

ACE LTD

FORM 8-K (Current report filing)

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

FORM 8-K

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

Date of Report (Date of earliest event reported) – October 21, 2014

ACE LIMITED

(Exact name of registrant as specified in its charter)

Switzerland
(State or other jurisdiction
of Incorporation)

1-11778
(Commission
File Number)

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

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

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

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

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

On October 21, 2014, ACE Limited issued a Press Release reporting its third quarter 2014 results and the availability of its third quarter 2014 Financial Supplement. The Press Release and the Financial Supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, Dated October 21, 2014, Reporting Third Quarter 2014 Results
99.2	Third Quarter 2014 Financial Supplement

SIGNATURES

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

ACE LIMITED

By: /s/ Philip V. Bancroft

Philip V. Bancroft
Chief Financial Officer

DATE: October 21, 2014

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated October 21, 2014, Reporting Third Quarter 2014 Results	Furnished herewith
99.2	Third Quarter 2014 Financial Supplement	Furnished herewith



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News Release

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**ACE REPORTS RECORD QUARTERLY OPERATING INCOME OF \$2.64 PER SHARE,
UP 6%; GLOBAL P&C NET PREMIUMS UP 4%; P&C COMBINED RATIO IS 86.3%
AND OPERATING RETURN ON EQUITY IS 12.6%**

- After-tax operating income of \$891 million for the quarter and \$2.5 billion for the year ⁽¹⁾ are both records
- P&C underwriting income of \$586 million, up 4.9%
- Net investment income of \$566 million, up 8.5%
- Operating cash flow of \$1.1 billion
- Book value per share up 6.5% and tangible book value per share up 7.4% for the year

ZURICH – October 21, 2014 – ACE Limited (NYSE: ACE) today reported net income for the quarter ended September 30, 2014, of \$2.32 per share, compared with \$2.66 per share for the same quarter last year. ⁽²⁾ Operating income was \$2.64 per share, compared with \$2.49 per share for the same quarter last year. Book value and tangible book value per share increased 0.2% and 0.4%, respectively, from June 30, 2014. Book value and tangible book value per share now stand at \$90.38 and \$74.05, respectively. Operating return on equity for the quarter was 12.6%. The property and casualty (P&C) combined ratio for the quarter was 86.3%.

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

	(Per Share – Diluted)					
	2014	2013	Change	2014	2013	Change
Operating income, net of tax	\$ 891	\$857	3.9%	\$ 2.64	\$2.49	6.0%
Adjusted net realized gains (losses), net of tax	(106)	59	NM	(0.32)	0.17	NM
Net income	\$ 785	\$916	(14.2)%	\$ 2.32	\$2.66	(12.8)%

For the nine months ended September 30, 2014, net income was \$6.75 per share, compared with \$8.02 per share for 2013. Operating income was \$7.32 per share, compared with \$6.95 per share for 2013, an increase of 5.3%. Book value and tangible book value per share increased 6.5% and 7.4%, respectively, from December 31, 2013. The P&C combined ratio for the nine months ended September 30, 2014, was 87.5%.

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

	(Per Share – Diluted)					
	2014	2013	Change	2014	2013	Change
Operating income, net of tax	\$2,493	\$2,393	4.2%	\$ 7.32	\$6.95	5.3%
Adjusted net realized gains (losses), net of tax	(195)	367	NM	(0.57)	1.07	NM
Net income	\$2,298	\$2,760	(16.7)%	\$ 6.75	\$8.02	(15.8)%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had record earnings for the quarter and nine months. After-tax operating income for the quarter of \$2.64 per share was up 6%, driven by growth in underwriting income and investment income, both of which were up for the quarter and year. Our ROE in the quarter was 12.6%.

“P&C underwriting income was up 5% as a result of growth in earned premium and steady underwriting margin. The combined ratio of 86.3% benefitted from strong current accident year results, positive prior years’ reserve development and relatively light catastrophe losses. Net investment income was up 8.5%, due primarily to growth in our invested assets and partnership distributions.

“Net P&C premiums excluding crop insurance grew 4% in the quarter and 7% year to date. While growth naturally slowed a bit in the quarter given a more competitive market globally, we see many opportunities for growth due to our broad global diversification. We expect stronger growth in the fourth quarter in constant dollars.

“We continue to invest for the future. As we announced earlier, all of our regulatory approvals are now in hand for our acquisition of Itaú’s large corporate P&C insurance business in Brazil. We expect the transaction will now close October 31.”

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

(in millions of U.S. dollars except for percentages)	<u>3Q</u> <u>2014</u>	<u>3Q</u> <u>2013</u>	<u>Change</u>
<u>P&C</u>			
Net premiums written	\$4,232	\$4,141	2.2%
Net premiums written constant-dollar		\$4,160	1.7%
Underwriting income	\$ 586	\$ 558	4.9%
Combined ratio	86.3%	86.5%	
Current accident year underwriting income excluding catastrophe losses	\$ 440	\$ 426	3.2%
Current accident year combined ratio excluding catastrophe losses	89.8%	89.8%	
<u>Global P&C (excludes Agriculture)</u>			
Net premiums written	\$3,468	\$3,336	4.0%
Net premiums written constant-dollar		\$3,356	3.4%
Underwriting income	\$ 505	\$ 493	2.5%
Combined ratio	85.6%	85.0%	
Current accident year underwriting income excluding catastrophe losses	\$ 360	\$ 369	(2.4)%
Current accident year combined ratio excluding catastrophe losses	89.8%	88.9%	
<u>Agriculture</u>			
Net premiums written	\$ 764	\$ 805	(5.2)%
Underwriting income	\$ 81	\$ 65	23.4%
Combined ratio	89.5%	92.3%	
Current accident year underwriting income excluding catastrophe losses	\$ 80	\$ 57	39.7%
Current accident year combined ratio excluding catastrophe losses	89.6%	93.3%	

- P&C net premiums earned increased 2.9%, and Global P&C net premiums earned increased 6.2%.
- The P&C expense ratio for the quarter was 27.8% compared with 25.8% last year. The Global P&C expense ratio, which excludes Agriculture, was 32.7% compared with 31.3% last year. The prior year Global P&C expense ratio includes a 1.0 point favorable impact for purchase accounting adjustments related to the Mexican acquisitions. The Agriculture expense ratio for the quarter was 5.8% compared with 4.3% last year. The current quarter ratio includes the unfavorable impact of lower crop insurance production as a result of lower commodity prices and lower ceded commission benefits due to the non-renewal of a third-party proportional reinsurance agreement.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums were \$86 million (2.1 percentage points of the combined ratio) and \$76 million, respectively, compared with \$78 million (1.8 percentage points of the combined ratio) and \$70 million, respectively, last year.
- Favorable prior period development pre-tax and after-tax for the quarter were \$232 million (5.6 percentage points of the combined ratio) and \$172 million, respectively, compared with \$210 million (5.1 percentage points of the combined ratio) and \$162 million, respectively, last year.
- Operating cash flow was \$1.1 billion for the quarter.

- Net loss reserves increased \$93 million in the quarter and \$286 million for the year, and the net paid-to-incurred ratio was 88% for the quarter and 94% for the year.
- Net investment income for the quarter increased 8.5% to \$566 million, primarily due to an increase in the invested asset base, an increase in private equity distributions and an increase in call activity in the company's corporate bond portfolio.
- Net realized and unrealized losses pre-tax totaled \$447 million for the quarter. Net realized losses of \$110 million included a loss of \$95 million from derivative accounting related to variable annuity reinsurance. Net unrealized losses of \$337 million were primarily related to an increase in market yields on the company's corporate bond portfolio.
- Operating return on equity was 12.6% for the quarter and 11.9% year to date. Return on equity computed using net income was 10.4% for both the quarter and year to date.
- Share repurchases totaled \$450 million, or approximately 4.3 million shares, during the quarter. Since the inception of the November 2013 share repurchase authorization, the company has repurchased approximately 11.2 million shares for \$1.1 billion through October 20, 2014.
- Book value per share increased 0.2% to \$90.38 from \$90.19 at June 30, 2014, and increased 6.5% from \$84.83 at December 31, 2013. Realized and unrealized losses and unfavorable foreign currency movement negatively impacted book value per share in the quarter.
- Tangible book value per share increased 0.4% to \$74.05 from \$73.77 at June 30, 2014, and increased 7.4% from \$68.93 at December 31, 2013.

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

- Insurance – North American P&C: Net premiums written increased 2.7%. The combined ratio was 91.4% for the quarter compared with 88.3%. The combined ratio was 87.8% for the year compared with 87.2%. The current accident year combined ratio excluding catastrophe losses for the quarter was 88.5% compared with 88.3%. The current accident year combined ratio excluding catastrophe losses for the year was 87.6% compared with 87.8%. Unfavorable prior period development in the quarter of \$11 million included \$63 million of adverse development for legacy environmental liability exposures.
- Insurance – North American Agriculture: Net premiums written decreased 5.2%. The combined ratio was 89.5% for the quarter compared with 92.3%. The combined ratio was 93.6% for the year compared with 91.1%. The current accident year combined ratio excluding catastrophe losses for the quarter was 89.6% compared with 93.3%. The current accident year combined ratio excluding catastrophe losses for the year was 89.4% compared with 91.8%.
- Insurance – Overseas General: Net premiums written increased 9.4%. The combined ratio was 80.1% for the quarter compared with 82.2%. The combined ratio was 85.7% for the year compared with 86.9%. The current accident year combined ratio excluding catastrophe losses for the quarter was 90.5% compared with 89.4%. The current accident year combined ratio excluding catastrophe losses for the year was 90.1% compared with 90.2%. Favorable prior period development in the quarter of \$219 million included \$52 million of favorable development for an older liability case.

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- Global Reinsurance: Net premiums written decreased 21.2% for the quarter primarily due to the non-renewal of a large workers' compensation treaty. The combined ratio was 70.2% for the quarter compared with 65.8%. The combined ratio was 71.1% for the year compared with 65.1%. The current accident year combined ratio excluding catastrophe losses for the quarter was 75.7% compared with 71.0%. The current accident year combined ratio excluding catastrophe losses for the year was 75.4% compared with 70.0%.
 - Life: Operating income was \$72 million compared with \$75 million. Net premiums written and deposits collected, excluding life reinsurance, increased 14.5% on a constant-dollar basis.

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

ACE will hold its third quarter earnings conference call on Wednesday, October 22, 2014, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live webcast at www.acegroup.com or by dialing 888-569-5033 (within the United States) or 719-325-2490 (international), passcode 8276801. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, November 5, 2014, and the archived webcast will be available for approximately one month. To listen to the replay, please dial 888-203-1112 (in the United States) or 719-457-0820 (international), passcode 8276801.

ACE Group is one of the world's largest multiline property and casualty insurers. With operations in 54 countries, ACE provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. ACE Limited, the parent company of ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. Additional information can be found at: www.acegroup.com.

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- (1) References to the year refer to the nine months ended September 30, 2014.
 - (2) All comparisons are with the same period last year unless specifically stated.

Regulation G – Non-GAAP Financial Measures

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

Adjusted net realized gains (losses), net of tax, includes net realized gains (losses) and net realized gains (losses) recorded in other income (expense) related to unconsolidated subsidiaries, and excludes realized gains and losses on crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. We view gains and losses on these derivatives as part of the results of our underwriting operations, and therefore realized gains and losses from these derivatives are reclassified to adjusted losses and loss expenses. The P&C combined ratio includes adjusted losses and loss expenses in the ratio numerator.

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

Underwriting income, P&C underwriting income, and Global P&C underwriting income are calculated by subtracting losses and loss expenses, policy benefits, policy acquisition costs and administrative expenses from net premiums earned. P&C underwriting income also includes gains (losses) on crop derivatives. We use underwriting income and operating ratios to monitor the results of our operations without the impact of certain factors, including net investment income, other income (expense), interest and income tax expense and adjusted net realized gains (losses). Current accident year underwriting income excluding catastrophe losses is underwriting income adjusted to exclude catastrophe losses and prior period development (PPD). We believe it is useful to exclude catastrophe losses, as they are not predictable as to timing and amount, and PPD as these unexpected loss developments on historical reserves are not indicative of our current underwriting performance. We believe the use of these measures enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

Operating income or income excluding adjusted net realized gains (losses), net of tax is a common performance measurement for insurance companies. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business. We exclude adjusted net realized gains (losses) because the amount of these gains (losses) is heavily influenced by the availability of market opportunities.

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

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

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

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

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

Other income (expense) – operating excludes from consolidated Other income (expense) the portion of net realized gains and losses related to unconsolidated entities and gains and losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP. Net realized gains (losses) related to unconsolidated entities is excluded from operating income in order to enhance the understanding of our core results of operations as they are heavily influenced by, and fluctuate in part according to market conditions.

See reconciliation of Non-GAAP Financial Measures on pages 21-23 in the Financial Supplement. These measures should not be viewed as a substitute for net income, return on equity, or effective tax rate determined in accordance with GAAP.

NM – not meaningful comparison

Cautionary Statement Regarding Forward-Looking Statements:

Forward-looking statements made in this press release, such as those related to company performance including 2014 performance and growth opportunities, and our pending acquisition of the large corporate P&C business of Itaú Unibanco S.A., reflect our current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that could cause actual results to differ materially, including without limitation, the following: competition, pricing and policy term trends, the levels of new and renewal business achieved, the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, integration activities and performance of acquired companies, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, investigation developments and actual settlement terms, the amount and timing of reinsurance recoverable, credit developments among reinsurers, rating agency action, possible terrorism or the outbreak and effects of war, economic, political, regulatory, insurance and reinsurance business conditions, potential strategic opportunities including acquisitions and our ability to achieve and integrate them, as well as management's response to these factors, and other factors identified in our filings with the Securities and Exchange Commission. Given uncertainties, it is possible the closing of the above-referenced acquisition could also be delayed or not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

(tables to follow)

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

	<u>September 30</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
Assets		
Investments	\$ 63,254	\$ 60,928
Cash	806	579
Insurance and reinsurance balances receivable	5,189	5,026
Reinsurance recoverable on losses and loss expenses	10,945	11,227
Other assets	17,363	16,750
Total assets	<u>\$ 97,557</u>	<u>\$ 94,510</u>
Liabilities		
Unpaid losses and loss expenses	\$ 37,447	\$ 37,443
Unearned premiums	8,020	7,539
Other liabilities	22,073	20,703
Total liabilities	<u>\$ 67,540</u>	<u>\$ 65,685</u>
Shareholders' equity		
Total shareholders' equity	<u>30,017</u>	<u>28,825</u>
Total liabilities and shareholders' equity	<u>\$ 97,557</u>	<u>\$ 94,510</u>
Book value per common share	\$ 90.38	\$ 84.83

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Gross premiums written	\$ 6,264	\$ 6,373	\$17,644	\$17,366
Net premiums written	4,729	4,620	13,473	12,809
Net premiums earned	4,754	4,610	13,056	12,250
Losses and loss expenses	2,684	2,655	7,233	6,831
Policy benefits	125	138	383	379
Policy acquisition costs	825	678	2,311	1,957
Administrative expenses	554	563	1,655	1,641
Net investment income	566	522	1,675	1,587
Net realized gains (losses)	(120)	40	(297)	350
Interest expense	70	72	213	205
Other income (expense):				
Gains (losses) from separate account assets	(6)	14	5	7
Other	25	(9)	56	(29)
Income tax expense	176	155	402	392
Net income	<u>\$ 785</u>	<u>\$ 916</u>	<u>\$ 2,298</u>	<u>\$ 2,760</u>
<i>Diluted earnings per share:</i>				
Operating income	\$ 2.64	\$ 2.49	\$ 7.32	\$ 6.95
Net income	\$ 2.32	\$ 2.66	\$ 6.75	\$ 8.02
Weighted average diluted shares outstanding	337.7	343.8	340.4	344.1
<u>P&C combined ratio</u>				
Loss and loss expense ratio	58.5%	60.7%	58.1%	59.0%
Policy acquisition cost ratio	16.5%	14.3%	16.9%	15.7%
Administrative expense ratio	11.3%	11.5%	12.5%	12.8%
P&C combined ratio	<u>86.3%</u>	<u>86.5%</u>	<u>87.5%</u>	<u>87.5%</u>
P&C underwriting income	\$ 586	\$ 558	\$ 1,454	\$ 1,356
Other income (expense) – operating	\$ (30)	\$ (31)	\$ (86)	\$ (96)

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

	<u>Three Months Ended</u> <u>September 30</u>		<u>Nine Months Ended</u> <u>September 30</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Gross Premiums Written</u>				
Insurance – North American P&C	\$ 2,126	\$ 2,135	\$ 6,497	\$ 6,281
Insurance – North American Agriculture	1,241	1,446	2,076	2,444
Insurance – Overseas General	2,156	2,018	6,641	6,188
Global Reinsurance	213	264	854	903
Life	528	510	1,576	1,550
<i>Total</i>	<u>\$ 6,264</u>	<u>\$ 6,373</u>	<u>\$17,644</u>	<u>\$17,366</u>
<u>Net Premiums Written</u>				
Insurance – North American P&C	\$ 1,541	\$ 1,500	\$ 4,594	\$ 4,313
Insurance – North American Agriculture	764	805	1,346	1,371
Insurance – Overseas General	1,719	1,571	5,250	4,821
Global Reinsurance	208	265	794	836
Life	497	479	1,489	1,468
<i>Total</i>	<u>\$ 4,729</u>	<u>\$ 4,620</u>	<u>\$13,473</u>	<u>\$12,809</u>
<u>Net Premiums Earned</u>				
Insurance – North American P&C	\$ 1,518	\$ 1,444	\$ 4,547	\$ 4,210
Insurance – North American Agriculture	766	849	1,199	1,252
Insurance – Overseas General	1,726	1,611	5,047	4,633
Global Reinsurance	255	239	800	731
Life	489	467	1,463	1,424
<i>Total</i>	<u>\$ 4,754</u>	<u>\$ 4,610</u>	<u>\$13,056</u>	<u>\$12,250</u>
<u>Operating Income (loss)</u>				
Insurance – North American P&C	\$ 337	\$ 342	\$ 1,126	\$ 1,044
Insurance – North American Agriculture	57	50	51	83
Insurance – Overseas General	348	320	869	815
Global Reinsurance	145	131	435	431
Life	72	75	221	221
Corporate	(68)	(61)	(209)	(201)
<i>Total</i>	<u>\$ 891</u>	<u>\$ 857</u>	<u>\$ 2,493</u>	<u>\$ 2,393</u>



Financial Supplement

September 30, 2014

Investor Contact

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

Cautionary Statement Regarding Forward-Looking Statements:

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

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



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

Note: All dollar amounts in the Financial Supplement are rounded. However, percent changes and ratios are calculated using whole dollars. Accordingly, calculations using rounded dollars may differ.

	Three months ended September 30		% Change 3Q-14 vs. 3Q-13	Constant \$ 2013 ⁽¹⁾	Constant \$ % Change 3Q-14 vs. 3Q-13 ⁽¹⁾	Nine months ended September 30		% Change YTD-14 vs. YTD-13	Constant \$ 2013 ⁽¹⁾	Constant \$ % Change YTD-14 vs. YTD-13 ⁽¹⁾
	2014	2013				2014	2013			
Gross premiums written	\$ 6,264	\$ 6,373	-1.7%	\$ 6,399	-2.1%	\$ 17,644	\$ 17,366	1.6%	\$ 17,273	2.2%
Net premiums written	\$ 4,729	\$ 4,620	2.4%	\$ 4,636	2.0%	\$ 13,473	\$ 12,809	5.2%	\$ 12,733	5.8%
P&C net premiums written ⁽²⁾	\$ 4,232	\$ 4,141	2.2%	\$ 4,160	1.7%	\$ 11,984	\$ 11,341	5.7%	\$ 11,292	6.1%
Global P&C net premiums written ⁽²⁾	\$ 3,468	\$ 3,336	4.0%	\$ 3,356	3.4%	\$ 10,638	\$ 9,970	6.7%	\$ 9,922	7.2%
Net premiums earned	\$ 4,754	\$ 4,610	3.1%	\$ 4,624	2.8%	\$ 13,056	\$ 12,250	6.6%	\$ 12,174	7.2%
Net investment income	\$ 566	\$ 522	8.5%			\$ 1,675	\$ 1,587	5.6%		
Operating income	\$ 891	\$ 857	3.9%			\$ 2,493	\$ 2,393	4.2%		
Net income	\$ 785	\$ 916	-14.2%			\$ 2,298	\$ 2,760	-16.7%		
Comprehensive income	\$ 298	\$ 1,030	NM			\$ 2,754	\$ 1,247	NM		
Operating cash flow	\$ 1,126	\$ 928				\$ 3,222	\$ 2,736			
P&C combined ratio ⁽²⁾										
Loss and loss expense ratio	58.5%	60.7%				58.1%	59.0%			
Underwriting and administrative expense ratio	27.8%	25.8%				29.4%	28.5%			
Combined ratio	86.3%	86.5%				87.5%	87.5%			
Operating return on equity (ROE)	12.6%	13.0%				11.9%	12.3%			
ROE	10.4%	13.2%				10.4%	13.2%			
Operating effective tax rate ⁽³⁾	16.9%	14.9%				14.2%	12.4%			
Effective tax rate	18.3%	14.4%				14.9%	12.4%			
Diluted earnings per share										
Operating income	\$ 2.64	\$ 2.49	6.0%			\$ 7.32	\$ 6.95	5.3%		
Net income	\$ 2.32	\$ 2.66	-12.8%			\$ 6.75	\$ 8.02	-15.8%		
								% Change 3Q-14 vs. 3Q-13	December 31 2013	% Change 3Q-14 vs. 4Q-13
Book value per common share						\$ 90.38	\$ 82.98	8.9%	\$ 84.83	6.5%
Tangible book value per common share						\$ 74.05	\$ 66.91	10.7%	\$ 68.93	7.4%
Tangible book value per common share excluding 2014 acquisition ⁽⁴⁾						\$ 74.43	\$ 66.91	11.2%	\$ 68.93	8.0%
Weighted average basic common shares outstanding	334.5	340.9				337.1	340.9			
Weighted average diluted common shares outstanding	337.7	343.8				340.4	344.1			
Debt plus trust preferred securities/ tangible capital						20.2%	20.9%		20.4%	

(1) Prior periods on a constant dollar basis.

(2) See non-GAAP financial measures.

(3) Operating effective tax rate is dependent upon the mix of earnings from different jurisdictions with various tax rates. A change in the geographic mix of earnings would change the effective tax rate. The increase in the operating effective tax rate for the quarter and YTD was primarily due to a lower percentage of operating earnings being generated in lower tax paying jurisdictions.

(4) For 2014, tangible book value per common share excludes the impact from goodwill and intangibles relating to the acquisition of The Siam Commercial Samaggi Insurance PCL of \$127 million.



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

ACE Limited Consolidated

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Consolidated Results (Including Corporate) Excluding Life Segment ⁽¹⁾								
Gross premiums written	\$5,736	\$5,480	\$4,852	\$4,936	\$5,863	\$16,068	\$15,816	\$ 20,752
Net premiums written	4,232	4,061	3,691	3,712	4,141	11,984	11,341	15,053
Net premiums earned	4,265	3,842	3,486	3,882	4,143	11,593	10,826	14,708
Adjusted losses and loss expenses ⁽¹⁾	2,494	2,234	2,012	2,378	2,515	6,740	6,389	8,767
Policy acquisition costs	702	637	617	605	592	1,956	1,696	2,301
Administrative expenses	483	493	467	483	478	1,443	1,385	1,868
Underwriting income	586	478	390	416	558	1,454	1,356	1,772
Net investment income	497	490	489	493	461	1,476	1,400	1,893
Interest expense	66	69	68	67	68	203	193	260
Other income (expense) - operating ⁽²⁾	(29)	(26)	(23)	(23)	(29)	(78)	(82)	(105)
Income tax expense	169	120	88	81	140	377	309	390
Operating income (including Corporate) excluding Life segment	819	753	700	738	782	2,272	2,172	2,910
Life segment operating income	72	72	77	86	75	221	221	307
Consolidated operating income	891	825	777	824	857	2,493	2,393	3,217
Adjusted net realized gains (losses) ⁽¹⁾	(165)	(81)	(102)	154	41	(348)	351	505
Net realized gains (losses) related to unconsolidated entities	55	36	51	25	22	142	67	92
Income tax expense (benefit) on adjusted net realized gains (losses)	(4)	1	(8)	5	4	(11)	51	56
Consolidated net income	<u>\$ 785</u>	<u>\$ 779</u>	<u>\$ 734</u>	<u>\$ 998</u>	<u>\$ 916</u>	<u>\$ 2,298</u>	<u>\$ 2,760</u>	<u>\$ 3,758</u>
% Change versus prior year period ⁽¹⁾								
Net premiums written as reported	2.2%	4.0%	12.0%	18.2%	-2.0%	5.7%	3.5%	6.8%
Net premiums earned as reported	2.9%	7.1%	12.6%	15.5%	-1.0%	7.1%	4.1%	6.9%
Net premiums written constant \$	1.7%	4.5%	13.7%	19.8%	-0.9%	6.1%	4.4%	7.8%
Net premiums earned constant \$	2.5%	7.4%	14.8%	17.0%	-0.1%	7.6%	4.9%	7.9%
Other ratios								
Net premiums written/gross premiums written ⁽¹⁾	74%	74%	76%	75%	71%	75%	72%	73%
Operating effective tax rate	16.9%	13.7%	11.5%	9.2%	14.9%	14.2%	12.4%	11.6%
P&C combined ratio ⁽¹⁾								
Loss and loss expense ratio	58.5%	58.2%	57.7%	61.3%	60.7%	58.1%	59.0%	59.6%
Policy acquisition cost ratio	16.5%	16.6%	17.7%	15.6%	14.3%	16.9%	15.7%	15.7%
Administrative expense ratio	11.3%	12.7%	13.4%	12.4%	11.5%	12.5%	12.8%	12.7%
Combined ratio	<u>86.3%</u>	<u>87.5%</u>	<u>88.8%</u>	<u>89.3%</u>	<u>86.5%</u>	<u>87.5%</u>	<u>87.5%</u>	<u>88.0%</u>
Combined ratio excluding catastrophe losses and PPD	89.8%	88.7%	88.9%	91.5%	89.8%	89.2%	89.5%	90.0%
P&C expense ratio	27.8%	29.3%	31.1%	28.0%	25.8%	29.4%	28.5%	28.4%
P&C expense ratio excluding A&H	24.3%	26.0%	27.5%	24.0%	21.9%	25.8%	24.7%	24.5%
Catastrophe reinstatement premiums collected - pre-tax	\$ 1	\$ —	\$ —	\$ 1	\$ 2	\$ 1	\$ 2	\$ 3
Catastrophe losses - pre-tax	\$ 87	\$ 80	\$ 53	\$ 37	\$ 80	\$ 220	\$ 193	\$ 230
Favorable prior period development (PPD) - pre-tax ⁽³⁾	\$ (232)	\$ (126)	\$ (62)	\$ (122)	\$ (210)	\$ (420)	\$ (408)	\$ (530)
Loss and loss expense ratio excluding catastrophe losses and PPD	62.2%	59.4%	57.5%	63.5%	64.1%	59.9%	61.1%	61.8%

(1) See non-GAAP financial measures.

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

(3) For Q3 2014, favorable prior period development is net of \$34 million of net earned premium adjustments related to the Insurance – North American P&C and Global Reinsurance segments. For YTD 2014, favorable prior period development includes \$1 million of favorable net earned premium adjustments related to the Insurance – North American P&C, Insurance – North American Agriculture, and Global Reinsurance segments.



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

	September 30	June 30	March 31	December 31
	2014	2014	2014	2013
Assets				
Fixed maturities available for sale, at fair value	\$ 49,148	\$51,601	\$49,611	\$ 49,254
Fixed maturities held to maturity, at amortized cost	7,548	5,774	5,887	6,098
Equity securities, at fair value	546	907	851	837
Short-term investments, at fair value	2,753	2,108	2,526	1,763
Other investments	3,259	3,230	3,170	2,976
Total investments	63,254	63,620	62,045	60,928
Cash	806	594	847	579
Securities lending collateral	1,440	1,440	1,550	1,632
Insurance and reinsurance balances receivable	5,189	5,316	4,761	5,026
Reinsurance recoverable on losses and loss expenses	10,945	10,768	10,755	11,227
Deferred policy acquisition costs	2,592	2,562	2,402	2,313
Value of business acquired	491	514	517	536
Prepaid reinsurance premiums	1,711	1,867	1,721	1,675
Goodwill and other intangible assets	5,425	5,522	5,382	5,404
Deferred tax assets	408	234	516	616
Investments in partially-owned insurance companies	495	470	466	470
Other assets	4,801	4,540	4,217	4,104
Total assets	<u>\$ 97,557</u>	<u>\$97,447</u>	<u>\$95,179</u>	<u>\$ 94,510</u>
Liabilities				
Unpaid losses and loss expenses	\$ 37,447	\$37,177	\$36,866	\$ 37,443
Unearned premiums	8,020	8,296	7,791	7,539
Future policy benefits	4,782	4,778	4,632	4,615
Insurance and reinsurance balances payable	3,804	3,794	3,734	3,628
Securities lending payable	1,441	1,441	1,551	1,633
Accounts payable, accrued expenses, and other liabilities	5,829	5,419	5,218	4,810
Short-term debt	1,851	1,851	1,901	1,901
Long-term debt	4,057	4,057	3,808	3,807
Trust preferred securities	309	309	309	309
Total liabilities	67,540	67,122	65,810	65,685
Shareholders' equity				
Total shareholders' equity, excl. AOCI	28,409	28,230	27,843	27,673
Accumulated other comprehensive income (AOCI)	1,608	2,095	1,526	1,152
Total shareholders' equity	<u>30,017</u>	<u>30,325</u>	<u>29,369</u>	<u>28,825</u>
Total liabilities and shareholders' equity	<u>\$ 97,557</u>	<u>\$97,447</u>	<u>\$95,179</u>	<u>\$ 94,510</u>
Book value per common share	\$ 90.38	\$ 90.19	\$ 86.90	\$ 84.83
% change over prior quarter	0.2%	3.8%	2.4%	2.2%
Tangible book value per common share	\$ 74.05	\$ 73.77	\$ 70.97	\$ 68.93
% change over prior quarter	0.4%	3.9%	3.0%	3.0%



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

ACE Limited Consolidated

	3Q-14	3Q-13	% Change 3Q-14 vs. 3Q-13	Constant \$ 3Q-13 (2)	Constant \$ % Change 3Q-14 vs. 3Q-13 (2)	YTD 2014	YTD 2013	% Change YTD-14 vs. YTD-13	Constant \$ YTD-13 (2)	Constant \$ % Change YTD-14 vs. YTD-13 (2)
Net premiums written										
Property and all other	\$1,234	\$1,135	8.7%			\$ 4,071	\$ 3,723	9.3%		
Casualty	1,546	1,568	-1.4%			4,495	4,288	4.8%		
Subtotal	2,780	2,703	2.8%	\$ 2,715	2.4%	8,566	8,011	6.9%	\$ 7,989	7.2%
Agriculture	764	805	-5.2%	805	-5.2%	1,346	1,371	-1.8%	1,371	-1.8%
Personal accident (A&H) (1)	937	879	6.6%	884	6.1%	2,815	2,718	3.6%	2,679	5.1%
Life	248	233	6.5%	232	6.8%	746	709	5.2%	694	7.6%
Total consolidated	<u>\$4,729</u>	<u>\$4,620</u>	2.4%	<u>\$ 4,636</u>	2.0%	<u>\$13,473</u>	<u>\$12,809</u>	5.2%	<u>\$ 12,733</u>	5.8%
% of Total Consolidated										
Property and all other	26%	25%				30%	29%			
Casualty	33%	34%				33%	33%			
Subtotal	59%	59%				63%	62%			
Agriculture	16%	17%				10%	11%			
Personal accident (A&H) (1)	20%	19%				21%	21%			
Life	5%	5%				6%	6%			
Total consolidated	<u>100%</u>	<u>100%</u>				<u>100%</u>	<u>100%</u>			
Net premiums earned										
Property and all other	\$1,313	\$1,218	7.9%			\$ 3,847	\$ 3,443	11.7%		
Casualty	1,493	1,430	4.4%			4,515	4,237	6.6%		
Subtotal	2,806	2,648	6.0%	\$ 2,658	5.6%	8,362	7,680	8.9%	\$ 7,652	9.3%
Agriculture	766	849	-9.8%	849	-9.8%	1,199	1,252	-4.2%	1,252	-4.2%
Personal accident (A&H) (1)	942	893	5.6%	897	5.1%	2,770	2,647	4.7%	2,612	6.1%
Life	240	220	9.0%	220	9.0%	725	671	8.0%	658	10.1%
Total consolidated	<u>\$4,754</u>	<u>\$4,610</u>	3.1%	<u>\$ 4,624</u>	2.8%	<u>\$13,056</u>	<u>\$12,250</u>	6.6%	<u>\$ 12,174</u>	7.2%
% of Total Consolidated										
Property and all other	28%	27%				29%	28%			
Casualty	31%	31%				35%	35%			
Subtotal	59%	58%				64%	63%			
Agriculture	16%	18%				9%	10%			
Personal accident (A&H) (1)	20%	19%				21%	22%			
Life	5%	5%				6%	5%			
Total consolidated	<u>100%</u>	<u>100%</u>				<u>100%</u>	<u>100%</u>			
Operating income, after-tax										
Property, casualty, and all other	\$ 669	\$ 647	3.4%	\$ 652	2.7%	\$ 1,961	\$ 1,835	6.9%	\$ 1,841	6.5%
Agriculture	57	50	13.3%	50	13.3%	51	83	-38.6%	83	-38.6%
Personal accident (A&H) (1)	124	121	2.5%	121	2.5%	363	368	-1.3%	363	0.0%
Life	41	39	4.9%	39	4.9%	118	107	10.1%	107	10.1%
Total consolidated	<u>\$ 891</u>	<u>\$ 857</u>	3.9%	<u>\$ 862</u>	3.3%	<u>\$ 2,493</u>	<u>\$ 2,393</u>	4.2%	<u>\$ 2,394</u>	4.1%
% of Total Consolidated										
Property, casualty, and all other	75%	75%				78%	77%			
Agriculture	6%	6%				2%	3%			
Personal accident (A&H) (1)	14%	14%				15%	15%			
Life	5%	5%				5%	5%			
Total consolidated	<u>100%</u>	<u>100%</u>				<u>100%</u>	<u>100%</u>			

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



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

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

Global P&C (Including Corporate)

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Gross premiums written	\$4,495	\$4,879	\$4,618	\$4,719	\$4,417	\$13,992	\$13,372	\$18,091
Net premiums written	3,468	3,673	3,497	3,456	3,336	10,638	9,970	13,426
Net premiums earned	3,499	3,512	3,383	3,456	3,294	10,394	9,574	13,030
Losses and loss expenses	1,853	1,955	1,884	1,925	1,768	5,692	5,317	7,242
Policy acquisition costs	661	614	612	608	560	1,887	1,640	2,248
Administrative expenses	480	492	466	485	473	1,438	1,372	1,857
Underwriting income	505	451	421	438	493	1,377	1,245	1,683
Net investment income	491	484	482	486	455	1,457	1,381	1,867
Interest expense	66	69	68	66	68	203	193	259
Other income (expense)—operating ⁽¹⁾	(22)	(17)	(15)	(15)	(21)	(54)	(58)	(73)
Income tax expense	146	115	95	85	127	356	286	371
Global P&C operating income	762	734	725	758	732	2,221	2,089	2,847
Net realized gains (losses)	(76)	(9)	(26)	—	(3)	(111)	143	143
Net realized gains (losses) related to unconsolidated entities	51	38	53	27	24	142	60	87
Income tax expense (benefit) on net realized gains (losses)	(5)	1	(5)	6	4	(9)	49	55
Global P&C net income	\$ 742	\$ 762	\$ 757	\$ 779	\$ 749	\$ 2,261	\$ 2,243	\$ 3,022
% Change versus prior year period								
Net premiums written as reported	4.0%	6.4%	9.9%	13.1%	8.9%	6.7%	8.6%	9.7%
Net premiums earned as reported	6.2%	8.5%	11.2%	11.6%	9.1%	8.6%	8.9%	9.6%
Net premiums written constant \$	3.4%	7.0%	11.6%	14.7%	10.6%	7.2%	9.7%	11.0%
Net premiums earned constant \$	5.7%	8.8%	13.4%	13.1%	10.5%	9.2%	10.0%	10.8%
Other ratios								
Net premiums written/gross premiums written	77%	75%	76%	73%	76%	76%	75%	74%
Combined ratio								
Loss and loss expense ratio	52.9%	55.7%	55.7%	55.7%	53.7%	54.8%	55.5%	55.6%
Policy acquisition cost ratio	18.9%	17.5%	18.1%	17.6%	17.0%	18.1%	17.1%	17.3%
Administrative expense ratio	13.8%	13.9%	13.8%	14.1%	14.3%	13.8%	14.4%	14.2%
Combined ratio	85.6%	87.1%	87.6%	87.4%	85.0%	86.7%	87.0%	87.1%
Combined ratio excluding catastrophe losses and PPD	89.8%	88.7%	89.0%	89.9%	88.9%	89.2%	89.2%	89.4%
Expense ratio	32.7%	31.4%	31.9%	31.7%	31.3%	31.9%	31.5%	31.5%
Expense ratio excluding A&H	29.3%	28.2%	28.4%	27.9%	27.6%	28.6%	27.8%	27.9%
Catastrophe reinstatement premiums collected—pre-tax	\$ 1	\$ —	\$ —	\$ 1	\$ 2	\$ 1	\$ 2	\$ 3
Catastrophe losses—pre-tax	\$ 85	\$ 71	\$ 52	\$ 35	\$ 78	\$ 208	\$ 188	\$ 223
Favorable prior period development (PPD)—pre-tax ⁽²⁾	\$ (229)	\$ (126)	\$ (100)	\$ (122)	\$ (200)	\$ (455)	\$ (395)	\$ (517)
Loss and loss expense ratio excluding catastrophe losses and PPD	57.5%	57.3%	57.1%	58.3%	57.7%	57.3%	57.8%	58.0%

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

(2) For Q3 2014 and YTD 2014, favorable prior period development is net of \$34 million of net earned premium adjustments on loss sensitive policies and YTD 2014 is net of \$2 million of profit-sharing commissions that are included in the expense ratio.



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

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

Insurance - North American

	<u>3Q-14</u>	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$3,367	\$2,948	\$2,258	\$2,656	\$3,581	\$8,573	\$8,725	\$11,381
Net premiums written	2,305	2,023	1,612	1,858	2,305	5,940	5,684	7,542
Net premiums earned	2,284	1,872	1,590	1,937	2,293	5,746	5,462	7,399
Losses and loss expenses ⁽¹⁾	1,694	1,295	1,068	1,438	1,710	4,057	3,863	5,301
Policy acquisition costs	210	175	164	150	191	549	500	650
Administrative expenses	168	176	162	162	158	506	450	612
Underwriting income	212	226	196	187	234	634	649	836
Net investment income	283	271	277	273	260	831	774	1,047
Interest expense	2	2	3	2	3	7	4	6
Other income (expense)—operating	(8)	(4)	(8)	(7)	(11)	(20)	(30)	(37)
Income tax expense	91	94	76	69	88	261	262	331
Operating income	394	397	386	382	392	1,177	1,127	1,509
Net realized gains (losses) ⁽¹⁾	(5)	(11)	(9)	9	10	(25)	65	74
Net realized gains (losses) related to unconsolidated entities	32	19	20	19	16	71	44	63
Income tax expense on net realized gains (losses)	5	2	—	10	5	7	26	36
Net income	<u>\$ 416</u>	<u>\$ 403</u>	<u>\$ 397</u>	<u>\$ 400</u>	<u>\$ 413</u>	<u>\$1,216</u>	<u>\$1,210</u>	<u>\$ 1,610</u>
Combined ratio								
Loss and loss expense ratio	74.1%	69.2%	67.2%	74.2%	74.6%	70.6%	70.7%	71.6%
Policy acquisition cost ratio	9.2%	9.3%	10.3%	7.7%	8.4%	9.5%	9.2%	8.8%
Administrative expense ratio	7.4%	9.4%	10.2%	8.5%	6.8%	8.9%	8.2%	8.3%
Combined ratio	<u>90.7%</u>	<u>87.9%</u>	<u>87.7%</u>	<u>90.4%</u>	<u>89.8%</u>	<u>89.0%</u>	<u>88.1%</u>	<u>88.7%</u>
Combined ratio excluding catastrophe losses and PPD	88.9%	87.6%	87.2%	91.1%	90.1%	88.0%	88.7%	89.3%
Catastrophe reinstatement premiums expensed—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (1)
Catastrophe losses—pre-tax	\$ 37	\$ 45	\$ 33	\$ 14	\$ 23	\$ 115	\$ 87	\$ 101
Unfavorable (favorable) prior period development (PPD)—pre-tax	\$ 8	\$ (39)	\$ (30)	\$ (28)	\$ (29)	\$ (61)	\$ (119)	\$ (147)
Loss and loss expense ratio excluding catastrophe losses and PPD	72.5%	68.9%	66.2%	75.0%	75.0%	69.6%	71.4%	72.4%
% Change versus prior year period								
Net premiums written	-0.1%	2.1%	15.5%	22.5%	-9.1%	4.5%	-0.1%	4.6%
Net premiums earned	-0.4%	5.2%	14.4%	20.4%	-7.2%	5.2%	0.9%	5.4%
Other ratios								
Net premiums written/gross premiums written	68%	69%	71%	70%	64%	69%	65%	66%

(1) See non-GAAP financial measures.



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

Insurance - North American P&C

	<u>3Q-14</u>	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$2,126	\$2,347	\$2,024	\$2,439	\$2,135	\$6,497	\$6,281	\$ 8,720
Net premiums written	1,541	1,635	1,418	1,602	1,500	4,594	4,313	5,915
Net premiums earned	1,518	1,542	1,487	1,511	1,444	4,547	4,210	5,721
Losses and loss expenses	1,053	1,016	940	985	963	3,009	2,791	3,776
Policy acquisition costs	169	152	159	153	159	480	444	597
Administrative expenses	165	175	161	164	153	501	437	601
Underwriting income	131	199	227	209	169	557	538	747
Net investment income	277	265	270	266	254	812	755	1,021
Interest expense	2	2	3	1	3	7	4	5
Other income (expense)—operating	(1)	5	—	1	(3)	4	(6)	(5)
Income tax expense	68	89	83	73	75	240	239	312
Operating income	337	378	411	402	342	1,126	1,044	1,446
Net realized gains (losses)	(5)	(11)	(9)	9	9	(25)	63	72
Net realized gains (losses) related to unconsolidated entities	32	19	20	19	16	71	44	63
Income tax expense on net realized gains (losses)	5	2	—	10	4	7	25	35
Net income	<u>\$ 359</u>	<u>\$ 384</u>	<u>\$ 422</u>	<u>\$ 420</u>	<u>\$ 363</u>	<u>\$1,165</u>	<u>\$1,126</u>	<u>\$ 1,546</u>
Combined ratio								
Loss and loss expense ratio	69.3%	66.0%	63.2%	65.2%	66.7%	66.2%	66.3%	66.0%
Policy acquisition cost ratio	11.1%	9.8%	10.7%	10.1%	11.1%	10.5%	10.6%	10.4%
Administrative expense ratio	11.0%	11.3%	10.8%	10.9%	10.5%	11.1%	10.3%	10.5%
Combined ratio	<u>91.4%</u>	<u>87.1%</u>	<u>84.7%</u>	<u>86.2%</u>	<u>88.3%</u>	<u>87.8%</u>	<u>87.2%</u>	<u>86.9%</u>
Combined ratio excluding catastrophe losses and PPD	88.5%	87.3%	87.1%	87.2%	88.3%	87.6%	87.8%	87.6%
Catastrophe reinstatement premiums expensed—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (1)
Catastrophe losses—pre-tax	\$ 35	\$ 36	\$ 32	\$ 12	\$ 21	\$ 103	\$ 82	\$ 94
Unfavorable (favorable) prior period development (PPD)—pre-tax ⁽¹⁾	\$ 11	\$ (39)	\$ (68)	\$ (28)	\$ (19)	\$ (96)	\$ (106)	\$ (134)
Loss and loss expense ratio excluding catastrophe losses and PPD	66.9%	66.2%	65.7%	66.3%	66.9%	66.2%	67.0%	66.8%
% Change versus prior year period								
Net premiums written	2.7%	6.9%	10.5%	11.8%	9.3%	6.5%	10.2%	10.6%
Net premiums earned	5.1%	7.9%	11.2%	12.3%	10.6%	8.0%	10.7%	11.1%
Other ratios								
Net premiums written/gross premiums written	72%	70%	70%	66%	70%	71%	69%	68%

(1) For Q3 2014, prior period development includes \$63 million of adverse development for legacy environmental liability exposures and \$25 million of unfavorable net earned premium adjustments on loss sensitive policies. For YTD 2014, prior period development is also net of \$2 million of unfavorable profit-sharing commissions that are included in the expense ratio.



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

Insurance - North American Agriculture

	<u>3Q-14</u>	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$1,241	\$ 601	\$ 234	\$ 217	\$1,446	\$2,076	\$2,444	\$ 2,661
Net premiums written	764	388	194	256	805	1,346	1,371	1,627
Net premiums earned	766	330	103	426	849	1,199	1,252	1,678
Losses and loss expenses ⁽¹⁾	641	279	128	453	747	1,048	1,072	1,525
Policy acquisition costs	41	23	5	(3)	32	69	56	53
Administrative expenses	3	1	1	(2)	5	5	13	11
Underwriting income (loss) ⁽²⁾	81	27	(31)	(22)	65	77	111	89
Net investment income	6	6	7	7	6	19	19	26
Interest expense	—	—	—	1	—	—	—	1
Other income (expense)—operating	(7)	(9)	(8)	(8)	(8)	(24)	(24)	(32)
Income tax expense (benefit)	23	5	(7)	(4)	13	21	23	19
Operating income (loss)	57	19	(25)	(20)	50	51	83	63
Net realized gains (losses) excluding gains (losses) on crop derivatives ⁽¹⁾	—	—	—	—	1	—	2	2
Net realized gains (losses) related to unconsolidated entities	—	—	—	—	—	—	—	—
Income tax expense on net realized gains (losses)	—	—	—	—	1	—	1	1
Net income (loss)	<u>\$ 57</u>	<u>\$ 19</u>	<u>\$ (25)</u>	<u>\$ (20)</u>	<u>\$ 50</u>	<u>\$ 51</u>	<u>\$ 84</u>	<u>\$ 64</u>
Combined ratio								
Loss and loss expense ratio	83.7%	84.4%	124.6%	106.3%	88.0%	87.4%	85.6%	90.9%
Policy acquisition cost ratio	5.4%	7.0%	4.5%	-0.5%	3.8%	5.8%	4.4%	3.2%
Administrative expense ratio	0.4%	0.4%	1.2%	-0.6%	0.5%	0.4%	1.1%	0.6%
Combined ratio	<u>89.5%</u>	<u>91.8%</u>	<u>130.3%</u>	<u>105.2%</u>	<u>92.3%</u>	<u>93.6%</u>	<u>91.1%</u>	<u>94.7%</u>
Combined ratio excluding catastrophe losses and PPD	89.6%	89.1%	88.9%	104.8%	93.3%	89.4%	91.8%	95.1%
Catastrophe reinstatement premiums—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses—pre-tax	\$ 2	\$ 9	\$ 1	\$ 2	\$ 2	\$ 12	\$ 5	\$ 7
Unfavorable (favorable) prior period development (PPD)—pre-tax ⁽³⁾	\$ (3)	\$ —	\$ 38	\$ —	\$ (10)	\$ 35	\$ (13)	\$ (13)
Loss and loss expense ratio excluding catastrophe losses and PPD	83.8%	81.8%	78.3%	105.8%	88.9%	82.9%	86.3%	91.3%
% Change versus prior year period								
Net premiums written	-5.2%	-14.2%	72.1%	203.6%	-30.8%	-1.8%	-22.8%	-12.5%
Net premiums earned	-9.8%	-5.7%	96.8%	62.3%	-27.2%	-4.2%	-22.2%	-10.4%
Other ratios								
Net premiums written/gross premiums written	62%	65%	83%	118%	56%	65%	56%	61%

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

(2) We assess the performance of our Insurance – North American Agriculture segment based on underwriting income which includes (gains) losses on crop derivatives.

(3) For YTD 2014, unfavorable prior period development is net of \$35 million of favorable net earned premium adjustments and \$1 million of favorable profit-sharing commissions.



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

Insurance - Overseas General

	<u>3Q-14</u>	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$2,156	\$2,224	\$2,261	\$2,126	\$2,018	\$6,641	\$6,188	\$ 8,314
Net premiums written	1,719	1,760	1,771	1,699	1,571	5,250	4,821	6,520
Net premiums earned	1,726	1,709	1,612	1,700	1,611	5,047	4,633	6,333
Losses and loss expenses	707	830	817	835	712	2,354	2,227	3,062
Policy acquisition costs	418	402	386	405	349	1,206	1,048	1,453
Administrative expenses	258	256	250	258	263	764	750	1,008
Underwriting income	343	221	159	202	287	723	608	810
Net investment income	130	136	132	143	128	398	396	539
Interest expense	2	1	1	1	1	4	4	5
Other income (expense)—operating	(15)	(17)	(9)	(13)	(16)	(41)	(35)	(48)
Income tax expense	108	57	42	52	78	207	150	202
Operating income	348	282	239	279	320	869	815	1,094
Net realized gains (losses)	(75)	14	(10)	(16)	(8)	(71)	34	18
Net realized gains (losses) related to unconsolidated entities	9	9	15	4	2	33	5	9
Income tax expense (benefit) on net realized gains (losses)	(11)	(2)	(5)	(4)	—	(18)	24	20
Net income	<u>\$ 293</u>	<u>\$ 307</u>	<u>\$ 249</u>	<u>\$ 271</u>	<u>\$ 314</u>	<u>\$ 849</u>	<u>\$ 830</u>	<u>\$ 1,101</u>
Combined ratio								
Loss and loss expense ratio	40.9%	48.6%	50.7%	49.2%	44.2%	46.6%	48.1%	48.4%
Policy acquisition cost ratio ⁽¹⁾	24.3%	23.5%	23.9%	23.8%	21.6%	23.9%	22.6%	22.9%
Administrative expense ratio	14.9%	15.0%	15.5%	15.1%	16.4%	15.2%	16.2%	15.9%
Combined ratio	<u>80.1%</u>	<u>87.1%</u>	<u>90.1%</u>	<u>88.1%</u>	<u>82.2%</u>	<u>85.7%</u>	<u>86.9%</u>	<u>87.2%</u>
Combined ratio excluding catastrophe losses and PPD	90.5%	89.3%	90.5%	91.6%	89.4%	90.1%	90.2%	90.5%
Catastrophe reinstatement premiums—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses—pre-tax	\$ 39	\$ 26	\$ 17	\$ 17	\$ 33	\$ 82	\$ 71	\$ 88
Favorable prior period development (PPD)—pre-tax ⁽²⁾	\$ (219)	\$ (63)	\$ (23)	\$ (76)	\$ (149)	\$ (305)	\$ (223)	\$ (299)
Loss and loss expense ratio excluding catastrophe losses and PPD	51.3%	50.8%	51.1%	52.6%	51.4%	51.1%	51.3%	51.7%
% Change versus prior year period								
Net premiums written as reported	9.4%	8.0%	9.3%	15.1%	13.5%	8.9%	9.9%	11.2%
Net premiums earned as reported	7.2%	9.4%	10.4%	13.5%	12.5%	9.0%	9.2%	10.3%
Net premiums written constant \$	8.1%	8.8%	12.3%	18.2%	17.4%	9.7%	12.2%	13.7%
Net premiums earned constant \$	6.0%	9.8%	14.6%	16.5%	15.4%	9.9%	11.4%	12.7%
Other ratios								
Net premiums written/gross premiums written	80%	79%	78%	80%	78%	79%	78%	78%

- (1) The increase in the Q3 2014 policy acquisition cost ratio over the third quarter of last year was primarily due to a 2.1 point favorable impact in the prior year quarter for purchase accounting adjustments related to the Mexican acquisitions.
- (2) For Q3 2014, prior period development includes the favorable impact from the release of \$52 million for an older liability case.



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

Global Reinsurance

	<u>3Q-14</u>	<u>2Q-14</u>	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>YTD 2014</u>	<u>YTD 2013</u>	<u>Full Year 2013</u>
Gross premiums written	\$ 213	\$ 308	\$ 333	\$ 154	\$ 264	\$ 854	\$ 903	\$ 1,057
Net premiums written	208	278	308	155	265	794	836	991
Net premiums earned	255	261	284	245	239	800	731	976
Losses and loss expenses	92	109	126	104	93	327	292	396
Policy acquisition costs	74	60	67	49	52	201	148	197
Administrative expenses	13	14	14	14	12	41	36	50
Underwriting income	76	78	77	78	82	231	255	333
Net investment income	81	80	77	71	66	238	209	280
Interest expense	1	2	1	1	2	4	4	5
Other income (expense)—operating	—	—	1	2	1	1	2	4
Income tax expense	11	10	10	5	16	31	31	36
Operating income	145	146	144	145	131	435	431	576
Net realized gains (losses)	6	(15)	(8)	7	(5)	(17)	46	53
Net realized gains (losses) related to unconsolidated entities	10	10	18	4	6	38	11	15
Income tax expense on net realized gains (losses)	—	—	—	—	—	—	—	—
Net income	<u>\$ 161</u>	<u>\$ 141</u>	<u>\$ 154</u>	<u>\$ 156</u>	<u>\$ 132</u>	<u>\$ 456</u>	<u>\$ 488</u>	<u>\$ 644</u>
Combined ratio								
Loss and loss expense ratio	36.2%	41.7%	44.4%	42.5%	38.9%	40.9%	39.9%	40.5%
Policy acquisition cost ratio	28.8%	23.1%	23.5%	20.4%	21.7%	25.0%	20.2%	20.3%
Administrative expense ratio	5.2%	5.1%	5.0%	5.5%	5.2%	5.2%	5.0%	5.1%
Combined ratio	<u>70.2%</u>	<u>69.9%</u>	<u>72.9%</u>	<u>68.4%</u>	<u>65.8%</u>	<u>71.1%</u>	<u>65.1%</u>	<u>65.9%</u>
Combined ratio excluding catastrophe losses and PPD	75.7%	75.4%	75.1%	73.6%	71.0%	75.4%	70.0%	70.9%
Catastrophe reinstatement premiums collected—pre-tax	\$ 1	\$ —	\$ —	\$ 1	\$ 2	\$ 1	\$ 3	\$ 4
Catastrophe losses—pre-tax	\$ 11	\$ 9	\$ 3	\$ 6	\$ 24	\$ 23	\$ 35	\$ 41
Favorable prior period development (PPD)—pre-tax ⁽¹⁾	\$ (21)	\$ (24)	\$ (9)	\$ (18)	\$ (32)	\$ (54)	\$ (66)	\$ (84)
Loss and loss expense ratio excluding catastrophe losses and PPD	42.8%	47.2%	46.5%	47.7%	44.6%	45.5%	44.9%	45.6%
% Change versus prior year period								
Net premiums written as reported	-21.2%	-4.9%	10.3%	5.5%	-13.6%	-5.0%	-4.8%	-3.3%
Net premiums earned as reported	6.3%	6.1%	15.5%	-3.7%	-15.0%	9.3%	-2.3%	-2.6%
Net premiums written constant \$	-21.8%	-5.0%	10.5%	5.3%	-13.5%	-5.2%	-4.7%	-3.3%
Net premiums earned constant \$	5.7%	5.5%	15.4%	-3.6%	-14.9%	8.9%	-2.1%	-2.5%
Other ratios								
Net premiums written/gross premiums written	98%	90%	92%	101%	100%	93%	93%	94%

(1) For Q3 2014 and YTD 2014, favorable prior period development is net of \$9 million of net earned premium adjustments on loss sensitive policies.



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

Life

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Gross premiums written	\$528	\$526	\$522	\$526	\$510	\$1,576	\$1,550	\$ 2,076
Net premiums written	497	498	494	504	479	1,489	1,468	1,972
Net premiums earned	489	490	484	481	467	1,463	1,424	1,905
Losses and loss expenses	145	146	151	139	141	442	443	582
Policy benefits ⁽¹⁾	125	144	114	136	138	383	379	515
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	6	(17)	6	(9)	(14)	(5)	(7)	(16)
Policy acquisition costs	123	121	111	97	86	355	261	358
Administrative expenses	71	73	68	87	85	212	256	343
Net investment income	69	66	64	64	61	199	187	251
Life underwriting income ⁽²⁾	88	89	98	95	92	275	279	374
Interest expense	4	3	3	3	4	10	12	15
Other income (expense) - operating ⁽¹⁾	(1)	(2)	(5)	(4)	(2)	(8)	(14)	(18)
Income tax expense	11	12	13	2	11	36	32	34
Operating income	72	72	77	86	75	221	221	307
Net realized gains (losses):								
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	(95)	(70)	(67)	149	39	(232)	150	299
Foreign exchange gains (losses) and all other	6	(2)	(9)	5	4	(5)	56	61
Net realized gains (losses) related to unconsolidated entities	4	(2)	(2)	(2)	(2)	—	7	5
Income tax expense (benefit) on net realized gains (losses)	1	—	(3)	(1)	(1)	(2)	1	—
Net income (loss)	<u>\$ (14)</u>	<u>\$ (2)</u>	<u>\$ 2</u>	<u>\$ 239</u>	<u>\$ 117</u>	<u>\$ (14)</u>	<u>\$ 433</u>	<u>\$ 672</u>
% Change versus prior year period								
Net premiums written as reported	3.8%	2.2%	-1.6%	-2.6%	-1.9%	1.4%	0.4%	-0.4%
Net premiums earned as reported	4.8%	2.2%	1.3%	-1.5%	-2.7%	2.8%	-0.2%	-0.6%
Net premiums written constant \$ ⁽³⁾	4.4%	4.4%	1.1%	-1.4%	-1.0%	3.3%	0.7%	0.2%
Net premiums earned constant \$	5.4%	4.2%	4.0%	-0.4%	-1.9%	4.5%	0.0%	-0.1%

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

	3Q-14	Constant \$ 3Q-13	Constant \$ % Change 3Q-14 vs. 3Q-13	YTD-14	Constant \$ YTD-2013	Constant \$ % Change YTD-14 vs. YTD-13
Life excluding life reinsurance ⁽⁴⁾	\$677	\$ 591	14.5%	\$2,021	\$ 1,826	10.6%
Life reinsurance including variable annuity	66	70	-6.2%	198	216	-8.2%
Total Life	<u>\$743</u>	<u>\$ 661</u>	<u>12.3%</u>	<u>\$2,219</u>	<u>\$ 2,042</u>	<u>8.6%</u>

- (4) Includes deposits collected on universal life and investment contracts of \$246 million for Q3 2014 and \$186 million for Q3 2013 on a constant-dollar basis. For the year-to-date period, includes deposits of \$730 million for 2014 and \$601 million for 2013 on a constant-dollar basis. Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from revenues.



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

	Unpaid Losses			Net Paid to Incurred Ratio
	Gross	Ceded	Net	
Balance at December 31, 2012	\$ 37,946	\$11,399	\$26,547	
Losses and loss expenses incurred	2,483	557	1,926	
Losses and loss expenses paid	(2,987)	(932)	(2,055)	107%
Other (incl. foreign exch. revaluation)	(360)	(106)	(254)	
Balance at March 31, 2013	\$ 37,082	\$10,918	\$26,164	
Losses and loss expenses incurred	3,007	757	2,250	
Losses and loss expenses paid	(2,797)	(941)	(1,856)	83%
Other (incl. foreign exch. revaluation)	51	4	47	
Balance at June 30, 2013	\$ 37,343	\$10,738	\$26,605	
Losses and loss expenses incurred	3,617	962	2,655	
Losses and loss expenses paid	(3,285)	(942)	(2,343)	88%
Other (incl. foreign exch. revaluation)	207	61	146	
Balance at September 30, 2013	\$ 37,882	\$10,819	\$27,063	
Losses and loss expenses incurred	3,322	805	2,517	
Losses and loss expenses paid	(3,716)	(993)	(2,723)	108%
Other (incl. foreign exch. revaluation)	(45)	(19)	(26)	
Balance at December 31, 2013	\$ 37,443	\$10,612	\$26,831	
Losses and loss expenses incurred	2,462	301	2,161	
Losses and loss expenses paid	(3,059)	(762)	(2,297)	106%
Other (incl. foreign exch. revaluation)	20	16	4	
Balance at March 31, 2014	\$ 36,866	\$10,167	\$26,699	
Losses and loss expenses incurred	3,004	616	2,388	
Losses and loss expenses paid	(2,878)	(729)	(2,149)	90%
Other (incl. foreign exch. revaluation)	185	56	129	
Balance at June 30, 2014	\$ 37,177	\$10,110	\$27,067	
Losses and loss expenses incurred	3,840	1,156	2,684	
Losses and loss expenses paid	(3,165)	(810)	(2,355)	88%
Other (incl. foreign exch. revaluation)	(405)	(120)	(285)	
Balance at September 30, 2014	\$ 37,447	\$10,336	\$27,111	
Add net recoverable on paid losses	—	609	(609)	
Balance including net recoverable on paid losses	\$ 37,447	\$10,945	\$26,502	



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

Net Reinsurance Recoverable by Division

	<u>September 30</u> <u>2014</u>	<u>June 30</u> <u>2014</u>	<u>March 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
Reinsurance recoverable on paid losses and loss expenses				
Active operations	\$ 380	\$ 418	\$ 351	\$ 376
Brandywine and Other Run-off	342	353	357	356
Total	<u>\$ 722</u>	<u>\$ 771</u>	<u>\$ 708</u>	<u>\$ 732</u>
Reinsurance recoverable on unpaid losses and loss expenses				
Active operations	\$ 9,460	\$ 9,193	\$ 9,184	\$ 9,576
Brandywine and Other Run-off	1,142	1,192	1,249	1,309
Total	<u>\$ 10,602</u>	<u>\$10,385</u>	<u>\$10,433</u>	<u>\$ 10,885</u>
Gross reinsurance recoverable				
Active operations	\$ 9,840	\$ 9,611	\$ 9,535	\$ 9,952
Brandywine and Other Run-off	1,484	1,545	1,606	1,665
Total	<u>\$ 11,324</u>	<u>\$11,156</u>	<u>\$11,141</u>	<u>\$ 11,617</u>
Provision for uncollectible reinsurance ⁽¹⁾				
Active operations	\$ (251)	\$ (251)	\$ (249)	\$ (251)
Brandywine and Other Run-off	(128)	(137)	(137)	(139)
Total	<u>\$ (379)</u>	<u>\$ (388)</u>	<u>\$ (386)</u>	<u>\$ (390)</u>
Net reinsurance recoverable				
Active operations	\$ 9,589	\$ 9,360	\$ 9,286	\$ 9,701
Brandywine and Other Run-off	1,356	1,408	1,469	1,526
Total	<u>\$ 10,945</u>	<u>\$10,768</u>	<u>\$10,755</u>	<u>\$ 11,227</u>

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



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

	<u>September 30</u> 2014		<u>June 30</u> 2014		<u>March 31</u> 2014		<u>December 31</u> 2013		
Market Value									
Fixed maturities available for sale ⁽¹⁾	\$	49,148	\$	51,601	\$	49,611	\$	49,254	
Fixed maturities held to maturity ⁽¹⁾		7,763		6,015		6,080		6,263	
Short-term investments		2,753		2,108		2,526		1,763	
Total fixed maturities	\$	<u>59,664</u>	\$	<u>59,724</u>	\$	<u>58,217</u>	\$	<u>57,280</u>	
Asset Allocation by Market Value									
Treasury	\$	2,223	4%	\$	2,386	4%	\$	2,327	4%
Agency		1,272	2%		1,278	2%		1,454	3%
Corporate and asset-backed		19,863	33%		19,959	33%		19,475	34%
Mortgage-backed		12,454	21%		12,659	21%		12,273	21%
Municipal		4,890	8%		4,872	8%		4,500	8%
Non-U.S.		16,209	27%		16,462	28%		15,488	27%
Short-term investments		2,753	5%		2,108	4%		1,763	3%
Total fixed maturities	\$	<u>59,664</u>	<u>100%</u>	\$	<u>59,724</u>	<u>100%</u>	\$	<u>58,217</u>	<u>100%</u>
Credit Quality by Market Value									
AAA	\$	9,105	15%	\$	9,073	15%	\$	8,677	15%
AA		21,783	37%		22,470	38%		21,520	38%
A		11,640	19%		11,400	19%		11,168	19%
BBB		8,397	14%		7,996	13%		7,193	12%
BB		4,607	8%		4,435	7%		4,418	8%
B		3,939	7%		4,126	7%		3,940	7%
Other		193	0%		224	1%		364	1%
Total fixed maturities	\$	<u>59,664</u>	<u>100%</u>	\$	<u>59,724</u>	<u>100%</u>	\$	<u>58,217</u>	<u>100%</u>
Cost/Amortized Cost									
Fixed maturities available for sale ⁽¹⁾	\$	47,688		\$	49,719		\$	48,282	
Fixed maturities held to maturity ⁽¹⁾		7,548			5,774			6,098	
Short-term investments		2,753			2,108			1,763	
Subtotal fixed maturities		57,989			57,601			56,267	
Equity securities		480			874			841	
Other investments		2,910			2,876			2,671	
Total investment portfolio	\$	<u>61,379</u>		\$	<u>61,351</u>		\$	<u>60,363</u>	
Avg. duration of fixed maturities		4.1 years			4.0 years			4.0 years	
Avg. market yield of fixed maturities		2.8%			2.6%			2.8%	
Avg. credit quality		A/Aa			A/Aa			A/Aa	
Avg. yield on invested assets		3.7%			3.7%			3.7%	

(1) As part of our fixed income diversification strategy, we have decided to hold to maturity certain previously classified available for sale securities. Because ACE has the intent to hold these securities to maturity, a transfer of such securities with a fair value of \$2.0 billion was made in Q3 2014, from Fixed maturities available for sale to Fixed maturities held to maturity.



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

Mortgage-backed Fixed Income Portfolio

Mortgage-backed securities

	<u>S&P Credit Rating</u>					<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB and below</u>	
Market Value at September 30, 2014						
Agency residential mortgage-backed (RMBS)	\$ —	\$10,303	\$—	\$—	\$ —	\$10,303
Non-agency RMBS	44	6	19	13	17	99
Commercial mortgage-backed	2,023	14	12	3	—	2,052
Total mortgage-backed securities at market value	<u>\$2,067</u>	<u>\$10,323</u>	<u>\$ 31</u>	<u>\$ 16</u>	<u>\$ 17</u>	<u>\$12,454</u>

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

Market Value at September 30, 2014

	<u>S&P Credit Rating</u>					<u>Total</u>
	<u>Investment Grade</u>					
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>		
Asset-backed	\$438	\$ 86	\$ —	\$ —		\$ 524
Banks	—	1	2,177	306		2,484
Basic Materials	—	3	79	353		435
Communications	—	51	491	842		1,384
Consumer, Cyclical	—	96	341	455		892
Consumer, Non-Cyclical	53	579	981	709		2,322
Diversified Financial Services	—	78	258	95		431
Energy	31	35	192	791		1,049
Industrial	—	347	381	340		1,068
Utilities	—	11	609	461		1,081
All Others	56	130	570	574		1,330
Total	<u>\$578</u>	<u>\$1,417</u>	<u>\$6,079</u>	<u>\$4,926</u>		<u>\$13,000</u>

Market Value at September 30, 2014

	<u>S&P Credit Rating</u>				<u>Total</u>
	<u>Below Investment Grade</u>				
	<u>BB</u>	<u>B</u>	<u>CCC</u>		
Asset-backed	\$ —	\$ 3	\$ 12		\$ 15
Banks	1	4	1		6
Basic Materials	151	135	—		286
Communications	517	511	5		1,033
Consumer, Cyclical	436	585	26		1,047
Consumer, Non-Cyclical	552	877	35		1,464
Diversified Financial Services	123	86	4		213
Energy	739	313	28		1,080
Industrial	358	380	9		747
Utilities	257	27	—		284
All Others	359	317	12		688
Total	<u>\$3,493</u>	<u>\$3,238</u>	<u>\$132</u>		<u>\$6,863</u>



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

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

Non-U.S. Government Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$ 991	\$ —	\$ —	\$ —	\$ —	\$ 991
Republic of Korea	—	744	51	—	—	795
Canada	541	—	—	—	—	541
United Mexican States	—	2	383	132	—	517
Kingdom of Thailand	—	—	404	—	—	404
Province of Ontario	—	385	—	—	—	385
Federative Republic of Brazil	—	—	—	279	—	279
Province of Quebec	—	—	261	—	—	261
Japan	—	254	—	—	—	254
France	—	221	—	—	—	221
Other Non-U.S. Government Securities	865	839	314	355	464	2,837
Total	\$2,397	\$2,445	\$1,413	\$ 766	\$ 464	\$7,485

Non-U.S. Corporate Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$ 135	\$ 56	\$ 803	\$ 384	\$ 206	\$1,584
Canada	127	119	308	389	164	1,107
Australia	88	111	267	107	64	637
United States	2	116	98	223	180	619
France	49	52	219	143	95	558
Netherlands	31	250	122	94	26	523
Germany	136	21	134	100	30	421
Switzerland	48	16	73	119	53	309
Euro Supranational	230	46	—	—	—	276
Brazil	—	—	55	175	30	260
Other Non-U.S. Corporate Securities	122	403	946	540	419	2,430
Total	\$ 968	\$1,190	\$3,025	\$2,274	\$ 1,267	\$8,724

Non-U.S. Corporate Investment Portfolio

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



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

Fixed Maturity Investment Portfolio
Top 10 Global Corporate Exposures

	September 30, 2014	Market Value	Rating
1	JP Morgan Chase & Co	\$ 451	A
2	General Electric Co	420	AA+
3	Goldman Sachs Group Inc	353	A-
4	Verizon Communications Inc	270	BBB+
5	Wells Fargo & Co	264	A+
6	HSBC Holdings Plc	258	A+
7	Morgan Stanley	252	A-
8	Bank of America Corp	233	A-
9	AT&T Inc	218	A-
10	Citigroup Inc	210	A-



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

	Three months ended September 30, 2014			Nine months ended September 30, 2014		
	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 18	\$ (361)	\$ (343)	\$ 49	\$ 638	\$ 687
Fixed income derivatives	(13)	—	(13)	(53)	—	(53)
Total fixed maturities	5	(361)	(356)	(4)	638	634
Public equity	(56)	36	(20)	(60)	70	10
Private equity	51	(5)	46	143	43	186
Total equity	(5)	31	26	83	113	196
Mark-to-market losses from derivative transactions ⁽²⁾	(95)	—	(95)	(231)	—	(231)
Foreign exchange losses ⁽²⁾	(19)	—	(19)	(42)	—	(42)
Other	—	—	—	(8)	—	(8)
Partially-owned entities ⁽³⁾	4	(7)	(3)	(4)	(7)	(11)
Income tax expense (benefit)	(4)	(47)	(51)	(11)	161	150
Net gains (losses)	<u>\$ (106)</u>	<u>\$ (290)</u>	<u>\$ (396)</u>	<u>\$ (195)</u>	<u>\$ 583</u>	<u>\$ 388</u>

- (1) Other-than-temporary impairments for the quarter includes \$4 million for fixed maturities. Year to date other-than-temporary impairments includes \$17 million for fixed maturities, \$3 million for private equity, and \$7 million for public equity.
- (2) Includes \$95 million of realized losses from variable annuity reinsurance for the quarter which comprises \$80 million in mark-to-market losses from derivative transactions and \$15 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$4 million. For the year, the \$232 million of realized losses from variable annuity reinsurance comprises \$126 million in mark-to-market losses from derivative transactions and \$106 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$2 million.
- (3) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 17	\$ (4)	\$ 13	\$ 84	\$ (1,661)	\$ (1,577)
Fixed income derivatives	4	—	4	62	—	62
Total fixed maturities	21	(4)	17	146	(1,661)	(1,515)
Public equity	7	2	9	13	(41)	(28)
Private equity	27	(6)	21	63	34	97
Total equity	34	(4)	30	76	(7)	69
Mark-to-market gains from derivative transactions ⁽⁵⁾	39	—	39	149	—	149
Foreign exchange gains (losses) ⁽⁵⁾	(26)	—	(26)	45	—	45
Other	—	—	—	—	1	1
Partially-owned entities ⁽⁶⁾	(5)	—	(5)	2	—	2
Income tax expense (benefit)	4	(9)	(5)	51	(353)	(302)
Net gains (losses)	<u>\$ 59</u>	<u>\$ 1</u>	<u>\$ 60</u>	<u>\$ 367</u>	<u>\$ (1,314)</u>	<u>\$ (947)</u>

- (4) Other-than-temporary impairments for the quarter includes \$4 million for fixed maturities. Year to date other-than-temporary impairments includes \$11 million of fixed maturities, \$2 million for private equity, and \$1 million for public equity.
- (5) Includes \$39 million of realized gains from variable annuity reinsurance for the quarter which comprises \$134 million in mark-to-market gains from derivative transactions, net of \$95 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$4 million. For the year, the \$150 million of realized gains from variable annuity reinsurance comprises \$563 million in mark-to-market gains from derivative transactions, net of \$413 million losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$45 million.
- (6) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).



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

	<u>September 30</u> <u>2014</u>	<u>June 30</u> <u>2014</u>	<u>March 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>	<u>December 31</u> <u>2012</u>
Total short-term debt ⁽¹⁾	\$ 1,851	\$ 1,851	\$ 1,901	\$ 1,901	\$ 1,401
Total long-term debt	4,057	4,057	3,808	3,807	3,360
Total debt	<u>\$ 5,908</u>	<u>\$ 5,908</u>	<u>\$ 5,709</u>	<u>\$ 5,708</u>	<u>\$ 4,761</u>
Total trust preferred securities	\$ 309	\$ 309	\$ 309	\$ 309	\$ 309
Total shareholders' equity	<u>\$ 30,017</u>	<u>\$30,325</u>	<u>\$29,369</u>	<u>\$ 28,825</u>	<u>\$ 27,531</u>
Total capitalization	\$ 36,234	\$36,542	\$35,387	\$ 34,842	\$ 32,601
Tangible capital ⁽²⁾	\$ 30,809	\$31,020	\$30,005	\$ 29,438	\$ 27,626
Leverage ratios					
Debt/ total capitalization	16.3%	16.2%	16.1%	16.4%	14.6%
Debt plus trust preferred securities/ total capitalization	17.2%	17.0%	17.0%	17.3%	15.6%
Debt/ tangible capital	19.2%	19.0%	19.0%	19.4%	17.2%
Debt plus trust preferred securities/ tangible capital	20.2%	20.0%	20.1%	20.4%	18.4%

Note: As of September 30, 2014, there was \$0.6 billion usage of credit facilities on a total commitment of \$1.4 billion.

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



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

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Numerator				
Operating income to common shares	\$ 891	\$ 857	\$ 2,493	\$ 2,393
Adjusted net realized gains (losses), net of income tax	(106)	59	(195)	367
Net income	<u>\$ 785</u>	<u>\$ 916</u>	<u>\$ 2,298</u>	<u>\$ 2,760</u>
Rollforward of Common Shares Outstanding				
Shares - beginning of period	336,225,589	340,086,269	339,793,935	340,321,534
Repurchase of shares ⁽¹⁾	(4,349,302)	(238,544)	(10,143,184)	(2,701,620)
Shares issued (cancelled), excluding option exercises	(41,637)	2,292	1,270,038	1,067,273
Issued for option exercises	276,907	219,955	1,190,768	1,382,785
Shares - end of period	<u>332,111,557</u>	<u>340,069,972</u>	<u>332,111,557</u>	<u>340,069,972</u>
Denominator				
Weighted average shares outstanding	334,472,324	340,888,648	337,083,498	340,905,322
Effect of other dilutive securities	3,201,656	2,929,089	3,298,569	3,146,728
Adj. wtd. avg. shares outstanding and assumed conversions	<u>337,673,980</u>	<u>343,817,737</u>	<u>340,382,067</u>	<u>344,052,050</u>
Basic earnings per share				
Operating income	\$ 2.66	\$ 2.51	\$ 7.40	\$ 7.02
Adjusted net realized gains (losses), net of income tax	(0.31)	0.17	(0.58)	1.07
Net income	<u>\$ 2.35</u>	<u>\$ 2.68</u>	<u>\$ 6.82</u>	<u>\$ 8.09</u>
Diluted earnings per share				
Operating income	\$ 2.64	\$ 2.49	\$ 7.32	\$ 6.95
Adjusted net realized gains (losses), net of income tax	(0.32)	0.17	(0.57)	1.07
Net income	<u>\$ 2.32</u>	<u>\$ 2.66</u>	<u>\$ 6.75</u>	<u>\$ 8.02</u>

(1) For the period October 1, 2014 through October 20, 2014 we repurchased 490 thousand shares totaling \$51 million, pursuant to a plan adopted under SEC Rule 10b5-1 and in accordance with the provisions of SEC Rule 10b-18.



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

Regulation G - Non-GAAP Financial Measures

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

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

Adjusted net realized gains (losses) is a non-GAAP financial measure that excludes realized gains and losses on crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. We view gains and losses on these derivatives as part of the results of our underwriting operations and therefore realized gains and losses from these derivatives are reclassified to Adjusted losses and loss expenses (a non-GAAP financial measure). Adjusted losses and loss expenses include gains and losses on crop derivatives. P&C loss and loss expense ratio and P&C combined ratio (both non-GAAP financial measures) include adjusted losses and loss expenses in the ratio numerator. A reconciliation of GAAP combined ratio to P&C combined ratio is provided on page 23.

In presenting our segment operating results, we have shown our performance with reference to underwriting results. Underwriting results are calculated by subtracting losses and loss expenses, policy benefits, policy acquisition costs, and administrative expenses from net premiums earned. We use underwriting results and operating ratios to monitor the results of our operations without the impact of certain factors, including investment income, other income and expenses, interest and income tax expense, and net realized gains (losses). P&C underwriting income is a non-GAAP financial measure which includes Adjusted losses and loss expenses. Insurance – North American Agriculture underwriting income includes gains (losses) on crop derivatives. Life underwriting income includes net investment income and gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP.

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

Other income (expense) – operating is a non-GAAP financial measure and excludes the portion of net realized gains and losses related to unconsolidated entities from other income (expense). These gains and losses are reported as Net realized gains (losses) and represent the non-operating activities of entities where we hold more than an insignificant percentage of the investee's shares. We exclude these gains and losses from other income (expense) to enhance the understanding of our core results of operations as they are heavily influenced by, and fluctuate in part according to market conditions. A reconciliation of Consolidated Other income (expense) on a GAAP basis to Consolidated Other income (expense) - operating is provided on page 23.

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

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

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

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

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

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

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

effective tax rate determined in accordance with GAAP.

Tangible book value per common share is a non-GAAP financial measure and is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. We believe that goodwill and other intangible assets are not indicative of our underlying insurance results or trends and make book value comparisons to less acquisitive peer companies less meaningful. A reconciliation of tangible book value per share is provided on page 24. Tangible book value per common share excluding 2014 acquisition is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2014 acquisition of The Siam Commercial Samaggi Insurance PCL in order to adjust for the distortive effect of acquisitions.

Reconciliation Non-GAAP

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

Regulation G - Non-GAAP Financial Measures (continued)

Operating income

Operating income is a common performance measure for insurance companies and is presented throughout this report.

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

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Net income, as reported	\$ 785	\$ 779	\$ 734	\$ 998	\$ 916	\$ 2,298	\$ 2,760	\$ 3,758
Adjusted net realized gains (losses)	(165)	(81)	(102)	154	41	(348)	351	505
Net realized gains (losses) related to unconsolidated entities ⁽¹⁾	55	36	51	25	22	142	67	92
Income tax expense (benefit) on adjusted net realized gains (losses)	(4)	1	(8)	5	4	(11)	51	56
Operating income	<u>\$ 891</u>	<u>\$ 825</u>	<u>\$ 777</u>	<u>\$ 824</u>	<u>\$ 857</u>	<u>\$ 2,493</u>	<u>\$ 2,393</u>	<u>\$ 3,217</u>

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

The following table presents the Operating income (loss) of each segment and Corporate:

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Insurance – North American P&C	\$ 337	\$ 378	\$ 411	\$ 402	\$ 342	\$ 1,126	\$ 1,044	\$ 1,446
Insurance – Overseas General	348	282	239	279	320	869	815	1,094
Global Reinsurance	145	146	144	145	131	435	431	576
Corporate	(68)	(72)	(69)	(68)	(61)	(209)	(201)	(269)
Global P&C (including Corporate)	762	734	725	758	732	2,221	2,089	2,847
Insurance – North American Agriculture	57	19	(25)	(20)	50	51	83	63
Consolidated Results (including Corporate) Excluding Life Segment	819	753	700	738	782	2,272	2,172	2,910
Life	72	72	77	86	75	221	221	307
Consolidated operating income	<u>\$ 891</u>	<u>\$ 825</u>	<u>\$ 777</u>	<u>\$ 824</u>	<u>\$ 857</u>	<u>\$ 2,493</u>	<u>\$ 2,393</u>	<u>\$ 3,217</u>

Operating ROE

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

	3Q-14	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Net income	\$ 785	\$ 916	\$ 2,298	\$ 2,760	\$ 3,758
Operating income	\$ 891	\$ 857	\$ 2,493	\$ 2,393	\$ 3,217
Equity - beginning of period, as reported	\$ 30,325	\$ 27,295	\$ 28,825	\$ 27,531	\$ 27,531
Less: unrealized gains (losses) on investments, net of deferred tax	2,047	1,318	1,174	2,633	2,633
Equity - beginning of period, as adjusted	<u>\$ 28,278</u>	<u>\$ 25,977</u>	<u>\$ 27,651</u>	<u>\$ 24,898</u>	<u>\$ 24,898</u>
Equity - end of period, as reported	\$ 30,017	\$ 28,218	\$ 30,017	\$ 28,218	\$ 28,825
Less: unrealized gains (losses) on investments, net of deferred tax	1,757	1,319	1,757	1,319	1,174
Equity - end of period, as adjusted	<u>\$ 28,260</u>	<u>\$ 26,899</u>	<u>\$ 28,260</u>	<u>\$ 26,899</u>	<u>\$ 27,651</u>
Average equity, as reported	\$ 30,171	\$ 27,757	\$ 29,421	\$ 27,875	\$ 28,178
Average equity, as adjusted	\$ 28,269	\$ 26,438	\$ 27,956	\$ 25,899	\$ 26,275
Operating ROE	12.6%	13.0%	11.9%	12.3%	12.2%
ROE	10.4%	13.2%	10.4%	13.2%	13.3%



ACE Limited
Non-GAAP Financial Measures - 3
(in millions of U.S. dollars, except ratios)
(Unaudited)

Regulation G - Non-GAAP Financial Measures (continued)

Operating effective tax rate

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

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Tax expense, as reported	\$ 176	\$ 133	\$ 93	\$ 88	\$ 155	\$ 402	\$ 392	\$ 480
Tax expense (benefit) on adjusted net realized gains (losses)	(4)	1	(8)	5	4	(11)	51	56
Tax expense, adjusted	\$ 180	\$ 132	\$ 101	\$ 83	\$ 151	\$ 413	\$ 341	\$ 424
Income before tax, as reported	\$ 961	\$ 912	\$ 827	\$ 1,086	\$ 1,071	\$ 2,700	\$ 3,152	\$ 4,238
Less: adjusted realized gains (losses)	(165)	(81)	(102)	154	41	(348)	351	505
Less: realized gains (losses) related to unconsolidated entities	55	36	51	25	22	142	67	92
Operating income before tax	\$1,071	\$ 957	\$ 878	\$ 907	\$1,008	\$2,906	\$2,734	\$ 3,641
Effective tax rate	18.3%	14.6%	11.3%	8.1%	14.4%	14.9%	12.4%	11.3%
Adjustment for tax impact of adjusted net realized gains (losses)	-1.4%	-0.9%	0.2%	1.1%	0.5%	-0.7%	0.0%	0.3%
Operating effective tax rate	16.9%	13.7%	11.5%	9.2%	14.9%	14.2%	12.4%	11.6%

Other income (expense) - operating

The following table presents the reconciliation of Consolidated Other income (expense) on a GAAP basis to Consolidated Other income (expense) - operating. Other income (expense) – operating is a non-GAAP financial measure which excludes gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP and the portion of net realized gains and losses related to unconsolidated entities. Gains (losses) from fair value changes in separate account assets are reclassified from Other income (expense) for purposes of presenting Life underwriting income, as the offsetting movement in the separate account liabilities is included in Policy benefits. Net realized gains (losses) related to unconsolidated entities is excluded from operating income in order to enhance the understanding of our core results of operations as they are heavily influenced by, and fluctuate in part according to market conditions.

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
Consolidated GAAP Other income (expense):								
Consolidated excluding Life segment	\$ 22	\$ 12	\$ 30	\$ 4	\$ (5)	\$ 64	\$ (22)	\$ (18)
Life segment	(3)	13	(13)	3	10	(3)	—	3
Consolidated	19	25	17	7	5	61	(22)	(15)
Less: Gains (losses) from fair value changes in separate account assets								
Consolidated excluding Life segment	—	—	—	—	—	—	—	—
Life segment	(6)	17	(6)	9	14	5	7	16
Consolidated	(6)	17	(6)	9	14	5	7	16
Less: Net realized gains (losses) related to unconsolidated entities								
Consolidated excluding Life segment	51	38	53	27	24	142	60	87
Life segment	4	(2)	(2)	(2)	(2)	—	7	5
Consolidated	55	36	51	25	22	142	67	92
Consolidated Other income (expense) - operating:								
Consolidated excluding Life segment	(29)	(26)	(23)	(23)	(29)	(78)	(82)	(105)
Life segment	(1)	(2)	(5)	(4)	(2)	(8)	(14)	(18)
Consolidated	\$ (30)	\$ (28)	\$ (28)	\$ (27)	\$ (31)	\$ (86)	\$ (96)	\$ (123)

P&C combined ratio

The following table presents the reconciliation of GAAP combined ratio to P&C combined ratio. The P&C combined ratio includes the impact of realized gains and losses on crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. We view gains and losses on these derivatives as part of the results of our underwriting operations.

	3Q-14	2Q-14	1Q-14	4Q-13	3Q-13	YTD 2014	YTD 2013	Full Year 2013
GAAP combined ratio	87.3%	87.7%	88.8%	89.3%	86.5%	87.9%	87.5%	88.0%
Impact of gains and losses on crop derivatives	-1.0%	-0.2%	0.0%	0.0%	0.0%	-0.4%	0.0%	0.0%
P&C combined ratio	86.3%	87.5%	88.8%	89.3%	86.5%	87.5%	87.5%	88.0%



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

Reconciliation of Book Value per Common Share

	September 30 2014	June 30 2014	March 31 2014	December 31 2013	September 30 2013
Shareholders' equity	\$ 30,017	\$ 30,325	\$ 29,369	\$ 28,825	\$ 28,218
Less: goodwill and other intangible assets	5,425	5,522	5,382	5,404	5,465
Numerator for tangible book value per share	<u>\$ 24,592</u>	<u>\$ 24,803</u>	<u>\$ 23,987</u>	<u>\$ 23,421</u>	<u>\$ 22,753</u>
Book value - % change over prior quarter ⁽¹⁾	-1.0%	3.3%	1.9%	2.2%	3.4%
Tangible book value - % change over prior quarter ⁽¹⁾	-0.8%	3.4%	2.4%	2.9%	3.9%
Denominator	<u>332,111,557</u>	<u>336,225,589</u>	<u>337,974,644</u>	<u>339,793,935</u>	<u>340,069,972</u>
Book value per common share	\$ 90.38	\$ 90.19	\$ 86.90	\$ 84.83	\$ 82.98
Tangible book value per common share	\$ 74.05	\$ 73.77	\$ 70.97	\$ 68.93	\$ 66.91
Reconciliation of Book Value					
Shareholders' equity, beginning of quarter	\$ 30,325	\$ 29,369	\$ 28,825	\$ 28,218	\$ 27,295
Operating income	891	825	777	824	857
Adjusted net realized gains (losses), net of tax	(106)	(46)	(43)	174	59
Net unrealized gains (losses), net of tax	(290)	453	420	(145)	1
Repurchase of shares	(450)	(237)	(332)	(57)	(21)
Dividend declared on common shares ⁽²⁾	(223)	(223)	(256)	(174)	(176)
Cumulative translation, net of tax	(202)	119	(41)	(66)	114
Pension liability	5	(3)	(5)	(11)	(1)
Other ⁽³⁾	67	68	24	62	90
	<u>\$ 30,017</u>	<u>\$ 30,325</u>	<u>\$ 29,369</u>	<u>\$ 28,825</u>	<u>\$ 28,218</u>

(1) At September 30, 2014, book value increased 4.1% and tangible book value increased 5.0% from December 31, 2013.

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

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



ACE Limited Consolidated comprises all segments including Corporate.

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

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

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

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

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

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

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

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

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

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

NM: Not meaningful.