax)	\$ 3	\$ 31	\$ 278	\$ —	\$ —	\$ 309
Prior period development	\$ —	\$ (13)	\$ (22)	\$ (13)	\$ (13)	\$ (61)

(1) See page 21 Non-GAAP Financial Measures.



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

Global Reinsurance - Property & Casualty

	1Q-05	4Q-04	3Q-04	2Q-04	1Q-04	Full Year 2004
% Change versus prior year period						
Net premiums written	-7%	27%	44%	6%	28%	24%
Net premiums earned	8%	16%	32%	29%	33%	27%
Other ratios						
Net premiums written/gross premiums written	98%	98%	91%	99%	99%	97%

Global Reinsurance - By Division

Gross premiums written

Tempest Europe	\$105	\$ 64	\$ 76	\$ 60	\$126	\$ 326
Tempest USA	248	204	205	224	253	886
Tempest Bermuda	183	17	62	83	197	359
Total	<u>\$536</u>	<u>\$285</u>	<u>\$343</u>	<u>\$367</u>	<u>\$576</u>	<u>\$ 1,571</u>

Net premiums written

Tempest Europe	\$102	\$ 61	\$ 74	\$ 54	\$122	\$ 311
Tempest USA	247	204	204	224	252	884
Tempest Bermuda	178	14	34	86	195	329
Total	<u>\$527</u>	<u>\$279</u>	<u>\$312</u>	<u>\$364</u>	<u>\$569</u>	<u>\$ 1,524</u>

Net premiums earned

Tempest Europe	\$ 76	\$ 76	\$ 77	\$ 75	\$ 75	\$ 303
Tempest USA	212	204	194	189	169	756
Tempest Bermuda	68	79	91	82	85	337
Total	<u>\$356</u>	<u>\$359</u>	<u>\$362</u>	<u>\$346</u>	<u>\$329</u>	<u>\$ 1,396</u>

Net premiums written/gross premiums written

Tempest Europe	97%	95%	97%	90%	97%	95%
Tempest USA	100%	100%	100%	100%	100%	100%
Tempest Bermuda	97%	82%	55%	104%	99%	92%
Total NPW/GPW	<u>98%</u>	<u>98%</u>	<u>91%</u>	<u>99%</u>	<u>99%</u>	<u>97%</u>



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

Financial Services

	1Q-05	4Q-04	3Q-04	2Q-04	1Q-04	Full Year 2004
Gross premiums written	\$ 163	\$ 29	\$ 68	\$ 15	\$ 208	\$ 320
Net premiums written	161	26	68	14	208	316
Net premiums earned	90	96	111	134	179	520
Losses and loss expenses	83	97	116	89	86	388
Policy acquisition costs	2	—	2	9	11	22
Administrative expenses	4	2	4	10	24	40
Underwriting income (loss)	1	(3)	(11)	26	58	70
Net investment income	32	29	29	36	53	147
Net realized gains (losses)	9	13	(3)	(32)	5	(17)
Interest expense	—	—	2	1	2	5
Other (income) expense	(11)	(15)	(22)	—	11	(26)
Income tax expense	6	4	—	11	20	35
Net income	47	50	35	18	83	186
Net realized gains (losses)	9	13	(3)	(32)	5	(17)
Tax expense (benefit) on net realized gains (losses)	2	2	(2)	1	7	8
Income excluding net realized gains (losses) ⁽¹⁾	\$ 40	\$ 39	\$ 36	\$ 51	\$ 85	\$ 211
Combined ratio						
Loss and loss expense ratio	92.2%	101.3%	104.7%	66.1%	48.0%	74.6%
Policy acquisition cost ratio	2.2%	-0.1%	2.3%	7.0%	5.9%	4.3%
Administrative expense ratio	4.6%	1.8%	2.7%	7.5%	13.7%	7.5%
Combined ratio	99.0%	103.0%	109.7%	80.6%	67.6%	86.4%
Large losses and other items						
Loss portfolio transfers ⁽²⁾	\$ —	\$ 8	\$ 19	\$ —	\$ —	\$ 27
Large losses (before tax)	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ 11
Prior period development	\$ 1	\$ (8)	\$ (14)	\$ (5)	\$ (2)	\$ (29)
% Change versus prior year period						
Net premiums written	-23%	-91%	-35%	-89%	-60%	-70%
Net premiums earned	-50%	-80%	-46%	-38%	-14%	-53%
Other ratios						
Net premiums written/gross premiums written	99%	90%	100%	93%	100%	99%

(1) See page 21 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
Loss Reserve Rollforward
(in millions of U.S. dollars)
(Unaudited)

	Total			Ongoing			Run-off ⁽¹⁾		
	Unpaid Losses			Unpaid Losses			Unpaid Losses		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Balance at December 31, 2003	\$27,155	\$13,192	\$13,963	\$19,835	\$7,699	\$12,136	\$7,320	\$5,493	\$1,827
Losses and loss expenses incurred	2,298	756	1,542	2,256	724	1,532	42	32	10
Losses and loss expenses paid	(1,873)	(781)	(1,092)	(1,652)	(545)	(1,107)	(221)	(236)	15
Other (incl. foreign exch. revaluation)	117	110	7	117	110	7	—	—	—
Balance at March 31, 2004	27,697	13,277	14,420	20,556	7,988	12,568	7,141	5,289	1,852
Losses and loss expenses incurred	2,452	727	1,725	2,482	761	1,721	(30)	(34)	4
Losses and loss expenses paid	(1,692)	(593)	(1,099)	(1,401)	(399)	(1,002)	(291)	(194)	(97)
Other (incl. foreign exch. revaluation)	(233)	166	(399)	(233)	166	(399)	—	—	—
Balance at June 30, 2004	28,224	13,577	14,647	21,404	8,516	12,888	6,820	5,061	1,759
Losses and loss expenses incurred	3,310	1,076	2,234	3,281	1,058	2,223	29	18	11
Losses and loss expenses paid	(1,958)	(1,079)	(879)	(1,750)	(754)	(996)	(208)	(325)	117
Other (incl. foreign exch. revaluation)	27	48	(21)	(396)	(375)	(21)	423	423	—
Balance at September 30, 2004	29,603	13,622	15,981	22,539	8,445	14,094	7,064	5,177	1,887
Losses and loss expenses incurred	3,727	1,514	2,213	2,687	1,090	1,597	1,040	424	616
Losses and loss expenses paid	(2,348)	(987)	(1,361)	(2,239)	(939)	(1,300)	(109)	(48)	(61)
Other (incl. foreign exch. revaluation)	531	188	343	244	(141)	385	287	329	(42)
Balance at December 31, 2004	31,513	14,337	17,176	23,231	8,455	14,776	8,282	5,882	2,400
Losses and loss expenses incurred	2,536	750	1,786	2,492	728	1,764	44	22	22
Losses and loss expenses paid	(2,028)	(797)	(1,231)	(1,847)	(695)	(1,152)	(181)	(102)	(79)
Other (incl. foreign exch. revaluation) ⁽²⁾	(595)	(596)	1	(669)	(671)	2	74	75	(1)
Balance at March 31, 2005	\$31,426	\$13,694	\$17,732	\$23,207	\$7,817	\$15,390	\$8,219	\$5,877	\$2,342

(1) The run-off reserves primarily include 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

	March 31	December 31
	2005	2004
Reinsurance recoverable on paid losses & loss expenses		
Active operations	\$ 796	\$ 789
Brandywine	385	398
Westchester	24	24
Total	\$ 1,205	\$ 1,211
Reinsurance recoverable on unpaid losses & loss expenses		
Active operations	\$ 8,819	\$ 9,534
Brandywine	4,796	4,720
Westchester	705	717
Total	\$14,320	\$ 14,971
Gross reinsurance recoverable		
Active operations	\$ 9,615	\$ 10,323
Brandywine	5,181	5,118
Westchester	729	741
Total	\$15,525	\$ 16,182
Bad debt reserve		
Active operations	\$ (577)	\$ (547)
Brandywine	(302)	(341)
Westchester	(38)	(40)
Total	\$ (917)	\$ (928)
Net reinsurance recoverable		
Active operations	\$ 9,038	\$ 9,776
Brandywine	4,879	4,777
Westchester	691	701
Total	\$14,608	\$ 15,254



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

Reinsurance Recoverable for Active Operations

	December 31, 2004		
	Recoverable	Bad Debt	% of Gross
Categories			
Top 10 reinsurers	\$ 5,015	\$ 95	1.9%
Other reinsurers balances >\$20 million	2,381	76	3.2%
Other reinsurers balances <\$20 million	577	31	5.4%
Mandatory pools and government agencies	693	3	0.4%
Structured settlements	207	1	0.5%
Captives	931	1	0.1%
Other ⁽¹⁾	519	340	65.5%
Total	\$ 10,323	\$ 547	5.3%

At December 31, 2004, \$7.3 billion of the active operations' recoverables were from rated reinsurers, of which 85.7% were rated the equivalent of A- or better by internationally recognized rating agencies. The Company held collateral of \$2.9 billion, of which \$1.7 billion was matched and usable against existing recoverables.

Top 10 Reinsurers (net of collateral) ⁽²⁾

American International Group (including Transatlantic Reinsurance Company)
Berkshire Hathaway Insurance Group
CIGNA ⁽³⁾
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) (2)

AGRI General Ins Co
AIOI Insurance
Allianz
Arch Capital
Aspen Insurance Holdings Ltd
AVIVA
AXA
Chubb Insurance Group
CNA Insurance Companies
Converium Group
DaimlerChrysler Insurance Company
Endurance Specialty
Everest Re Group
Fairfax Financial
Federal Crop Insurance Corp
FM Global Group
Gerling 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
QBE Insurance
Renaissance Re Holdings Ltd
Royal & Sun Alliance Insurance Group
SCOR Group
Sompo Japan
St. Paul Travelers Companies
Toa Reinsurance Company
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.
- (3) Contract was novated in the first quarter of 2005.



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

Consolidated Reinsurance Recoverable

	December 31, 2004		
	Recoverable	Bad Debt	% of Gross
Categories			
Top 10 reinsurers	\$ 8,222	\$ 121	1.5%
Other reinsurers balances >\$20 million	3,799	183	4.8%
Other reinsurers balances <\$20 million	866	68	7.9%
Mandatory pools and government agencies	726	4	0.6%
Structured settlements	489	2	0.4%
Captives	1,052	1	0.1%
Other ⁽¹⁾	1,028	549	53.4%
Total	\$ 16,182	\$ 928	5.7%

At December 31, 2004, \$11.8 billion of consolidated recoverables were from rated reinsurers, of which 89% were rated the equivalent of A- or better by internationally recognized rating agencies.

Top 10 Reinsurers (net of collateral) ⁽²⁾

Berkshire Hathaway Insurance Group
CIGNA ⁽³⁾
Electric Insurance Company
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) ⁽²⁾

AGRI General Ins Co
AIOI Insurance
Allianz
Allstate
American International Group
Arch Capital
Aspen Insurance Holdings Ltd
Assicurazioni Generali SPA
AVIVA
AXA
Chubb Insurance Group
CNA Insurance Companies
Converium Group
DaimlerChrysler Insurance Company
Dominion Ins. Co. Ltd
Dukes Place Holdings
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.
Kemper
Koren Reinsurance Company
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.

(3) Contract was novated in the first quarter of 2005.



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
Gross balance at December 31, 2004	\$ 717	\$ 494	\$1,211
Bad debt reserve at 12/31/04	37	272	309
% of gross	5.2%	55.1%	25.5%
Net balance at December 31, 2004 ⁽³⁾	\$ 680	\$ 222	\$ 902
Gross balance at March 31, 2005	\$ 713	\$ 492	\$1,205
Bad debt reserve at 3/31/05	37	268	305
% of gross	5.2%	54.5%	25.3%
Net balance at March 31, 2005 ⁽³⁾	\$ 676	\$ 224	\$ 900

- (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)

	<u>March 31 2005</u>	<u>December 31 2004</u>
Market Value		
Fixed maturities available for sale	\$ 20,188	\$ 22,741
Fixed maturities held to maturity	3,207	—
Short-term investments	2,135	2,140
	<u> </u>	<u> </u>
Total	\$ 25,530	\$ 24,881
	<u> </u>	<u> </u>
Asset Allocation by Market Value		
Treasury	\$ 1,713	\$ 1,536
Agency	1,495	1,527
Corporate	7,532	7,530
Mortgage-backed securities	5,482	5,010
Asset-backed securities	1,209	1,217
Municipal	559	566
Non-US	5,405	5,376
Cash & cash equivalent	2,135	2,119
	<u> </u>	<u> </u>
Total	25,530	\$ 24,881
	<u> </u>	<u> </u>
Credit Quality by Market Value		
AAA	\$ 14,655	\$ 13,800
AA	2,459	2,618
A	4,392	4,336
BBB	2,176	2,269
BB	817	774
B	982	1,041
Other	49	43
	<u> </u>	<u> </u>
Total	25,530	\$ 24,881
	<u> </u>	<u> </u>
Cost/Amortized Cost		
Fixed maturities available for sale	\$ 20,066	\$ 22,271
Fixed maturities held to maturity	3,211	—
Short term investments	2,135	2,140
	<u> </u>	<u> </u>
Subtotal	25,412	24,411
Equity securities	1,170	1,061
Other investments	463	450
	<u> </u>	<u> </u>
Total	27,045	\$ 25,922
	<u> </u>	<u> </u>
Avg. duration of fixed maturities, adj. for int. rate swaps	3.1 years	3.4 years
Avg. market yield of fixed maturities	4.5%	4.1%
Avg. credit quality	AA	AA



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

	Three months ended March 31, 2005		
	Net Realized	Net Unrealized	Net
	Gains (Losses) (1)	Gains (Losses)	Impact
Investment Portfolio Gains (Losses)			
Fixed maturities	\$ (3)	\$ (332)	\$(335)
Interest rate swaps	2	—	2
Equity securities	14	(23)	(9)
Equity and fixed income derivatives	(2)	—	(2)
Foreign exchange gains (losses)	(3)	—	(3)
Other	2	16	18
	<u>10</u>	<u>(339)</u>	<u>(329)</u>
Total inv. portfolio gains (losses)			
Other FAS 133 adjustments	(14)	—	(14)
	<u>(4)</u>	<u>(339)</u>	<u>(343)</u>
Total gains (losses)			
Income tax expense (benefit)	4	(69)	(65)
	<u>4</u>	<u>(69)</u>	<u>(65)</u>
Net gains (losses)	<u>\$ (8)</u>	<u>\$ (270)</u>	<u>\$(278)</u>

(1) The quarter includes impairments of \$20M for fixed maturities and \$1M for equities.

	Three months ended March 31, 2004		
	Net Realized	Net Unrealized	Net
	Gains (Losses) (2)	Gains (Losses)	Impact
Investment Portfolio Gains (Losses)			
Fixed maturities	\$ 55	\$ 175	\$ 230
Interest rate swaps	(14)	—	(14)
Equity securities	28	(4)	24
Equity and fixed income derivatives	13	—	13
Foreign exchange gains (losses)	5	—	5
Other	(7)	4	(3)
	<u>80</u>	<u>175</u>	<u>255</u>
Total inv. portfolio gains (losses)			
Other FAS 133 adjustments	(23)	—	(23)
	<u>57</u>	<u>175</u>	<u>232</u>
Total gains (losses)			
Income tax expense (benefit)	21	48	69
	<u>21</u>	<u>48</u>	<u>69</u>
Net gains (losses)	<u>\$ 36</u>	<u>\$ 127</u>	<u>\$ 163</u>

(2) The quarter includes impairments of \$1M for fixed maturities and \$1M for equities.



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

	March 31	December 31	December 31
	2005	2004	2003
Total short-term debt	\$ 147	\$ 146	\$ 546
Total long-term debt	1,849	1,849	1,349
Total debt	1,996	1,995	1,895
Total trust preferreds	412	412	475
Perpetual preferred	557	557	557
Ordinary shareholders' equity	9,408	9,279	8,278
Total shareholders' equity	\$ 9,965	\$ 9,836	\$ 8,835
Total capitalization	\$12,373	\$ 12,243	\$ 11,205
Tangible shareholders' equity ⁽¹⁾	\$ 7,357	\$ 7,224	\$ 6,124
Leverage ratios			
Debt/ total capitalization	16.1%	16.3%	16.9%
Debt plus trust preferreds/ total capitalization	19.5%	19.7%	21.2%
Debt/ tangible equity	27.1%	27.6%	30.9%
Debt plus trust preferreds/ tangible equity	32.7%	33.3%	38.7%
Debt plus total preferred stock/ total capitalization	24.0%	24.2%	26.1%

(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 March 31	
	2005	2004
Numerator		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 441	\$ 411
Perpetual preferred dividend	(11)	(11)
Income to ordinary shares, excl. net realized gains (losses)	430	400
Net realized gains (losses), net of income tax	(8)	36
Net income available to the holders of ordinary shares	\$ 422	\$ 436
Rollforward of ordinary shares		
Ordinary shares - beginning of period	284,478,525	279,897,193
Issued under employee stock purchase plan	109,411	125,631
Stock (cancelled) granted	1,344,217	1,259,605
Issued for option exercises	1,421,174	1,432,480
Ordinary shares - end of period	287,353,327	282,714,909
Denominator		
Weighted average shares outstanding	283,179,820	278,937,204
Effect of other dilutive securities	4,385,550	5,352,364
Adj. wtd. avg. shares outstanding and assumed conversions	287,565,370	284,289,568
Basic earnings per share		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.52	\$ 1.43
Net realized gains (losses)	(0.03)	0.13
Net income	\$ 1.49	\$ 1.56
Diluted earnings per share		
Income excluding net realized gains (losses) ⁽¹⁾	\$ 1.49	\$ 1.40
Net realized gains (losses)	(0.03)	0.13
Net income	\$ 1.46	\$ 1.53

(1) See page 21 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 22.

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>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>1Q-04</u>	<u>Full Year 2004</u>
Net income (loss), as reported	\$433	\$282	\$ (3)	\$413	\$447	\$ 1,139
Net realized gains (losses)	(4)	128	(33)	43	57	195
Tax expense on net realized gains (losses)	4	12	1	10	21	44
Income excluding net realized gains (losses)	<u>\$441</u>	<u>\$166</u>	<u>\$ 31</u>	<u>\$380</u>	<u>\$411</u>	<u>\$ 988</u>

Reconciliation Non-GAAP

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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

	<u>March 31 2005</u>	<u>December 31 2004</u>
Shareholders' equity	\$ 9,965	\$ 9,836
Net proceeds from assumed conversions of options	271	312
Proceeds from issuance of preferred shares	(557)	(557)
	<u>9,679</u>	<u>9,591</u>
Numerator for diluted book value per share calculation	9,679	9,591
Less: goodwill	2,608	2,612
	<u>7,071</u>	<u>6,979</u>
Numerator for diluted tangible book value per share	\$ 7,071	\$ 6,979
	<u>287,353,327</u>	<u>284,478,525</u>
Ordinary shares outstanding - end of period	287,353,327	284,478,525
Shares issued from assumed conversions of options	9,346,765	10,830,932
	<u>296,700,092</u>	<u>295,309,457</u>
Denominator for diluted and diluted tangible book value	296,700,092	295,309,457
	<u>32.74</u>	<u>32.62</u>
Book value per ordinary share	\$ 32.74	\$ 32.62
Diluted book value per ordinary share	\$ 32.62	\$ 32.48
Diluted tangible book value per ordinary share	\$ 23.83	\$ 23.63

Reconciliation Book Value

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

Consolidated Statement of Comprehensive Income

	<u>1Q-05</u>	<u>4Q-04</u>	<u>3Q-04</u>	<u>2Q-04</u>	<u>1Q-04</u>	<u>Full Year 2004</u>
Net income (loss)	\$ 433	\$282	\$ (3)	\$ 413	\$447	\$ 1,139
Net unrealized appreciation (depreciation) on investments						
Unrealized appreciation (depreciation) on investments	(271)	176	393	(622)	236	183
Reclassification adjustment for net realized gains (losses) included in net income	(84)	(96)	(32)	(83)	(61)	(272)
Unrealized appreciation on investments transferred from available for sale to held to maturity during the period	16	—	—	—	—	—
Cumulative translation adjustment	(13)	128	21	(24)	2	127
Minimum pension liability adjustment	2	(45)	3	1	(2)	(43)
Income tax (expense) benefit related to other comprehensive income items	73	(35)	(83)	180	(41)	21
Other comprehensive income (loss)	(277)	128	302	(548)	134	16
Comprehensive income (loss)	\$ 156	\$410	\$299	\$(135)	\$581	\$ 1,155



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

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End of Filing

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