

ACE LTD

FORM 8-K (Current report filing)

Filed 04/25/07 for the Period Ending 04/24/07

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Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

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

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported) – April 24, 2007

ACE LIMITED

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction
of Incorporation)

1-11778
(Commission File Number)

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

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

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

Not applicable

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. Results of Operations and Financial Condition

On April 24, 2007, ACE Limited issued a press release reporting its first quarter 2007 results and the availability of its first quarter financial supplement. The press release and the financial supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

(c) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release, dated April 24, 2007, reporting first quarter results
99.2	First Quarter 2007 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: April 24, 2007

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press release, dated April 24, 2007, reporting first quarter results	Furnished herewith
99.2	First Quarter 2007 Financial Supplement	Furnished herewith



ace limited

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News Release

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FOR IMMEDIATE RELEASE

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ACE LIMITED REPORTS FIRST QUARTER 2007 NET INCOME OF \$701 MILLION AND OPERATING INCOME OF \$663 MILLION

HAMILTON, Bermuda, April 24, 2007 — ACE Limited (NYSE: ACE) today reported net income for the first quarter ended March 31, 2007 of \$701 million or \$2.10 per ordinary share after payment of preferred dividends, compared with net income of \$489 million or \$1.46 per share for the same quarter last year. Income excluding net realized gains (losses) was \$663 million, or \$1.98 per share, compared with \$477 million or \$1.43 per share for the same quarter of last year. ⁽¹⁾ The first quarter 2006 results included an \$80 million pre-tax charge pertaining to the settlement with certain governmental agencies of their investigations of various insurance industry business practices. The combined ratio for the first quarter was 87.1%. Annualized return on average equity based on the first quarter was 18.5%. ⁽³⁾

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

	2007	2006	Change	-	(Per Share - Diluted)		
					2007	2006	Change
Net income	\$701	\$489	43%		\$ 2.10	\$ 1.46	44%
Net realized gains (losses), net of tax	38	8	—		0.12	0.02	—
Cumulative effect, net of tax ⁽²⁾	—	4	—		—	0.01	—
Income excluding net realized gains (losses) and cumulative effect, net of tax ⁽¹⁾	663	477	39%		1.98	1.43	38%
Investigation-related settlement charge, net of tax	—	66	—		—	0.20	—
Income excluding net realized gains (losses), investigation-related settlement charge and cumulative effect ⁽¹⁾	\$663	\$543	22%		\$ 1.98	\$ 1.63	21%
Average shares outstanding					328.9	325.7	

Evan Greenberg, President and Chief Executive Officer of ACE Limited, commented: “ACE had a very strong start to the year. We produced record net and operating income for the first quarter, and our tangible book value

per share grew at a 22% annual pace. The quality of earnings was excellent, with strong contributions from both underwriting and investment income. Net written premium growth was in line with market conditions. Globally, we are maintaining underwriting discipline and avoiding business where prices and terms don't meet our standards while driving for growth in those areas where we see opportunity."

Other first quarter operating highlights were as follows:

- P&C net premiums written decreased 2% over the prior year quarter. Insurance net premiums written increased 2% and reinsurance net premiums written decreased 21%.
- P&C net premiums earned increased 9% over the prior year quarter. Insurance net premiums earned increased 12% and reinsurance net premiums earned decreased 8%.
- The combined ratio was 87.1% for the first quarter compared with 90.6% for the prior year quarter which included an \$80 million investigation settlement charge.
- P&C underwriting income was \$384 million for the first quarter.
- Operating cash flow amounted to \$1.2 billion for the first quarter.
- Invested assets increased by \$1.8 billion or 5% during the first quarter to \$38.9 billion.
- Net investment income in the first quarter increased 22% over the prior year quarter, to \$451 million.
- Shareholders' equity at March 31, 2007 increased 5% from year-end 2006, to \$14.9 billion.
- Tangible equity ⁽¹⁾ at March 31, 2007 rose to \$12.2 billion, a gain of 6% from year-end 2006.
- Return on average equity for the first quarter was 18.5%; excluding FAS 115, it was 19.4% ⁽³⁾.
- Book value per share as of March 31, 2007 increased \$1.84 from December 31, 2006 to \$43.87 ⁽⁴⁾.
- Tangible book value per share as of March 31, 2007 increased 6% from December 31, 2006 to \$35.55 ⁽¹⁾.

Details of our first quarter 2007 financial results for our business segments are available in the financial supplement. Key segment items include:

- Insurance-North American: Net premiums written increased 1% over the prior year quarter. The combined ratio was 88.4%.
- Insurance-Overseas General: Net premiums written increased 4% over the prior year quarter. The combined ratio was 85.4%.
- Global Reinsurance: Net premiums written decreased 21% over the prior year quarter. The combined ratio was 78.0%.
- Life Insurance and Reinsurance: Net premiums written increased 44% over the prior year quarter. Income excluding net realized gains (losses) increased 39% to \$43 million over the prior year quarter ⁽¹⁾.

Please refer to the ACE Limited Financial Supplement dated March 31, 2007, 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 recoverables, loss reserves, investment portfolio and capital structure. The URL reference is: http://media.corporate-ir.net/media_files/nys/ace/reports/fin_supp_march_31_2007.xls. (Due to the length of this URL, it may be necessary to copy and paste this hyperlink into your Internet browser's URL address field.)

ACE will host its first quarter earnings conference call and webcast on Wednesday, April 25, 2007 beginning at 8:30 a.m. ET. The earnings conference call will be available via live and archived webcast at www.ancelimited.com or by dialing 800-819-9193 (within the United States) or 913-981-4911 (international); passcode 1477658. Please refer to the ACE Limited website in the Investor Information section under Calendar of Events for details. A replay of the call will be available from approximately 11:30 a.m. ET on Wednesday, April 25, 2007 until Friday, May 25, 2007. To listen to the replay, dial: 888-203-1112 (in the United States) or 719-457-0820 (international); passcode 1477658.

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

Cautionary Statement Regarding Forward-Looking Statements:

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

¹ Non-GAAP Financial Measures:

Operating Income or Income excluding net realized gains (losses) and cumulative effect, net of tax is a common performance measurement for insurance companies. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business. We exclude net realized gains (losses) because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities. We exclude the cumulative effect of a change in accounting principle net of tax because this amount resulted in a one-time adjustment to income.

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

Tangible shareholders' equity is shareholders' equity less goodwill. See reconciliation of Non-GAAP Financial Measures on page 20 in the financial supplement.

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

² The cumulative effect is a benefit resulting from the inclusion of a forfeiture rate on restricted stock in our stock compensation expense calculations, as required under Financial Accounting Standard (FAS) 123R.

³ Calculated using income excluding net realized gains (losses).

⁴ Book value per ordinary share is ordinary shareholders' equity divided by the shares outstanding.

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

	March 31 2007 (Unaudited)	December 31 2006
Assets		
Total investments	\$ 38,320	\$ 36,601
Cash	639	565
Insurance and reinsurance balances receivable	3,689	3,580
Reinsurance recoverable	14,374	14,580
Other assets	12,752	11,809
Total assets	<u>\$ 69,774</u>	<u>\$ 67,135</u>
Liabilities		
Unpaid losses and loss expenses	\$ 35,813	\$ 35,517
Unearned premiums	6,670	6,437
Other liabilities	12,332	10,903
Total liabilities	<u>\$ 54,815</u>	<u>\$ 52,857</u>
Shareholders' equity		
Total shareholders' equity	<u>\$ 14,959</u>	<u>\$ 14,278</u>
Total liabilities and shareholders' equity	<u>\$ 69,774</u>	<u>\$ 67,135</u>
Book value per ordinary share ⁽⁴⁾	\$ 43.87	\$ 42.03

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

	Three Months Ended March 31	
	2007	2006
Gross premiums written	\$4,496	\$4,511
Net premiums written	3,270	3,310
Net premiums earned	3,082	2,805
Losses and loss expenses	1,860	1,680
Life and annuity benefits	36	28
Policy acquisition costs	417	418
Administrative expenses	356	398
Underwriting income ⁽¹⁾	413	281
Net investment income	451	369
Net realized gains (losses)	16	7
Interest expense	46	43
Other (income) expense	4	(5)
Income tax expense (benefit)	129	134
Cumulative effect, net of tax	—	4
Net income	701	489
Preference shares dividend	(11)	(11)
Net income available to holders of ordinary shares	<u>\$ 690</u>	<u>\$ 478</u>
<i>Diluted earnings per share:</i>		
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 1.98	\$ 1.43
Net income	\$ 2.10	\$ 1.46
Weighted average diluted shares outstanding	328.9	325.7
Loss and loss expense ratio	62.1%	61.2%
Policy acquisition cost ratio	13.5%	15.1%
Administrative expense ratio	11.5%	14.3%
Combined ratio	87.1%	90.6%

Ratios exclude life insurance and reinsurance business

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

	Three Months Ended March 31	
	2007	2006
Gross Premiums Written		
Insurance - North American	\$ 2,269	\$ 2,262
Insurance - Overseas General	1,659	1,584
Global Reinsurance	478	604
Life Insurance and Reinsurance	90	61
<i>Total</i>	<u>\$ 4,496</u>	<u>\$ 4,511</u>
Net Premiums Written		
Insurance - North American	\$ 1,514	\$ 1,503
Insurance - Overseas General	1,192	1,146
Global Reinsurance	476	600
Life Insurance and Reinsurance	88	61
<i>Total</i>	<u>\$ 3,270</u>	<u>\$ 3,310</u>
Net Premiums Earned		
Insurance - North American	\$ 1,539	\$ 1,334
Insurance - Overseas General	1,112	1,039
Global Reinsurance	343	371
Life Insurance and Reinsurance	88	61
<i>Total</i>	<u>\$ 3,082</u>	<u>\$ 2,805</u>
Income Excluding Net Realized Gains (Losses) and Cumulative Effect ⁽¹⁾		
Insurance - North American	\$ 298	\$ 266
Insurance - Overseas General	215	159
Global Reinsurance	132	119
Life Insurance and Reinsurance	43	31
Corporate	(25)	(98)
<i>Total</i>	<u>\$ 663</u>	<u>\$ 477</u>



ace limited

Financial Supplement

March 31, 2007

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

Cautionary Statement Regarding Forward-Looking Statements:

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

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



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

	<u>Three months ended March 31</u>		<u>% Change</u>
	<u>2007</u>	<u>2006</u>	<u>1Q-07 vs. 1Q-06</u>
Gross premiums written	\$ 4,496	\$ 4,511	0%
Net premiums written	\$ 3,270	\$ 3,310	-1%
Net premiums earned	\$ 3,082	\$ 2,805	10%
Net investment income	\$ 451	\$ 369	22%
Net income	\$ 701	\$ 489	43%
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 663	\$ 477	39%
Comprehensive income	\$ 763	\$ 407	87%
Operating cash flow	\$ 1,236	\$ 1,086	14%
Combined ratio			
Loss and loss expense ratio	62.1%	61.2%	
Underwriting and administrative expense ratio	25.0%	29.4%	
Combined ratio	87.1%	90.6%	
Annualized ROE*	18.5%	16.3%	
Annualized ROE, excluding FAS 115*	19.4%	16.7%	
Effective tax rate on income excluding net realized gains (losses) and cumulative effect	19%	22%	
Diluted earnings per share			
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 1.98	\$ 1.43	38%
Net income	\$ 2.10	\$ 1.46	44%
Book value per ordinary share	\$ 43.87	\$ 35.68	23%
Tangible book value per ordinary share	\$ 35.55	\$ 27.37	30%
Weighted average basic ordinary shares outstanding	324.1	321.1	
Weighted average diluted ordinary shares outstanding	328.9	325.7	
Debt/ total capitalization	14.8%	14.5%	

(1) See page 20 Non-GAAP Financial Measures.

* Calculated using income excluding net realized gains (losses) and cumulative effect of a change in accounting principle (cumulative effect)



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

ACE Limited Consolidated

	1Q-07	4Q-06	3Q-06	2Q-06	1Q-06	Full Year 2006
Property and Casualty						
Gross premiums written	\$4,406	\$3,932	\$4,228	\$4,517	\$4,450	\$17,127
Net premiums written	3,182	2,786	2,721	3,000	3,249	11,756
Net premiums earned	2,994	2,948	3,019	2,840	2,744	11,551
Losses and loss expenses	1,860	1,824	1,818	1,748	1,680	7,070
Policy acquisition costs	406	424	430	423	412	1,689
Administrative expenses	344	353	345	332	391	1,421
P&C underwriting income	\$ 384	\$ 347	\$ 426	\$ 337	\$ 261	\$ 1,371
Life underwriting income excluding investment income	29	25	25	20	20	90
Net investment income	451	428	414	390	369	1,601
Net realized gains (losses)	16	15	(113)	(7)	7	(98)
Interest expense	46	42	46	45	43	176
Other (income) expense	4	(16)	(2)	(12)	(5)	(35)
Income tax expense (benefit)	129	124	130	134	134	522
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	4	4
Net income	\$ 701	\$ 665	\$ 578	\$ 573	\$ 489	\$ 2,305
Net realized gains (losses)	16	15	(113)	(7)	7	(98)
Tax expense (benefit) on net realized gains (losses)	(22)	(7)	(39)	(1)	(1)	(48)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	4	4
Income excluding net realized gains (losses) and cumulative effect ⁽²⁾	\$ 663	\$ 643	\$ 652	\$ 579	\$ 477	\$ 2,351
% Change versus prior year period ⁽¹⁾						
Property and Casualty net premiums written	-2%	9%	-4%	5%	-2%	2%
Property and Casualty net premiums earned	9%	6%	0%	-1%	-3%	0%
Other ratios						
Net premiums written/gross premiums written	72%	71%	64%	66%	73%	69%
Effective tax rate on income excluding net realized gains (losses) and cumulative effect	19%	17%	21%	19%	22%	20%
Combined ratio ⁽¹⁾						
Loss and loss expense ratio	62.1%	61.8%	60.2%	61.6%	61.2%	61.2%
Policy acquisition cost ratio	13.5%	14.4%	14.2%	14.9%	15.1%	14.6%
Administrative expense ratio	11.5%	12.0%	11.4%	11.7%	14.3%	12.3%
Combined ratio	87.1%	88.2%	85.8%	88.2%	90.6%	88.1%
Large losses and other items ⁽¹⁾						
Catastrophe and other large losses (before tax)	\$ 34	\$ 6	\$ 6	\$ 2	\$ 3	\$ 17
Prior period development - unfavorable (favorable)	\$ (18)	\$ 17	\$ 17	\$ (14)	\$ (32)	\$ (12)

(1) Property and casualty excluding Life is presented to allow for comparison and analysis with earnings guidance. This is a non-GAAP measure.

(2) See page 20 Non-GAAP Financial Measures.



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

	March 31 2007 (Unaudited)	December 31 2006 (Audited)
Assets		
Fixed maturities available for sale, at fair value	\$ 29,934	\$ 28,540
Fixed maturities held to maturity, at amortized cost	3,060	3,047
Equity securities, at fair value	1,772	1,713
Short-term investments, at fair value	2,658	2,456
Other investments	896	845
Total investments	38,320	36,601
Cash	639	565
Securities lending collateral	2,905	2,171
Insurance and reinsurance balances receivable	3,689	3,580
Reinsurance recoverable	14,374	14,580
Deferred policy acquisition costs	1,133	1,077
Prepaid reinsurance premiums	1,621	1,586
Goodwill	2,731	2,731
Deferred tax assets	1,192	1,165
Investments in partially owned insurance companies	804	789
Other assets	2,366	2,290
Total assets	\$ 69,774	\$ 67,135
Liabilities		
Unpaid losses and loss expenses	\$ 35,813	\$ 35,517
Unearned premiums	6,670	6,437
Future policy benefits for life and annuity contracts	521	518
Insurance and reinsurance balances payable	2,511	2,449
Deposit liabilities	327	335
Securities lending payable	2,905	2,171
Payable for securities purchased	1,338	1,286
Accounts payable, accrued expenses and other liabilities	1,514	1,541
Income taxes payable	265	156
Short-term debt	581	578
Long-term debt	2,061	1,560
Trust preferred securities	309	309
Total liabilities	54,815	52,857
Shareholders' equity		
Total shareholders' equity, excl. AOCI	14,181	13,562
Accumulated other comprehensive income (AOCI)	778	716
Total shareholders' equity	14,959	14,278
Total liabilities and shareholders' equity	\$ 69,774	\$ 67,135
Book value per ordinary share ⁽¹⁾	\$ 43.87	\$ 42.03
Tangible book value per ordinary share ⁽¹⁾	\$ 35.55	\$ 33.66

(1) See page 20 Non-GAAP Financial Measures.



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

ACE Limited Consolidated

	<u>1Q-07</u>	<u>% of Total Consolidated</u>	<u>1Q-06</u>	<u>% of Total Consolidated</u>	<u>% Change 1Q-07 vs. 1Q-06</u>
Net premiums written					
Property and all other	\$1,003	30%	\$1,034	31%	-3%
Casualty	1,759	54%	1,848	56%	-5%
Personal accident	420	13%	367	11%	14%
Total P&C	<u>3,182</u>	<u>97%</u>	<u>3,249</u>	<u>98%</u>	<u>-2%</u>
Life	88	3%	61	2%	44%
Total Consolidated	<u>\$3,270</u>	<u>100%</u>	<u>\$3,310</u>	<u>100%</u>	<u>-1%</u>
Net premiums earned					
Property and all other	\$ 853	27%	\$ 817	29%	4%
Casualty	1,747	57%	1,591	57%	10%
Personal accident	394	13%	336	12%	17%
Total P&C	<u>2,994</u>	<u>97%</u>	<u>2,744</u>	<u>98%</u>	<u>9%</u>
Life	88	3%	61	2%	44%
Total Consolidated	<u>\$3,082</u>	<u>100%</u>	<u>\$2,805</u>	<u>100%</u>	<u>10%</u>

Line of Business

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ACE Limited
Consolidating Statement of Operations
Three months ended March 31, 2007 and 2006
(in millions of U.S. dollars)
(Unaudited)

	Insurance - North American	Insurance - Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Life Insurance & Reinsurance	ACE Consolidated
March 31, 2007							
Gross premiums written	\$ 2,269	\$ 1,659	\$ 478	\$ —	\$ 4,406	\$ 90	\$ 4,496
Net premiums written	1,514	1,192	476	—	3,182	88	3,270
Net premiums earned	1,539	1,112	343	—	2,994	88	3,082
Losses and loss expenses	1,111	564	185	—	1,860	—	1,860
Life and annuity benefits	—	—	—	—	—	36	36
Policy acquisition costs	116	224	66	—	406	11	417
Administrative expenses	133	162	17	32	344	12	356
Underwriting income (loss)	179	162	75	(32)	384	29	413
Net investment income	241	104	66	28	439	12	451
Net realized gains (losses)	37	(26)	6	3	20	(4)	16
Interest expense	—	—	—	46	46	—	46
Other (income) expense	9	3	1	(9)	4	—	4
Income tax expense (benefit)	128	40	7	(44)	131	(2)	129
Net income	320	197	139	6	662	39	701
Net realized gains (losses)	37	(26)	6	3	20	(4)	16
Tax expense (benefit) on net realized gains (losses)	15	(8)	(1)	(28)	(22)	—	(22)
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 298	\$ 215	\$ 132	\$ (25)	\$ 620	\$ 43	\$ 663
March 31, 2006							
Gross premiums written	\$ 2,262	\$ 1,584	\$ 604	\$ —	\$ 4,450	\$ 61	\$ 4,511
Net premiums written	1,503	1,146	600	—	3,249	61	3,310
Net premiums earned	1,334	1,039	371	—	2,744	61	2,805
Losses and loss expenses	916	566	197	1	1,680	—	1,680
Life and annuity benefits	—	—	—	—	—	28	28
Policy acquisition costs	144	194	74	—	412	6	418
Administrative expenses	116	145	14	116	391	7	398
Underwriting income (loss)	158	134	86	(117)	261	20	281
Net investment income	203	85	48	23	359	10	369
Net realized gains (losses)	(6)	4	(6)	23	15	(8)	7
Interest expense	—	—	—	43	43	—	43
Other (income) expense	(1)	6	3	(13)	(5)	—	(5)
Income tax expense (benefit)	94	56	12	(27)	135	(1)	134
Cumulative effect of a change in accounting principle, net of tax	—	—	—	4	4	—	4
Net income (loss)	262	161	113	(70)	466	23	489
Net realized gains (losses)	(6)	4	(6)	23	15	(8)	7
Tax expense (benefit) on net realized gains (losses)	(2)	2	—	(1)	(1)	—	(1)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	4	4	—	4
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 266	\$ 159	\$ 119	\$ (98)	\$ 446	\$ 31	\$ 477

(1) See page 20 Non-GAAP Financial Measures.



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

Insurance - North American

						Full Year
	1Q-07	4Q-06	3Q-06	2Q-06	1Q-06	2006
Gross premiums written	\$2,269	\$2,236	\$2,550	\$2,615	\$2,262	\$ 9,663
Net premiums written	1,514	1,476	1,459	1,502	1,503	5,940
Net premiums earned	1,539	1,471	1,547	1,367	1,334	5,719
Losses and loss expenses	1,111	1,054	1,090	966	916	4,026
Policy acquisition costs	116	122	142	122	144	530
Administrative expenses	133	132	129	125	116	502
Underwriting income	179	163	186	154	158	661
Net investment income	241	233	228	212	203	876
Net realized gains (losses)	37	(11)	(34)	(32)	(6)	(83)
Interest expense	—	—	—	—	—	—
Other (income) expense	9	(13)	11	1	(1)	(2)
Income tax expense (benefit)	128	89	74	95	94	352
Net income	320	309	295	238	262	1,104
Net realized gains (losses)	37	(11)	(34)	(32)	(6)	(83)
Tax expense (benefit) on net realized gains (losses)	15	(16)	(32)	(5)	(2)	(55)
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 298</u>	<u>\$ 304</u>	<u>\$ 297</u>	<u>\$ 265</u>	<u>\$ 266</u>	<u>\$ 1,132</u>
Combined ratio						
Loss and loss expense ratio	72.2%	71.7%	70.4%	70.7%	68.7%	70.4%
Policy acquisition cost ratio	7.5%	8.3%	9.1%	8.9%	10.9%	9.2%
Administrative expense ratio	8.7%	8.9%	8.4%	9.1%	8.7%	8.8%
Combined ratio	<u>88.4%</u>	<u>88.9%</u>	<u>87.9%</u>	<u>88.7%</u>	<u>88.3%</u>	<u>88.4%</u>
Large losses and other items (before tax)						
Catastrophe and other large losses (before tax)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Prior period development - unfavorable (favorable)	\$ 10	\$ 20	\$ 30	\$ 11	\$ 4	\$ 65
% Change versus prior year period						
Net premiums written	1%	16%	-4%	5%	-5%	2%
Net premiums earned	15%	9%	-3%	-3%	-3%	0%
Other ratios						
Net premiums written/gross premiums written	67%	66%	57%	57%	66%	61%

(1) See page 20 Non-GAAP Financial Measures.



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

Insurance - Overseas General

						Full Year
	1Q-07	4Q-06	3Q-06	2Q-06	1Q-06	2006
Gross premiums written	\$1,659	\$1,441	\$1,387	\$1,485	\$1,584	\$ 5,897
Net premiums written	1,192	1,059	978	1,083	1,146	4,266
Net premiums earned	1,112	1,097	1,099	1,086	1,039	4,321
Losses and loss expenses	564	576	532	585	566	2,259
Policy acquisition costs	224	226	217	219	194	856
Administrative expenses	162	157	155	152	145	609
Underwriting income	162	138	195	130	134	597
Net investment income	104	97	97	91	85	370
Net realized gains (losses)	(26)	8	(32)	4	4	(16)
Interest expense	—	—	—	—	—	—
Other (income) expense	3	7	(3)	—	6	10
Income tax expense (benefit)	40	43	63	44	56	206
Net income	197	193	200	181	161	735
Net realized gains (losses)	(26)	8	(32)	4	4	(16)
Tax expense (benefit) on net realized gains (losses)	(8)	2	(6)	5	2	3
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 215</u>	<u>\$ 187</u>	<u>\$ 226</u>	<u>\$ 182</u>	<u>\$ 159</u>	<u>\$ 754</u>
Combined ratio						
Loss and loss expense ratio	50.7%	52.5%	48.4%	53.8%	54.5%	52.3%
Policy acquisition cost ratio	20.2%	20.6%	19.8%	20.1%	18.7%	19.8%
Administrative expense ratio	14.5%	14.3%	14.0%	14.1%	13.9%	14.1%
Combined ratio	<u>85.4%</u>	<u>87.4%</u>	<u>82.2%</u>	<u>88.0%</u>	<u>87.1%</u>	<u>86.2%</u>
Large losses and other items						
Catastrophe and other large losses (before tax)	\$ 15	\$ —	\$ 3	\$ —	\$ —	\$ 3
Prior period development - unfavorable (favorable)	\$ (21)	\$ 4	\$ (16)	\$ (21)	\$ (39)	\$ (72)
% Change versus prior year period						
Net premiums written	4%	4%	5%	2%	-4%	2%
Net premiums earned	7%	5%	7%	1%	-4%	2%

Other ratios

Net premiums written/gross premiums written	72%	73%	71%	73%	72%	72%
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(1) See page 20 Non-GAAP Financial Measures.



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

Global Reinsurance

						Full Year
	1Q-07	4Q-06	3Q-06	2Q-06	1Q-06	2006
Gross premiums written	\$ 478	\$ 255	\$ 291	\$ 417	\$ 604	\$ 1,567
Net premiums written	476	251	284	415	600	1,550
Net premiums earned	343	380	373	387	371	1,511
Losses and loss expenses	185	194	196	197	197	784
Policy acquisition costs	66	76	71	82	74	303
Administrative expenses	17	14	16	18	14	62
Underwriting income	75	96	90	90	86	362
Net investment income	66	62	56	55	48	221
Net realized gains (losses)	6	17	2	(3)	(6)	10
Interest expense	—	—	—	—	—	—
Other (income) expense	1	2	1	2	3	8
Income tax expense (benefit)	7	9	9	8	12	38
Net income	139	164	138	132	113	547
Net realized gains (losses)	6	17	2	(3)	(6)	10
Tax expense (benefit) on net realized gains (losses)	(1)	1	(1)	(1)	—	(1)
Income excluding net realized gains (losses) ⁽¹⁾	\$ 132	\$ 148	\$ 135	\$ 134	\$ 119	\$ 536
Combined ratio						
Loss and loss expense ratio	53.8%	50.9%	52.5%	51.0%	53.0%	51.8%
Policy acquisition cost ratio	19.2%	20.1%	19.0%	21.2%	20.0%	20.1%
Administrative expense ratio	5.0%	3.7%	4.2%	4.6%	3.8%	4.1%
Combined ratio	78.0%	74.7%	75.7%	76.8%	76.8%	76.0%
Large losses and other items						
Catastrophe and other large losses (before tax)	\$ 19	\$ 6	\$ 3	\$ 2	\$ 3	\$ 14
Prior period development - unfavorable (favorable)	\$ (7)	\$ (7)	\$ 3	\$ (4)	\$ 3	\$ (5)

(1) See page 20 Non-GAAP Financial Measures.



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

Global Reinsurance

	<u>1Q-07</u>	<u>4Q-06</u>	<u>3Q-06</u>	<u>2Q-06</u>	<u>1Q-06</u>	<u>Full Year 2006</u>
% Change versus prior year period						
Net premiums written	-21%	-9%	-25%	14%	14%	0%
Net premiums earned	-8%	-4%	-9%	4%	4%	-1%

Other ratios

Net premiums written/gross premiums written	100%	98%	98%	100%	99%	99%
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Global Reinsurance - By Division

	<u>1Q-07</u>	<u>4Q-06</u>	<u>3Q-06</u>	<u>2Q-06</u>	<u>1Q-06</u>	<u>Full Year 2006</u>
Gross premiums written						
ACE Tempest Re Europe	\$112	\$ 58	\$ 60	\$ 56	\$104	\$ 278
ACE Tempest Re USA	188	181	178	249	295	903
ACE Tempest Re Bermuda	174	16	53	112	205	386
ACE Tempest Re Canada	4	—	—	—	—	—
Total	<u>\$478</u>	<u>\$255</u>	<u>\$291</u>	<u>\$417</u>	<u>\$604</u>	<u>\$ 1,567</u>
Net premiums written						
ACE Tempest Re Europe	\$110	\$ 57	\$ 58	\$ 53	\$101	\$ 269
ACE Tempest Re USA	188	181	177	249	295	902
ACE Tempest Re Bermuda	174	13	49	113	204	379
ACE Tempest Re Canada	4	—	—	—	—	—
Total	<u>\$476</u>	<u>\$251</u>	<u>\$284</u>	<u>\$415</u>	<u>\$600</u>	<u>\$ 1,550</u>
Net premiums earned						
ACE Tempest Re Europe	\$ 67	\$ 68	\$ 66	\$ 68	\$ 70	\$ 272
ACE Tempest Re USA	187	216	210	231	215	872
ACE Tempest Re Bermuda	88	96	97	88	86	367
ACE Tempest Re Canada	1	—	—	—	—	—
Total	<u>\$343</u>	<u>\$380</u>	<u>\$373</u>	<u>\$387</u>	<u>\$371</u>	<u>\$ 1,511</u>
Net premiums written/gross premiums written						
ACE Tempest Re Europe	98%	98%	97%	95%	97%	97%
ACE Tempest Re USA	100%	100%	99%	100%	100%	100%
ACE Tempest Re Bermuda	100%	81%	92%	101%	100%	98%
ACE Tempest Re Canada	100%	NM	NM	NM	NM	NM
Total NPW/GPW	<u>100%</u>	<u>98%</u>	<u>98%</u>	<u>100%</u>	<u>99%</u>	<u>99%</u>



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

Life Insurance and Reinsurance

	1Q-07	4Q-06	3Q-06	2Q-06	1Q-06	Full Year 2006
Gross premiums written	\$ 90	\$ 78	\$ 69	\$ 66	\$ 61	\$ 274
Net premiums written	88	78	69	66	61	274
Net premiums earned	88	78	69	66	61	274
Life and annuity benefits	36	32	29	34	28	123
Policy acquisition costs	11	9	7	4	6	26
Administrative expenses	12	12	8	8	7	35
Net investment income	<u>12</u>	<u>12</u>	<u>11</u>	<u>9</u>	<u>10</u>	<u>42</u>
Life underwriting income ⁽¹⁾	41	37	36	29	30	132
Net realized gains (losses)	(4)	(13)	(14)	(1)	(8)	(36)
Income tax expense (benefit)	<u>(2)</u>	<u>(5)</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(6)</u>
Net income	39	29	22	28	23	102
Net realized gains (losses)	(4)	(13)	(14)	(1)	(8)	(36)
Tax expense (benefit) on net realized gains (losses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income excluding net realized gains (losses) ⁽²⁾	<u>\$ 43</u>	<u>\$ 42</u>	<u>\$ 36</u>	<u>\$ 29</u>	<u>\$ 31</u>	<u>\$ 138</u>

(1) We assess the performance of our Life Insurance and Reinsurance business based on life underwriting income which includes net investment income.

(2) See page 20 Non-GAAP Financial Measures.



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

	Total			Ongoing			Run-off ⁽¹⁾		
	Unpaid Losses			Unpaid Losses			Unpaid Losses		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Balance at December 31, 2005	\$35,055	\$14,597	\$20,458	\$27,174	\$ 9,269	\$17,905	\$7,881	\$5,328	\$2,553
Losses and loss expenses incurred	2,130	450	1,680	2,143	476	1,667	(13)	(26)	13
Losses and loss expenses paid	(1,686)	(503)	(1,183)	(1,486)	(353)	(1,133)	(200)	(150)	(50)
Other (incl. foreign exch. revaluation)	9	10	(1)	16	10	6	(7)	—	(7)
Balance at March 31, 2006	35,508	14,554	20,954	27,847	9,402	18,445	7,661	5,152	2,509
Losses and loss expenses incurred	2,378	630	1,748	2,349	618	1,731	29	12	17
Losses and loss expenses paid	(2,536)	(1,082)	(1,454)	(2,344)	(938)	(1,406)	(192)	(144)	(48)
Other (incl. foreign exch. revaluation)	214	69	145	212	69	143	2	—	2
Balance at June 30, 2006	35,564	14,171	21,393	28,064	9,151	18,913	7,500	5,020	2,480
Losses and loss expenses incurred	2,582	764	1,818	2,588	797	1,791	(6)	(33)	27
Losses and loss expenses paid	(2,395)	(975)	(1,420)	(2,223)	(893)	(1,330)	(172)	(82)	(90)
Other (Sale of certain run-off subsidiaries) ⁽²⁾	(789)	(317)	(472)	—	—	—	(789)	(317)	(472)
Other (incl. foreign exch. revaluation)	187	66	121	199	69	130	(12)	(3)	(9)
Balance at September 30, 2006	35,149	13,709	21,440	28,628	9,124	19,504	6,521	4,585	1,936
Losses and loss expenses incurred	2,780	956	1,824	2,477	710	1,767	303	246	57
Losses and loss expenses paid	(2,613)	(1,211)	(1,402)	(2,405)	(1,078)	(1,327)	(208)	(133)	(75)
Other (incl. foreign exch. revaluation)	201	55	146	289	221	68	(88)	(166)	78
Balance at December 31, 2006	35,517	13,509	22,008	28,989	8,977	20,012	6,528	4,532	1,996
Losses and loss expenses incurred	2,703	843	1,860	2,690	832	1,858	13	11	2
Losses and loss expenses paid	(2,363)	(943)	(1,420)	(2,206)	(797)	(1,409)	(157)	(146)	(11)
Other (incl. foreign exch. revaluation)	(44)	4	(48)	(44)	4	(48)	—	—	—
Balance at March 31, 2007	\$35,813	\$13,413	\$22,400	\$29,429	\$ 9,016	\$20,413	\$6,384	\$4,397	\$1,987

- (1) The run-off reserves primarily include the Brandywine group, the Commercial Insurance Service—Middle Market Workers' Comp. reserves and the pre-1997 Westchester Specialty reserves.
- (2) During the third quarter of 2006, ACE Limited completed the sale of three run-off reinsurance subsidiaries, ACE American Reinsurance Company, Brandywine Reinsurance Co. (UK) Ltd. and Brandywine Reinsurance Company S.A.-N.V. to Randall & Quilter Investment Holdings Limited.



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

Net Reinsurance Recoverable by Division

	March 31	December 31
	<u>2007</u>	<u>2006</u>
Reinsurance recoverable on paid losses and loss expenses		
Active operations	\$ 922	\$ 1,013
Brandywine	242	251
Westchester Run-off	42	36
Other Run-off	17	16
Total	<u>\$ 1,223</u>	<u>\$ 1,316</u>
Reinsurance recoverable on unpaid losses and loss expenses		
Active operations	\$ 9,528	\$ 9,502
Brandywine	3,425	3,535
Westchester Run-off	667	676
Other Run-off	202	200
Total	<u>\$13,822</u>	<u>\$ 13,913</u>
Gross reinsurance recoverable		
Active operations	\$10,450	\$ 10,515
Brandywine	3,667	3,786
Westchester Run-off	709	712
Other Run-off	219	216
Total	<u>\$15,045</u>	<u>\$ 15,229</u>
Provision for uncollectible reinsurance		
Active operations	\$ (478)	\$ (450)
Brandywine	(169)	(172)
Westchester Run-off	(7)	(7)
Other Run-off	(17)	(20)
Total	<u>\$ (671)</u>	<u>\$ (649)</u>
Net reinsurance recoverable		
Active operations	\$ 9,972	\$ 10,065
Brandywine	3,498	3,614
Westchester Run-off	702	705
Other Run-off	202	196
Total	<u>\$14,374</u>	<u>\$ 14,580</u>

Reinsurance Recoverable

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ACE Limited
Reinsurance Recoverable Analysis - 2
(in millions of U.S. dollars)
(Unaudited)

Reinsurance Recoverable for Active Operations

Categories	December 31, 2006		
	Recoverable	Provision	% of Gross
Top 10 reinsurers	\$ 5,266	\$ 64	1.2%
Other reinsurers balances >\$20 million	2,277	53	2.3%
Other reinsurers balances <\$20 million	561	53	9.4%
Mandatory pools and government agencies	590	3	0.5%
Structured settlements	220	1	0.5%
Captives	1,238	1	0.1%
Other ⁽¹⁾	363	275	75.8%
Total	\$ 10,515	\$ 450	4.3%

At December 31, 2006, \$7.7 billion of the active operations' recoverables were from rated reinsurers, of which 95.0% were rated the equivalent of A- or better by internationally recognized rating agencies. The Company held collateral of \$3.2 billion, of which \$1.9 billion was matched and usable against existing recoverables.

Top 10 Reinsurers (net of collateral) ⁽²⁾	Other Reinsurers Balances Greater Than \$20 million (net of collateral) ⁽²⁾	
American International Group (AIG)	AGRI General Ins Co	IRB - Brasil Resseguros S.A. Group
Berkshire Hathaway Insurance Group	AIOI Insurance Group	Liberty Mutual Insurance Companies
Chubb Insurance Group	Allianz	Montpelier Reinsurance Ltd
Everest Re Group	Allied World Assurance Group	Partner Re
Federal Crop Insurance Corp HDI	Arch Capital	Platinum Underwriters
Haftpflichtverband Der Deutschen	Aspen Insurance Holdings Ltd	Renaissance Re Holdings Ltd
Industrie Vag (Hannover)	AXA	Royal & Sun Alliance Insurance Group
Lloyd's Of London	CIGNA	SCOR Group
Munich Re Group	Converium Group	Sompo Japan Group
Swiss Re Group	Dow Chemical Co	Tawa UK Ltd
XL Capital Group	Electric Insurance Company	Toa Reinsurance Company
	Endurance Specialty Holdings Ltd	The Travelers Companies, Inc.
	Equitas	White Mountains Insurance Group
	Fairfax Financial	WR Berkley Corp
	Gerling Global Group	Zurich Financial Services Group
	ING Groep NV	

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

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



ACE Limited
Reinsurance Recoverable Analysis - 3
(in millions of U.S. dollars)
(Unaudited)

Consolidated Reinsurance Recoverable

Categories	December 31, 2006		
	Recoverable	Provision	% of Gross
Top 10 reinsurers	\$ 8,075	\$ 88	1.1%
Other reinsurers balances >\$20 million	3,468	146	4.2%
Other reinsurers balances <\$20 million	681	71	10.4%
Mandatory pools and government agencies	602	3	0.5%
Structured settlements	522	2	0.4%
Captives	1,315	1	0.1%
Other ⁽¹⁾	566	338	59.7%
Total	\$ 15,229	\$ 649	4.3%

At December 31, 2006, \$11.6 billion of ACE Limited recoverables were from rated reinsurers, of which 94.5% were rated the equivalent of A- or better by internationally recognized rating agencies.

Top 10 Reinsurers (net of collateral) ⁽²⁾	Other Reinsurers Balances Greater Than \$20 million (net of collateral) ⁽²⁾		
American International Group (AIG)	AGRI General Ins Co	Electric Insurance Company	Platinum Underwriters
Berkshire Hathaway Insurance Group	AIOI Insurance Group	Endurance Specialty Holdings Ltd	PMA Capital Corp
Chubb Insurance Group	Allianz	Enstar Group Ltd	Renaissance Re Holdings Ltd
Equitas	Allied World Assurance Group	Fairfax Financial	Royal & Sun Alliance Insurance Group
Everest Re Group	Allmerica Financial Corp	Federal Crop Insurance Corp	SCOR Group
HDI Haftpflichtverband Der Deutschen Industrie Vag (Hannover)	Allstate Group	FM Global Group	Sompo Japan Group
Lloyd's Of London	Arch Capital	Gerling Global Group	Tawa UK Ltd
Munich Re Group	Aspen Insurance Holdings Ltd	Hartford Insurance Group	Toa Reinsurance Company
Swiss Re Group	AVIVA	ING Groep NV	The Travelers Companies, Inc.
XL Capital Group	AXA	IRB - Brasil Resseguros S.A. Group	Trenwick Group
	CIGNA	Liberty Mutual Insurance Companies	White Mountains Insurance Group
	CNA Insurance Companies	Millea Holdings	WR Berkley Corp
	Converium Group	Montpelier Reinsurance Ltd	Zurich Financial Services Group
	Dominion Insurance Co Ltd	Partner Re	
	Dow Chemical Co		
	Dukes Place Holdings		

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

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



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

Detail on Reinsurance Recoverable on Paid Losses and Loss Expenses

	General Collections (1)	Other (2)	Total
Gross balance at December 31, 2006	\$ 932	\$ 384	\$1,316
Provision at 12/31/06	53	202	255
% of gross	5.7%	52.6%	19.4%
Net balance at December 31, 2006	<u>\$ 879</u>	<u>\$ 182</u>	<u>\$1,061</u>
Gross balance at March 31, 2007	\$ 865	\$ 358	\$1,223
Provision at 3/31/07	56	216	272
% of gross	6.5%	60.3%	22.2%
Net balance at March 31, 2007 ⁽³⁾	<u>\$ 809</u>	<u>\$ 142</u>	<u>\$ 951</u>

- (1) General collections balances represent amounts in process of collection in the normal course of business, for which we have no indication of dispute or credit issues.
- (2) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation or liquidation for Brandywine Group and active operations. Our estimation of the reserve for other, considers the merits of the underlying matter, the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as parental guarantees.
- (3) The current quarter split between general collections and other is estimated based on prior quarter balances. Balances are adjusted to actual in the next quarter.



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

	March 31 2007	December 31 2006
Market Value		
Fixed maturities available for sale	\$ 29,934	\$ 28,540
Fixed maturities held to maturity	3,039	3,015
Short-term investments	2,658	2,456
Total	<u>\$ 35,631</u>	<u>\$ 34,011</u>
Asset Allocation by Market Value		
Treasury	\$ 1,689	\$ 1,322
Agency	2,223	2,207
Corporate	7,473	7,394
Mortgage-backed securities	11,925	11,346
Asset-backed securities	1,772	2,020
Municipal	1,157	809
Non-U.S.	6,734	6,457
Short-term investments	2,658	2,456
Total	<u>\$ 35,631</u>	<u>\$ 34,011</u>
Credit Quality by Market Value		
AAA	\$ 23,783	\$ 22,471
AA	3,095	2,725
A	3,582	3,909
BBB	2,610	2,498
BB	992	943
B	1,475	1,365
Other	94	100
Total	<u>\$ 35,631</u>	<u>\$ 34,011</u>
Cost/Amortized Cost		
Fixed maturities available for sale	\$ 29,723	\$ 28,389
Fixed maturities held to maturity	3,060	3,047
Short-term investments	2,658	2,456
Subtotal	35,441	33,892
Equity securities	1,432	1,372
Other investments	687	661
Total	<u>\$ 37,560</u>	<u>\$ 35,925</u>
Avg. duration of fixed maturities, adjusted for int. rate swaps	3.3 years	3.3 years
Avg. market yield of fixed maturities	5.3%	5.4%
Avg. credit quality	AA	AA



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

	Three months ended March 31, 2007		
	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) (1)	Gains (Losses)	
Fixed maturities	\$ (21)	\$ 45	\$ 24
Equity securities	34	(1)	33
Equity and fixed income derivatives	(7)	—	(7)
Foreign exchange gains (losses)	—	—	—
Other	10	20	30
Sub-total	16	64	80
Other FAS 133 adjustments	—	—	—
Total gains (losses)	16	64	80
Income tax expense (benefit)	(22)	13	(9)
Net gains (losses)	<u>\$ 38</u>	<u>\$ 51</u>	<u>\$ 89</u>

(1) The quarter includes impairments of \$37M for fixed maturities, \$1M for equities and \$nil for other investments.

	Three months ended March 31, 2006		
	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) (2)	Gains (Losses)	
Fixed maturities	\$ (44)	\$ (193)	\$(237)
Equity securities	43	48	91
Equity and fixed income derivatives	11	—	11
Foreign exchange gains (losses)	(4)	—	(4)
Other	(1)	12	11
Total inv. portfolio gains (losses)	5	(133)	(128)
Other FAS 133 adjustments	2	—	2
Total gains (losses)	7	(133)	(126)
Income tax expense (benefit)	(1)	(35)	(36)
Net gains (losses)	<u>\$ 8</u>	<u>\$ (98)</u>	<u>\$ (90)</u>

(2) The quarter includes impairments of \$24M for fixed maturities, \$2M for equities and \$5M for other investments.



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

	March 31	December 31	December 31
	2007	2006	2005
Total short-term debt	\$ 581	\$ 578	\$ 300
Total long-term debt	2,061	1,560	1,811
Total debt	<u>2,642</u>	<u>2,138</u>	<u>2,111</u>
Total trust preferred securities	<u>309</u>	<u>309</u>	<u>309</u>
Perpetual preferred shares	557	557	557
Ordinary shareholders' equity	14,402	13,721	11,255
Total shareholders' equity	<u>\$14,959</u>	<u>\$ 14,278</u>	<u>\$ 11,812</u>
Total capitalization	<u>\$17,910</u>	<u>\$ 16,725</u>	<u>\$ 14,232</u>
Tangible shareholders' equity ⁽¹⁾	\$12,228	\$ 11,547	\$ 9,109
Leverage ratios			
Debt/ total capitalization	14.8%	12.8%	14.8%
Debt plus trust preferred securities/ total capitalization	16.5%	14.6%	17.0%
Debt/ tangible equity	21.6%	18.5%	23.2%
Debt plus trust preferred securities/ tangible equity	24.1%	21.2%	26.6%
Debt plus total preferred stock/ total capitalization	19.6%	18.0%	20.9%

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



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

	Three months ended March 31	
	2007	2006
Numerator		
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 663	\$ 477
Perpetual preferred dividend	(11)	(11)
Income to ordinary shares, excl. net realized gains (losses) and cumulative effect	652	466
Net realized gains (losses), net of income tax	38	8
Net income available to the holders of ordinary shares excluding cumulative effect	690	474
Cumulative effect of a change in accounting principle, net of tax	—	4
Net income available to the holders of ordinary shares	<u>\$ 690</u>	<u>\$ 478</u>
Rollforward of Ordinary Shares		
Ordinary Shares - beginning of period	326,455,468	323,322,586
Issued under employee stock purchase plan	104,162	74,598
Shares (cancelled) granted	1,394,898	1,108,012
Issued for option exercises	354,697	637,864
Ordinary Shares - end of period	<u>328,309,225</u>	<u>325,143,060</u>
Denominator		
Weighted average shares outstanding	324,079,146	321,090,179
Effect of other dilutive securities	4,818,859	4,636,773
Adj. wtd. avg. shares outstanding and assumed conversions	<u>328,898,005</u>	<u>325,726,952</u>
Basic earnings per share		
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 2.01	\$ 1.46
Net realized gains (losses), net of income tax	0.12	0.02
Cumulative effect of a change in accounting principle, net of tax	—	0.01
Net income	<u>\$ 2.13</u>	<u>\$ 1.49</u>
Diluted earnings per share		
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 1.98	\$ 1.43
Net realized gains (losses), net of income tax	0.12	0.02
Cumulative effect of a change in accounting principle, net of tax	—	0.01
Net income	<u>\$ 2.10</u>	<u>\$ 1.46</u>

(1) See page 20 Non-GAAP Financial Measures.

Earnings per share

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

Regulation G - Non-GAAP Financial Measures

In presenting our results, we have included and discussed certain non-GAAP measures. These non-GAAP measures, which may be defined differently by other companies, are important for an understanding of our overall results of operations. However, they should not be viewed as a substitute for measures determined in accordance with GAAP. A reconciliation of book value per share is provided on page 21.

In presenting our segment operating results, we have shown our performance with reference to underwriting results. Underwriting results are calculated by subtracting losses and loss expenses, life and annuity benefits, policy acquisition costs, and administrative expenses from net premiums earned. We use underwriting results and operating ratios to monitor the results of our operations without the impact of certain factors, including investment income, other income and expenses, interest and income tax expense, and net realized gains (losses).

The following non-GAAP measure is a common performance measurement and is defined as income excluding net realized gains (losses), the tax expense (benefit) on net realized gains (losses), and cumulative effect of a change in accounting principle, net of tax. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business. We exclude net realized gains (losses) because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities. We exclude the benefit of the cumulative effect of a change in accounting principle, net of tax, because this benefit resulted in a one time adjustment to income. We believe these amounts are largely independent of our business and including them would distort the analysis of trends. Income excluding net realized gains (losses) and cumulative effect should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

	<u>1Q-07</u>	<u>4Q-06</u>	<u>3Q-06</u>	<u>2Q-06</u>	<u>1Q-06</u>	<u>Full Year 2006</u>
Net income, as reported	\$701	\$665	\$ 578	\$573	\$489	\$ 2,305
Net realized gains (losses)	16	15	(113)	(7)	7	(98)
Income tax expense (benefit) on net realized gains (losses)	(22)	(7)	(39)	(1)	(1)	(48)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	4	4
Income excluding net realized gains (losses) and cumulative effect	<u>\$663</u>	<u>\$643</u>	<u>\$ 652</u>	<u>\$579</u>	<u>\$477</u>	<u>\$ 2,351</u>

Reconciliation Non-GAAP

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

Reconciliation of Book Value per Ordinary Share

	March 31 2007	December 31 2006
Shareholders' equity	\$ 14,959	\$ 14,278
Proceeds from issuance of perpetual preferred shares	(557)	(557)
Numerator for book value per share calculation	14,402	13,721
Less: goodwill	2,731	2,731
Numerator for tangible book value per share	\$ 11,671	\$ 10,990
Denominator	328,309,225	326,455,468
Book value per ordinary share	\$ 43.87	\$ 42.03
Tangible book value per ordinary share	\$ 35.55	\$ 33.66

Reconciliation Book Value

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

Consolidated Statement of Comprehensive Income

	<u>1Q-07</u>	<u>4Q-06</u>	<u>3Q-06</u>	<u>2Q-06</u>	<u>1Q-06</u>	<u>Full Year 2006</u>
Net income	\$701	\$665	\$ 578	\$ 573	\$ 489	\$ 2,305
Net unrealized appreciation (depreciation) on investments						
Unrealized appreciation (depreciation) on investments	61	132	541	(266)	(118)	289
Reclassification adjustment for net realized gains (losses) included in net income	3	(6)	82	3	(15)	64
Change in cumulative translation adjustments	16	46	15	50	24	135
Change in minimum pension liability	—	29	(5)	(3)	(1)	20
Income tax (expense) benefit related to other comprehensive income items	(18)	(42)	(117)	18	28	(113)
Other comprehensive income (loss)	62	159	516	(198)	(82)	395
Comprehensive income	<u>\$763</u>	<u>\$824</u>	<u>\$1,094</u>	<u>\$ 375</u>	<u>\$ 407</u>	<u>\$ 2,700</u>

Comprehensive Income

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ACE Limited

Glossary

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

Book value per ordinary share: Ordinary 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. Calculated on a GAAP basis.

Cumulative effect: The benefit resulting from the accrual of a forfeiture rate on the restricted stock under Financial Accounting Standard 123R "Share-Based Payment".

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

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

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

NM: Not meaningful.

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

P&C: Property and casualty.

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

Tangible book value per ordinary share: Ordinary shareholders' equity less goodwill divided by the shares outstanding.

Tangible equity: Shareholders' equity less goodwill.

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