

# ACE LTD

## FORM 8-K (Current report filing)

Filed 04/30/03 for the Period Ending 04/29/03

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

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

**FORM 8-K**

**Current Report**

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

**Date of Report (Date of earliest event reported) – April 29, 2003**

**ACE LIMITED**

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.**

**(c) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release, dated April 29, 2003, reporting first quarter results
99.2	Financial Supplement

**Item 9. Regulation FD Disclosure**

See Item 12. Results of Operations and Financial Condition.

**Item 12. Results of Operations and Financial Condition**

On April 29, 2003, ACE Limited issued a press release reporting its first quarter 2003 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.

In accordance with general instructions B.2 and B.6 of Form 8-K, the information in this report, including exhibits, is furnished pursuant to Items 9 and 12 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section.

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**SIGNATURES**

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

ACE LIMITED

By: /s/ PHILIP V. BANCROFT

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**Philip V. Bancroft**  
**Chief Financial Officer**

DATE: April 29, 2003

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**EXHIBIT INDEX**

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press release, dated April 29, 2003, reporting first quarter results	Furnished herewith
99.2	Financial Supplement	Furnished herewith

ACE Limited  
ACE Global Headquarters  
17 Woodbourne Avenue  
Hamilton HM 08  
Bermuda

PO Box HM 1015  
Hamilton HM DX  
Bermuda

441 295-5200 main  
441 292-8675 fax

www.ancelimited.com

**NEWS RELEASE**  
**FOR IMMEDIATE RELEASE**

Investor Contact: Helen M. Wilson  
(441) 299-9283

Media Contact: Lilla Zuill  
(441) 278-6616

**ACE LIMITED REPORTS FIRST QUARTER RESULTS**

HAMILTON, Bermuda – April 29, 2003 – ACE Limited (NYSE: ACE) today reported the results of operations for the quarter ended March 31, 2003. Highlights for the quarter are as follows:

- Net income (including realized losses) for the quarter totaled \$247 million compared with net income of \$198 million for the comparable period a year ago.
- Net income per share was \$0.90 for the period compared with \$0.70 for the same quarter last year, a gain of 29%.
- Net operating income was \$279 million compared with \$216 million for the same quarter in 2002. <sup>(1)</sup>
- Net operating income per share was \$1.02 for the current quarter compared with \$0.77 for the same quarter last year, a gain of 32%. <sup>(1)</sup>
- Net realized losses, net of tax, were \$32 million, compared with net realized losses of \$18 million for the same quarter in 2002. Unrealized gains totaled \$79 million compared with \$84 million for the same period in 2002.
- Diluted book value per share at March 31, 2003 was \$25.14 compared with \$24.16 at December 31, 2002, and \$23.78 at March 31, 2002. <sup>(2)</sup>
- Net premiums written increased 48 percent over the same quarter a year ago, while net premiums earned increased 52% quarter on quarter.
- Operating cash flow was \$600 million during the quarter compared to \$144 million in the comparable quarter of 2002.
- Net investment income rose 3% to \$206 million for the quarter compared with \$200 million in the prior year's quarter.
- The combined ratio was 90.6% for the quarter compared to 93.1% for the first quarter 2002.

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Brian Duperreault, Chairman and Chief Executive Officer of ACE Limited, commented: “This was a good quarter for us by any standard of measurement. We were able to demonstrate the earning power we have been building over the last three years. We benefited from growth in earned premiums, improved underwriting margins and strong positive cash flow. However, low investment yields limited our growth in investment income to 3%, which continues to lag the growth in underwriting income. Our annualized ROE from operations was 16.7%.<sup>(3)</sup> In summary, an excellent start for the current fiscal year.”

Please refer to the ACE Financial Supplement, which is posted on the Company’s website, for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, financial guaranty portfolio, investment portfolio and capital structure. ACE’s website reference (url) is [http://media.corporate-ir.net/media\\_files/nys/ace/reports/fin\\_supp\\_march\\_31\\_2003.xls](http://media.corporate-ir.net/media_files/nys/ace/reports/fin_supp_march_31_2003.xls).

ACE Limited (NYSE: ACE) will host a live webcast of its first quarter earnings conference call on Wednesday, April 30, 2003, beginning at 8:30 a.m. EST. The public may access both the webcast, available on a listen-only basis, and the financial supplement at [www.ancelimited.com](http://www.ancelimited.com). Please refer to our website under “Investor Information, Calendar of Events”, one half hour before, for further webcast details. Individuals who access the webcast will be asked to identify themselves and their affiliation. A replay of the webcast will be available following the live webcast on Wednesday, April 30, 2003 until Wednesday, May 14, 2003 at 5:00 p.m. EDT.

The ACE Group of Companies provides insurance and reinsurance for a diverse group of clients. The ACE Group conducts its business on a global basis with operating subsidiaries in nearly 50 countries. Additional information can be found at: [www.ancelimited.com](http://www.ancelimited.com).

- 1 Net operating income (loss) is a common performance measurement and is defined as net income (loss) excluding net realized gains (losses) on investments and the tax effect of net realized gains (losses) on investments. We believe this presentation of net operating income (loss) enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business. We exclude net realized gains (losses) on investments from net operating income (loss) because the amount of these gains (losses) is heavily influenced by, and fluctuates in part, according to the availability of market opportunities. Net operating income (loss) should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).
- 2 Annualized operating return on equity is calculated using net operating income (loss) less mezzanine equity dividend divided by average shareholders’ equity for the period.
- 3 Diluted book value per share is shareholder’s equity and net proceeds from assumed conversions of outstanding in-the-money options divided by the sum of shares outstanding and the number of options assumed issued.

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***Application of the Safe Harbor of the Private Securities Litigation Reform Act of 1995:***

*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, the impact of aggregate policy coverage limits, the impact of bankruptcies of various asbestos producers and related business, new theories of liability, judicial and legislative developments, litigation tactics, the amount and timing of reinsurance recoverable, actual market developments, rating agency action, possible terrorism or the outbreak and effects of war and economic, political, regulatory, insurance and reinsurance business conditions, as well as management's response to these factors, and other factors identified in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

***(tables to follow)***



**ACE Limited**  
**Summary Consolidated Balance Sheets**  
(in millions of U.S. dollars)

	March 31 2003	December 31 2002
	(Unaudited)	
<b>Assets</b>		
Total investments and cash	\$ 19,218	\$ 18,324
Reinsurance recoverable	14,132	13,991
Insurance and reinsurance balances receivable	3,228	2,654
Other assets	8,879	8,482
	<u>          </u>	<u>          </u>
Total assets	\$ 45,456	\$ 43,451
	<u>          </u>	<u>          </u>
<b>Liabilities</b>		
Unpaid losses and loss expenses	\$ 24,636	\$ 24,315
Unearned premiums	6,573	5,586
Other liabilities	7,235	6,850
	<u>          </u>	<u>          </u>
Total liabilities	\$ 38,443	\$ 36,751
	<u>          </u>	<u>          </u>
<b>Commitments and contingencies</b>		
<b>Mezzanine equity</b>	\$ 311	\$ 311
	<u>          </u>	<u>          </u>
<b>Shareholders' equity</b>		
Total shareholders' equity	\$ 6,702	\$ 6,389
	<u>          </u>	<u>          </u>
Total liabilities, mezzanine equity and shareholders' equity	\$ 45,456	\$ 43,451
	<u>          </u>	<u>          </u>
<b>Diluted book value per share</b>	\$ 25.14	\$ 24.16

**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	
	2003	2002
Gross premiums written	\$ 4,113	\$ 3,118
Net premiums written	2,930	1,986
Net premiums earned	2,072	1,360
Losses and loss expenses	1,283	853
Life and annuity benefits	48	23
Policy acquisition costs	296	198
Administrative expenses	260	197
Underwriting income	185	89
Net investment income	206	200
Other income (expense)	(6)	5
Interest expense	45	46
Income tax expense	61	32
Net operating income*	\$ 279	\$ 216
Net realized losses	(40)	(26)
Tax effect of net realized losses	8	8
Net income	\$ 247	\$ 198
<b><i>Diluted earnings per share:</i></b>		
Net operating income	\$1.02	\$0.77
Net income	\$0.90	\$0.70
Weighted average diluted shares outstanding	268,040,665	271,527,253
Loss and loss expense ratio	63.4%	64.1%
Policy acquisition cost ratio	14.4%	14.3%
Administrative expense ratio	12.8%	14.7%
Combined ratio	90.6%	93.1%

\* Net operating income comprises income excluding net realized gains (losses) net of tax.

Ratios exclude life reinsurance business

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

	Three Months Ended March 31	
	2003	2002
<b>Gross Premiums Written</b>		
Insurance—North American	\$1,664	\$1,265
Insurance—Overseas General	1,406	962
Global Reinsurance*	511	403
Financial Services	532	488
<i>Total</i>	<u>\$4,113</u>	<u>\$3,118</u>
<b>Net Premiums Written</b>		
Insurance—North American	\$ 933	\$ 513
Insurance—Overseas General	981	614
Global Reinsurance*	490	383
Financial Services	526	476
<i>Total</i>	<u>\$2,930</u>	<u>\$1,986</u>
<b>Net Premiums Earned</b>		
Insurance—North American	\$ 753	\$ 473
Insurance—Overseas General	814	509
Global Reinsurance*	296	144
Financial Services	209	234
<i>Total</i>	<u>\$2,072</u>	<u>\$1,360</u>
<b>Net Operating Income (Loss)</b>		
Insurance—North American	\$ 120	\$ 94
Insurance—Overseas General	65	34
Global Reinsurance*	89	80
Financial Services	59	47
Corporate & Other	(54)	(39)
<i>Total</i>	<u>\$ 279</u>	<u>\$ 216</u>

\* Includes both property and casualty reinsurance and life reinsurance business

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**ACE Limited  
Financial Supplement**

**March 31, 2003**

Investor Contact: Helen M. Wilson  
(441) 299-9283  
(441) 292-8675 fax  
email: investorrelations@ace.bm

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.

**Application of the Safe Harbor of the Private Securities Litigation Reform Act of 1995:**

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 concerning reserves and recoverables could be affected by the frequency of unpredictable catastrophic events, actual loss experience which differs from the Company's assumptions, uncertainties in the reserving or settlement process, the impact of aggregate policy coverage limits, the impact of bankruptcies of various asbestos producers and related business, new theories of liability, judicial and legislative developments, litigation tactics, credit developments among reinsurers and other factors identified in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and in the Company's earnings press release, which is available on the Company's website. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**ACE Limited**

**Financial Highlights**

(in millions of U.S. dollars, except per share data and ratios)  
(Unaudited)

	Three months ended March 31		% Change 1Q-03 vs. 1Q-02
	2003	2002	
Gross premiums written	\$ 4,113	\$ 3,118	32%
Net premiums written	\$ 2,930	\$ 1,986	48%
Net premiums earned	\$ 2,072	\$ 1,360	52%
Net investment income	\$ 206	\$ 200	3%
Net operating income	\$ 279	\$ 216	29%
Net income	\$ 247	\$ 198	25%
Comprehensive income	\$ 345	\$ 113	205%
Operating cash flow	\$ 600	\$ 144	317%
<b>P&amp;C combined ratio: (1)</b>			
Loss and loss expense ratio	61.8%	60.0%	
Underwriting and administrative expense ratio	28.8%	32.7%	
Combined ratio	90.6%	92.7%	
Annualized operating return on equity	16.7%	13.6%	
Diluted earnings per share:			
Net operating income	\$ 1.02	\$ 0.77	32%
Net income	\$ 0.90	\$ 0.70	29%
Diluted book value per share	\$ 25.14	\$ 23.78	6%
Diluted tangible book value per share	\$ 15.72	\$ 14.19	11%
Weighted average diluted shares outstanding	268.0	271.5	

(1) Property and casualty operations only.

**ACE Limited**  
**Consolidated Statements of Operations**  
(in millions of U.S. dollars)  
(Unaudited)

	Three months ended March 31		1Q-03 vs. 1Q-02
	2003	2002	
<b>Gross premiums written</b>	\$ 4,113	\$ 3,118	32%
<b>Net premiums written</b>	2,930	1,986	48%
<b>Net premiums earned</b>	2,072	1,360	52%
Losses and loss expenses	1,283	853	50%
Life and annuity benefits	48	23	109%
Policy acquisition costs	296	198	49%
Administrative expenses	260	197	32%
<b>Underwriting income</b>	<b>185</b>	<b>89</b>	108%
Net investment income	206	200	3%
Other income (expense)	(6)	5	NM
Interest expense	45	46	-2%
Income tax expense	61	32	91%
<b>Net operating income</b>	<b>279</b>	<b>216</b>	29%
Net realized gains (losses)	(40)	(26)	
Tax effect of net realized gains (losses)	8	8	
<b>Net income</b>	<b>\$ 247</b>	<b>\$ 198</b>	25%

**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	
	2003	2002
<b>Numerator:</b>		
Net operating income	\$ 279	\$ 216
Mezzanine equity dividend	(7)	(7)
	272	209
Net operating income available to the holders of Ordinary Shares		
Net realized gains (losses), net of income tax	(32)	(18)
	240	191
Net income available to the holders of Ordinary Shares	\$ 240	\$ 191
<b>Rollforward of Ordinary Shares:</b>		
Ordinary Shares—Beginning of period	262,679,356	259,861,205
Issued under ESPP	135,803	113,364
Restricted stock cancelled/granted	1,492,847	493,247
Issued for option exercises	183,813	1,429,617
	264,491,819	261,897,433
Ordinary Shares—End of period	264,491,819	261,897,433
<b>Denominator:</b>		
Weighted average shares outstanding	260,986,223	258,586,011
Dilutive effect of mezzanine equity	916,016	4,094,287
Effect of other dilutive securities	6,138,426	8,846,955
	268,040,665	271,527,253
Adjusted weighted average shares outstanding and assumed conversions	268,040,665	271,527,253
<b>Basic earnings per share:</b>		
Net operating income	\$ 1.04	\$ 0.81
Net realized gains (losses)	(0.12)	(0.07)
	0.92	0.74
Net income	\$ 0.92	\$ 0.74
<b>Diluted earnings (loss) per share:</b>		
Net operating income	\$ 1.02	\$ 0.77
Net realized gains (losses)	(0.12)	(0.07)
	0.90	0.70
Net income	\$ 0.90	\$ 0.70



**ACE Limited**  
**Summary Consolidated Balance Sheets**  
(in millions of U.S. dollars)

	<u>March 31 2003</u>	<u>December 31 2002</u>	<u>March 31 2002</u>
<b>Assets</b>			
	(Unaudited)	(Audited)	(Unaudited)
Fixed maturities available for sale, at fair value	\$ 15,044	\$ 14,420	\$ 12,796
Equity securities, at fair value	410	411	513
Securities on loan, at fair value	521	293	241
Short-term investments	2,081	1,885	1,648
Other investments, at fair value	685	652	552
Cash	477	663	820
	<u>          </u>	<u>          </u>	<u>          </u>
Total investments and cash	\$ 19,218	\$ 18,324	\$ 16,570
Insurance and reinsurance balances receivable	3,228	2,654	3,162
Reinsurance recoverable	14,132	13,991	11,370
Deferred policy acquisition costs	915	832	725
Prepaid reinsurance premiums	1,790	1,721	1,463
Goodwill	2,711	2,717	2,772
Deferred tax assets	1,227	1,288	1,240
Other assets	2,235	1,924	1,432
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ 45,456	\$ 43,451	\$ 38,734
<b>Liabilities</b>			
Unpaid losses and loss expenses	\$ 24,636	\$ 24,315	\$ 20,515
Unearned premiums	6,573	5,586	4,675
Future policy benefits for life and annuity contracts	459	442	405
Insurance and reinsurance balances payable	1,963	1,870	1,717
Contract holder deposit funds	89	90	97
Securities lending collateral	533	301	247
Accounts payable, accrued expenses and other liabilities	1,820	1,777	1,440
Short-term debt	146	146	399
Long-term debt	1,749	1,749	1,849
Trust preferred securities	475	475	875
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	\$ 38,443	\$ 36,751	\$ 32,219
<b>Mezzanine equity</b>	<u>    \$ 311</u>	<u>    \$ 311</u>	<u>    \$ 311</u>
<b>Shareholders' equity</b>			
Total shareholders' equity, excl. AOCI	6,164	\$ 5,949	\$ 6,188
Accumulated other comprehensive income (AOCI)	538	440	16
	<u>          </u>	<u>          </u>	<u>          </u>
Total shareholders' equity	\$ 6,702	\$ 6,389	\$ 6,204
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, mezzanine equity and shareholders' equity	\$ 45,456	\$ 43,451	\$ 38,734
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Diluted book value per share</b>	\$ 25.14	\$ 24.16	\$ 23.78
<b>Diluted tangible book value per share</b>	\$ 15.72	\$ 14.56	\$ 14.19

**ACE Limited**  
**Consolidating Statement of Operations**  
**Three months ended March 31, 2003**  
(in millions of U.S. dollars)  
(Unaudited)

	Insurance— North American	Insurance— Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Financial Services	ACE Consolidated
Gross premiums written	\$ 1,664	\$ 1,406	\$ 462	\$ —	\$ 3,532	\$ 532	\$ 4,064
Net premiums written	933	981	443	—	2,357	526	2,883
Net premiums earned	753	814	248	—	1,815	209	2,024
Losses and loss expenses	512	494	116	—	1,122	161	1,283
Policy acquisition costs	83	152	46	—	281	11	292
Administrative expenses	88	114	15	24	241	18	259
Underwriting income (loss)	70	54	71	(24)	171	19	190
Life underwriting income	—	—	2	—	2	—	2
Net investment income—property and casualty	103	35	19	(9)	148	51	199
Other income (expense)	(6)	(1)	1	—	(6)	—	(6)
Interest expense	8	—	—	35	43	2	45
Income tax expense (benefit)	39	23	4	(14)	52	9	61
Net operating income (loss)	120	65	89	(54)	220	59	279
Net realized gains (losses)	(18)	(13)	3	(9)	(37)	(3)	(40)
Tax effect of net realized gains (losses)	3	5	—	—	8	—	8
Net income (loss)	\$ 105	\$ 57	\$ 92	\$ (63)	\$ 191	\$ 56	\$ 247
Net premiums written/gross premiums written	56.1%	69.8%	95.9%	—	66.7%	98.9%	70.9%
Effective tax rate	24.5%	26.1%	4.3%	20.6%	19.1%	13.2%	17.9%
Loss and loss expense ratio	68.0%	60.7%	46.7%		61.8%	77.0%	63.4%
Policy acquisition cost ratio	11.0%	18.7%	18.6%		15.5%	5.2%	14.4%
Administrative expense ratio	11.6%	14.0%	6.0%		13.3%	8.6%	12.8%
Combined ratio	90.6%	93.4%	71.3%		90.6%	90.8%	90.6%

**ACE Limited**  
**Consolidating Statement of Operations**  
**Three months ended March 31, 2002**  
(in millions of U.S. dollars)  
(Unaudited)

	Insurance— North American	Insurance— Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Financial Services	ACE Consolidated
Gross premiums written	\$ 1,265	\$ 962	\$ 374	\$ —	\$ 2,601	\$ 488	\$ 3,089
Net premiums written	513	614	355	—	1,482	476	1,958
Net premiums earned	473	509	115	—	1,097	234	1,331
Losses and loss expenses	327	292	39	—	658	195	853
Policy acquisition costs	42	114	17	—	173	18	191
Administrative expenses	71	86	6	23	186	10	196
<b>Underwriting income (loss)</b>	<b>33</b>	<b>17</b>	<b>53</b>	<b>(23)</b>	<b>80</b>	<b>11</b>	<b>91</b>
Life underwriting income	—	—	4	—	4	—	4
Net investment income—property and casualty	102	21	24	(2)	145	49	194
Other income (expense)	1	4	—	—	5	—	5
Interest expense	9	—	1	32	42	4	46
Income tax expense (benefit)	33	8	—	(18)	23	9	32
<b>Net operating income (loss)</b>	<b>94</b>	<b>34</b>	<b>80</b>	<b>(39)</b>	<b>169</b>	<b>47</b>	<b>216</b>
Net realized gains (losses)	(20)	(5)	(3)	7	(21)	(5)	(26)
Tax effect of net realized gains (losses)	8	1	—	—	9	(1)	8
<b>Net income (loss)</b>	<b>\$ 82</b>	<b>\$ 30</b>	<b>\$ 77</b>	<b>\$ (32)</b>	<b>\$ 157</b>	<b>\$ 41</b>	<b>\$ 198</b>
Net premiums written/gross premiums written	40.6%	63.8%	94.9%	—	57.0%	97.5%	63.4%
Effective tax rate	26.0%	19.0%	0.0%	31.6%	12.0%	16.1%	12.9%
Loss and loss expense ratio	69.2%	57.3%	34.1%		60.0%	83.1%	64.1%
Policy acquisition cost ratio	8.9%	22.3%	14.3%		15.7%	7.9%	14.3%
Administrative expense ratio	15.0%	17.0%	5.6%		17.0%	4.3%	14.7%
<b>Combined ratio</b>	<b>93.1%</b>	<b>96.6%</b>	<b>54.0%</b>		<b>92.7%</b>	<b>95.3%</b>	<b>93.1%</b>

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

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Insurance—North American</b>								
Gross premiums written	\$ 1,664	\$ 1,640	\$ 1,783	\$ 1,428	\$ 1,265	32%	\$ 6,116	\$ 4,521
Net premiums written	933	819	869	718	513	82%	2,919	1,986
Net premiums earned	753	742	654	606	473	59%	2,475	1,816
Losses and loss expenses	512	1,024	453	396	327	57%	2,200	1,373
Policy acquisition costs	83	69	55	50	42	98%	216	206
Administrative expenses	88	97	86	87	71	24%	341	315
Underwriting income (loss)	70	(448)	60	73	33	112%	(282)	(78)
Net investment income—property and casualty	103	100	101	103	102	1%	406	426
Other income (expense)	(6)	1	—	(1)	1		1	1
Interest expense	8	8	7	8	9		32	37
Income tax expense (benefit)	39	(119)	41	41	33		(4)	94
Amortization of goodwill	—	—	—	—	—		—	—
<b>Net operating income (loss)</b>	<b>120</b>	<b>(236)</b>	<b>113</b>	<b>126</b>	<b>94</b>	<b>28%</b>	<b>97</b>	<b>218</b>
Net realized gains (losses)	(18)	(92)	(55)	(32)	(20)		(199)	(19)
Tax effect of net realized gains (losses)	3	27	4	4	8		43	8
Net income (loss)	\$ 105	\$ (301)	\$ 62	\$ 98	\$ 82	28%	\$ (59)	\$ 207
Net premiums written/gross premiums written	56.1%	49.9%	48.7%	50.3%	40.6%		47.7%	43.9%
Effective tax rate	24.5%	33.5%	26.6%	24.6%	26.0%		-4.3%	30.1%
Loss and loss expense ratio	68.0%	137.9%	69.2%	65.4%	69.2%		88.9%	75.6%
Policy acquisition cost ratio	11.0%	9.4%	8.3%	8.3%	8.9%		8.7%	11.3%
Administrative expense ratio	11.6%	13.0%	13.2%	14.3%	15.0%		13.8%	17.4%
<b>Combined ratio</b>	<b>90.6%</b>	<b>160.3%</b>	<b>90.7%</b>	<b>88.0%</b>	<b>93.1%</b>		<b>111.4%</b>	<b>104.3%</b>
<b>Large losses and other items:</b>		(1)					(1)	(2)
Large losses (before tax)	\$ —	\$ 516	\$ —	\$ —	\$ —		\$ 516	\$ 159
Large losses (after tax)	\$ —	\$ 354	\$ —	\$ —	\$ —		\$ 354	\$ 143
<b>Excluding A&amp;E charge:</b>		(1)						
Underwriting income		\$ 68					\$ 234	
Net operating income		\$ 118					\$ 451	
Net income		\$ 53					\$ 295	
Loss and loss expense ratio		68.4%					68.0%	
Combined ratio		90.8%					90.5%	

(1) Reported in press release on January 27, 2003.

(2) September 11, 2001 tragedy (See Note 5 to the Consolidated Financial Statements included in the 2002 Annual Report on Form 10-K). Amount also includes \$18M of losses reported in the press release on July 18, 2001.

**ACE Limited**  
**Premiums By Line of Business; Insurance—North American**  
(in millions of U.S. dollars)  
(Unaudited)

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Gross Premiums Written:</b>								
Property & casualty	\$1,594	\$1,593	\$1,752	\$1,398	\$1,241	28.4%	\$ 5,984	\$ 4,521
Life, accident & health	70	47	31	30	24	191.7%	132	—
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$1,664</u>	<u>\$1,640</u>	<u>\$1,783</u>	<u>\$1,428</u>	<u>\$1,265</u>	31.5%	<u>\$ 6,116</u>	<u>\$ 4,521</u>
<b>Net Premiums Written:</b>								
Property & casualty	\$ 900	\$ 797	\$ 854	\$ 700	\$ 495	81.8%	\$ 2,846	\$ 1,986
Life, accident & health	33	22	15	18	18	83.3%	73	—
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$ 933</u>	<u>\$ 819</u>	<u>\$ 869</u>	<u>\$ 718</u>	<u>\$ 513</u>	81.9%	<u>\$ 2,919</u>	<u>\$ 1,986</u>
<b>Net Premiums Earned:</b>								
Property & casualty	\$ 723	\$ 721	\$ 637	\$ 586	\$ 450	60.7%	\$ 2,394	\$ 1,812
Life, accident & health	30	21	17	20	23	30.4%	81	4
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$ 753</u>	<u>\$ 742</u>	<u>\$ 654</u>	<u>\$ 606</u>	<u>\$ 473</u>	59.2%	<u>\$ 2,475</u>	<u>\$ 1,816</u>

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

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Insurance—Overseas General</b>								
Gross premiums written	\$ 1,406	\$ 1,203	\$ 1,008	\$ 941	\$ 962	46%	\$ 4,114	\$ 3,289
Net premiums written	981	796	690	616	614	60%	2,716	2,154
Net premiums earned	814	671	647	566	509	60%	2,393	1,941
Losses and loss expenses	494	372	446	345	292	69%	1,455	1,465
Policy acquisition costs	152	151	140	128	114	33%	533	445
Administrative expenses	114	108	107	89	86	33%	390	333
Underwriting income (loss) (1)	54	40	(46)	4	17	218%	15	(302)
Net investment income—property and casualty	35	31	28	28	21	67%	108	102
Other income (expense)	(1)	(1)	(1)	—	4		2	(1)
Interest expense	—	1	1	1	—		3	2
Income tax expense (benefit) (1)	23	(3)	(4)	5	8		6	(87)
Amortization of goodwill	—	—	—	—	—		—	3
<b>Net operating income (loss)</b>	<b>65</b>	<b>72</b>	<b>(16)</b>	<b>26</b>	<b>34</b>	<b>91%</b>	<b>116</b>	<b>(119)</b>
Net realized gains (losses)	(13)	(5)	(21)	(6)	(5)		(37)	(5)
Tax effect of net realized gains (losses)	5	2	7	2	1		12	2
Net income (loss)	\$ 57	\$ 69	\$ (30)	\$ 22	\$ 30	90%	\$ 91	\$ (122)
Net premiums written/gross premiums written	69.8%	66.2%	68.5%	65.5%	63.8%		66.0%	65.5%
Effective tax rate	26.1%	-4.3%	20.0%	16.1%	19.0%		4.9%	42.2%
Loss and loss expense ratio	60.7%	55.5%	68.9%	61.1%	57.3%		60.8%	75.5%
Policy acquisition cost ratio	18.7%	22.4%	21.8%	22.6%	22.3%		22.3%	22.9%
Administrative expense ratio (1)	14.0%	16.2%	16.5%	15.5%	17.0%		16.3%	17.2%
<b>Combined ratio</b>	<b>93.4%</b>	<b>94.1%</b>	<b>107.2%</b>	<b>99.2%</b>	<b>96.6%</b>		<b>99.4%</b>	<b>115.6%</b>
<b>Large losses and other items:</b>			(2)				(2)	(3)
Large losses (before tax)	\$ —	\$ —	\$ 68	\$ —	\$ —		\$ 68	\$ 290
Large losses (after tax)	\$ —	\$ —	\$ 61	\$ —	\$ —		\$ 61	\$ 216

(1) Restated to include expenses reported as non-recurring in 2001.

(2) Reported in press release on September 18, 2002. Total after tax \$90 million includes \$61M in Overseas General and \$29M in Global Reinsurance.

(3) September 11, 2001 tragedy (See Note 5 to the Consolidated Financial Statements included in the 2002 Annual Report on Form 10-K). Amount also includes losses reported in the press release of January 8, 2002.

**ACE Limited**  
**Premiums By Line of Business; Insurance-Overseas General**  
(in millions of U.S. dollars)  
(Unaudited)

	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02</u>	<u>2Q-02</u>	<u>1Q-02</u>	<u>% Change 1Q-03 vs. 1Q- 02</u>	<u>Full Year 2002</u>	<u>Full Year 2001</u>
<b>Gross Premiums Written:</b>								
Property & casualty	\$1,156	\$1,026	\$ 837	\$776	\$788	46.7%	\$ 3,427	\$ 2,680
Life, accident & health	250	177	171	165	174	43.7%	687	609
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$1,406</u>	<u>\$1,203</u>	<u>\$1,008</u>	<u>\$941</u>	<u>\$962</u>	<u>46.2%</u>	<u>\$ 4,114</u>	<u>\$ 3,289</u>
<b>Net Premiums Written:</b>								
Property & casualty	\$ 770	\$ 643	\$ 543	\$463	\$472	63.1%	\$ 2,121	\$ 1,633
Life, accident & health	211	153	147	153	142	48.6%	595	521
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$ 981</u>	<u>\$ 796</u>	<u>\$ 690</u>	<u>\$616</u>	<u>\$614</u>	<u>59.8%</u>	<u>\$ 2,716</u>	<u>\$ 2,154</u>
<b>Net Premiums Earned:</b>								
Property & casualty	\$ 633	\$ 510	\$ 489	\$433	\$385	64.4%	\$ 1,817	\$ 1,427
Life, accident & health	181	161	158	133	124	46.0%	576	511
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	3
	<u>\$ 814</u>	<u>\$ 671</u>	<u>\$ 647</u>	<u>\$566</u>	<u>\$509</u>	<u>59.9%</u>	<u>\$ 2,393</u>	<u>\$ 1,941</u>

**ACE Limited**  
**Segment—Key Components**  
(in millions of U.S. dollars)  
(Unaudited)

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Insurance—Overseas General</b>								
<b>Gross Premiums Written:</b>								
ACE Global Markets	\$ 346	\$ 511	\$ 325	\$ 314	\$ 301	15.0%	\$ 1,451	\$ 1,179
ACE International	1,060	692	683	627	661	60.4%	2,663	2,110
<b>Total</b>	<b>\$ 1,406</b>	<b>\$ 1,203</b>	<b>\$ 1,008</b>	<b>\$ 941</b>	<b>\$ 962</b>	<b>46.2%</b>	<b>\$ 4,114</b>	<b>\$ 3,289</b>
<b>Net Premiums Written:</b>								
ACE Global Markets	\$ 256	\$ 282	\$ 196	\$ 160	\$ 149	71.8%	\$ 787	\$ 712
ACE International	725	514	494	456	465	55.9%	1,929	1,442
<b>Total</b>	<b>\$ 981</b>	<b>\$ 796</b>	<b>\$ 690</b>	<b>\$ 616</b>	<b>\$ 614</b>	<b>59.8%</b>	<b>\$ 2,716</b>	<b>\$ 2,154</b>
<b>Net Premiums Earned:</b>								
ACE Global Markets	\$ 248	\$ 177	\$ 181	\$ 159	\$ 145	71.0%	\$ 662	\$ 563
ACE International	566	494	466	407	364	55.5%	1,731	1,378
<b>Total</b>	<b>\$ 814</b>	<b>\$ 671</b>	<b>\$ 647</b>	<b>\$ 566</b>	<b>\$ 509</b>	<b>59.9%</b>	<b>\$ 2,393</b>	<b>\$ 1,941</b>
<b>Net Premiums Written/Gross Premiums Written:</b>								
ACE Global Markets	74.0%	55.2%	60.3%	51.0%	49.5%	49.5%	54.2%	60.4%
ACE International	68.4%	74.3%	72.3%	72.7%	70.3%	-2.8%	72.4%	68.3%
<b>Total</b>	<b>69.8%</b>	<b>66.2%</b>	<b>68.5%</b>	<b>65.5%</b>	<b>63.8%</b>	<b>9.3%</b>	<b>66.0%</b>	<b>65.5%</b>
<b>Loss Ratio:</b>								
ACE Global Markets	61.2%	51.3%	69.7%	65.2%	51.7%	18.4%	59.7%	77.9%
ACE International	60.4%	56.9%	68.6%	59.5%	59.5%	1.5%	61.2%	74.5%
<b>Total</b>	<b>60.7%</b>	<b>55.5%</b>	<b>68.9%</b>	<b>61.1%</b>	<b>57.3%</b>	<b>5.9%</b>	<b>60.8%</b>	<b>75.5%</b>
<b>Expense Ratio:</b>								
ACE Global Markets	36.7%	52.1%	46.8%	45.2%	55.2%	-33.5%	49.6%	46.4%
ACE International	30.9%	33.9%	35.0%	35.4%	33.0%	-6.4%	34.4%	37.1%
<b>Total</b>	<b>32.7%</b>	<b>38.6%</b>	<b>38.3%</b>	<b>38.1%</b>	<b>39.3%</b>	<b>-16.8%</b>	<b>38.6%</b>	<b>39.7%</b>
<b>Combined Ratio:</b>								
ACE Global Markets	97.9%	103.4%	116.5%	110.4%	106.9%	-8.4%	109.3%	124.3%
ACE International	91.3%	90.8%	103.6%	94.9%	92.5%	-1.3%	95.6%	111.6%
<b>Total</b>	<b>93.4%</b>	<b>94.1%</b>	<b>107.2%</b>	<b>99.2%</b>	<b>96.6%</b>	<b>-3.3%</b>	<b>99.4%</b>	<b>115.2%</b>



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

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Global Reinsurance</b>								
Property and casualty								
Gross premiums written	\$ 462	\$ 113	\$ 186	\$ 214	\$ 374	24%	\$ 887	\$ 460
Net premiums written	443	94	131	197	355	25%	777	354
Net premiums earned	248	218	194	150	115	116%	677	324
Losses and loss expenses	116	111	101	53	39	197%	304	317
Policy acquisition costs	46	40	37	29	17	171%	123	68
Administrative expenses	15	14	11	9	6	150%	40	29
Underwriting income (loss)	71	53	45	59	53	34%	210	(90)
<b>Life</b>								
Gross premiums written	49	50	58	28	29	69%	165	414
Net premiums written	47	47	57	27	28	68%	159	408
Net premiums earned	48	46	57	26	29	66%	158	406
Losses and loss expenses	48	52	60	23	23	109%	158	401
Policy acquisition costs	4	1	3	5	7	-43%	16	8
Administrative expenses	1	1	2	2	1	0%	6	2
Net investment income	7	8	7	6	6	17%	27	9
Underwriting income (loss)	2	—	(1)	2	4	-50%	5	4
Net investment income—property and casualty	19	19	20	19	24	-21%	82	70
Other income (expense)	1	—	1	—	—		1	—
Interest expense	—	—	—	—	1		1	1
Income tax expense (benefit)	4	—	(1)	2	—		1	(22)
Amortization of goodwill	—	—	—	—	—		—	14
<b>Net operating income (loss)</b>	<b>89</b>	<b>72</b>	<b>66</b>	<b>78</b>	<b>80</b>	<b>11%</b>	<b>296</b>	<b>(9)</b>
Net realized gains (losses)	3	—	(27)	(27)	(3)		(57)	(16)
Tax effect of net realized gains (losses)	—	—	—	—	—		—	—
Net income (loss)	\$ 92	\$ 72	\$ 39	\$ 51	\$ 77	19%	\$ 239	\$ (25)
Net premiums written/gross premiums written	95.9%	83.2%	70.4%	92.1%	94.9%		87.6%	76.9%
Effective tax rate	4.3%	0.0%	-1.5%	2.5%	0.0%		0.3%	71.0%
Loss and loss expense ratio	46.7%	51.1%	52.0%	35.0%	34.1%		44.9%	97.7%
Policy acquisition cost ratio	18.6%	18.2%	19.2%	19.5%	14.3%		18.1%	21.0%
Administrative expense ratio	6.0%	6.5%	5.2%	6.3%	5.6%		5.9%	9.0%
<b>Combined ratio</b>	<b>71.3%</b>	<b>75.8%</b>	<b>76.4%</b>	<b>60.8%</b>	<b>54.0%</b>		<b>68.9%</b>	<b>127.7%</b>
<b>Large losses and other items:</b>								
Large losses (before tax)	\$ —	\$ —	\$ 32	\$ —	\$ —		\$ 32	\$ 273
Large losses (after tax)	\$ —	\$ —	\$ 29	\$ —	\$ —		\$ 29	\$ 238

- (1) Reported in press release on September 18, 2002. Total after tax \$90 million includes \$61M in Overseas General and \$29M in Global Reinsurance.
- (2) September 11, 2001 tragedy (See Note 5 to the Consolidated Financial Statements included in the 2002 Annual Report on Form 10-K). Amount also includes \$37M of losses reported in the press release on July 18, 2001.

**ACE Limited**  
**Premiums By Line of Business; Global Reinsurance**  
(in millions of U.S. dollars)  
(Unaudited)

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Gross Premiums Written:</b>								
Property & casualty	\$462	\$113	\$186	\$214	\$374	23.5%	\$ 887	\$ 460
Life, accident & health	49	50	58	28	29	69.0%	165	414
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$511</u>	<u>\$163</u>	<u>\$244</u>	<u>\$242</u>	<u>\$403</u>	<u>26.8%</u>	<u>\$ 1,052</u>	<u>\$ 874</u>
<b>Net Premiums Written:</b>								
Property & casualty	\$443	\$ 94	\$131	\$197	\$355	24.8%	\$ 777	\$ 354
Life, accident & health	47	47	57	27	28	67.9%	159	408
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$490</u>	<u>\$141</u>	<u>\$188</u>	<u>\$224</u>	<u>\$383</u>	<u>27.9%</u>	<u>\$ 936</u>	<u>\$ 762</u>
<b>Net Premiums Earned:</b>								
Property & casualty	\$248	\$218	\$194	\$150	\$115	115.7%	\$ 677	\$ 324
Life, accident & health	48	46	57	26	29	65.5%	158	406
Financial guaranty	—	—	—	—	—	—	—	—
Financial solutions	—	—	—	—	—	—	—	—
	<u>\$296</u>	<u>\$264</u>	<u>\$251</u>	<u>\$176</u>	<u>\$144</u>	<u>105.6%</u>	<u>\$ 835</u>	<u>\$ 730</u>

**ACE Limited**  
**Segment—Key Components**  
(in millions of U.S. dollars)  
(Unaudited)

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Global Reinsurance—Property &amp; Casualty</b>								
<b>Gross Premiums Written:</b>								
Tempest Europe	\$ 123	\$ 34	\$ 36	\$ 67	\$ 93	32.3%	\$ 230	\$ 120
Tempest USA	100	86	69	47	32	212.5%	234	69
Tempest Bermuda	239	(7)	81	100	249	-4.0%	423	271
	<u>\$ 462</u>	<u>\$ 113</u>	<u>\$ 186</u>	<u>\$ 214</u>	<u>\$ 374</u>	<u>23.5%</u>	<u>\$ 887</u>	<u>\$ 460</u>
<b>Net Premiums Written:</b>								
Tempest Europe	\$ 115	\$ 18	\$ 27	\$ 57	\$ 80	43.8%	\$ 182	\$ 53
Tempest USA	99	86	69	47	32	209.4%	234	69
Tempest Bermuda	229	(10)	35	93	243	-5.8%	361	232
	<u>\$ 443</u>	<u>\$ 94</u>	<u>\$ 131</u>	<u>\$ 197</u>	<u>\$ 355</u>	<u>24.8%</u>	<u>\$ 777</u>	<u>\$ 354</u>
<b>Net Premiums Earned:</b>								
Tempest Europe	\$ 69	\$ 45	\$ 38	\$ 37	\$ 22	213.6%	\$ 142	\$ 60
Tempest USA	86	69	53	36	24	258.3%	182	42
Tempest Bermuda	93	104	103	77	69	34.8%	353	222
	<u>\$ 248</u>	<u>\$ 218</u>	<u>\$ 194</u>	<u>\$ 150</u>	<u>\$ 115</u>	<u>115.7%</u>	<u>\$ 677</u>	<u>\$ 324</u>
<b>Net premiums written/gross premiums written</b>								
Tempest Europe	93.5%	52.9%	75.0%	85.1%	86.0%	8.7%	79.1%	44.2%
Tempest USA	99.0%	100.0%	100.0%	100.0%	100.0%	-1.0%	100.0%	100.0%
Tempest Bermuda	95.8%	142.9%	43.2%	93.0%	97.6%	-1.8%	85.3%	85.6%
	<u>95.9%</u>	<u>83.2%</u>	<u>70.4%</u>	<u>92.1%</u>	<u>94.9%</u>	<u>1.0%</u>	<u>87.6%</u>	<u>77.0%</u>

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

	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02 (3)</u>	<u>2Q-02 (3)</u>	<u>1Q-02</u>	<u>% Change vs 1Q-02</u>	<u>Full Year 2002</u>	<u>Full Year 2001</u>
<b>Corporate &amp; Other (1)</b>								
Administrative expenses	\$ 24	\$ 31	\$ 29	\$ 27	\$ 23	4%	\$ 110	\$ 94
Underwriting income (loss)	(24)	(31)	(29)	(27)	(23)	4%	(110)	(94)
Net investment income (2)	(9)	(7)	(3)	(1)	(2)		(13)	5
Other income (expense) (3)	—	—	(15)	(11)	—		(26)	—
Interest expense (2)	35	36	37	40	32		145	142
Income tax expense (benefit)	(14)	(17)	(21)	(21)	(18)		(77)	(76)
Amortization of goodwill	—	—	—	—	—		—	58
<b>Net operating income (loss)</b>	<b>(54)</b>	<b>(57)</b>	<b>(63)</b>	<b>(58)</b>	<b>(39)</b>		<b>(217)</b>	<b>(213)</b>
Net realized gains (losses)	(9)	(1)	(55)	(30)	7		(79)	(14)
Tax effect of net realized gains (losses)	—	—	—	—	—		—	—
Net income (loss)	\$ (63)	\$ (58)	\$ (118)	\$ (88)	\$ (32)		\$ (296)	\$ (227)
Effective tax rate	20.6%	23.0%	25.0%	26.6%	31.6%		26.2%	26.3%

(1) Includes ACE Limited and ACE INA Holdings

(2) Net of intercompany eliminations

(3) Other income (expense) in Q2 and Q3 of 2002 represents debt prepayment expense. The tax effect in 2Q-02 was \$4M and 3Q-02 was \$5M.

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

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Consolidated Property and Casualty Excluding Financial Services</b>								
Gross premiums written	\$ 3,532	\$ 2,956	\$ 2,977	\$ 2,583	\$ 2,601	36%	\$ 11,117	\$ 8,270
Net premiums written	2,357	1,709	1,690	1,531	1,482	59%	6,412	4,494
Net premiums earned	1,815	1,631	1,495	1,322	1,097	65%	5,545	4,081
Losses and loss expenses	1,122	1,507	1,000	794	658	71%	3,959	3,155
Policy acquisition costs	281	260	232	207	173	62%	872	719
Administrative expenses	241	250	233	212	186	30%	881	771
Underwriting income (loss)	171	(386)	30	109	80	114%	(167)	(564)
Life underwriting income (loss)	2	—	(1)	2	4		5	4
Net investment income—property and casualty	148	143	146	149	145	2%	583	603
Other income (expense)	(6)	—	(15)	(12)	5		(22)	—
Interest expense	43	45	45	49	42		181	182
Income tax expense (benefit)	52	(139)	15	27	23		(74)	(91)
Amortization of goodwill	—	—	—	—	—		—	75
<b>Net operating income (loss)</b>	<b>220</b>	<b>(149)</b>	<b>100</b>	<b>172</b>	<b>169</b>	<b>30%</b>	<b>292</b>	<b>(123)</b>
Net realized gains (losses)	(37)	(88)	(158)	(95)	(21)		(362)	(54)
Tax effect of net realized gains (losses)	8	19	11	6	9		45	10
Cumulative effect of adopting a new acct' standard	—	—	—	—	—		—	—
<b>Net income (loss)</b>	<b>\$ 191</b>	<b>\$ (218)</b>	<b>\$ (47)</b>	<b>\$ 83</b>	<b>\$ 157</b>	<b>22%</b>	<b>\$ (25)</b>	<b>\$ (167)</b>
Net premiums written/gross premiums written	66.7%	57.8%	56.8%	59.3%	57.0%		57.7%	54.3%
Effective tax rate	19.1%	48.3%	13.0%	13.6%	12.0%		-33.9%	42.5%
Loss and loss expense ratio	61.8%	92.4%	66.8%	60.1%	60.0%		71.4%	77.3%
Policy acquisition cost ratio	15.5%	15.9%	15.6%	15.7%	15.7%		15.7%	17.6%
Administrative expense ratio	13.3%	15.4%	15.6%	16.0%	17.0%		15.9%	18.9%
<b>Combined ratio</b>	<b>90.6%</b>	<b>123.7%</b>	<b>98.0%</b>	<b>91.8%</b>	<b>92.7%</b>		<b>103.0%</b>	<b>113.8%</b>

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

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Financial Services</b>								
Gross premiums written	532	\$ 238	\$ 493	\$ 318	\$ 488	9%	\$ 1,537	\$ 1,481
Net premiums written	526	228	476	317	476	11%	1,497	1,461
Net premiums earned	209	292	373	228	234	-11%	1,127	1,429
Losses and loss expenses	161	257	328	167	195	-17%	947	1,397
Policy acquisition costs	11	14	18	22	18	-39%	72	58
Administrative expenses	18	15	15	17	10	80%	57	56
<b>Underwriting income (loss)</b>	<b>19</b>	<b>6</b>	<b>12</b>	<b>22</b>	<b>11</b>	<b>73%</b>	<b>51</b>	<b>(82)</b>
Net investment income	51	51	46	46	49	4%	192	173
Other income	—	1	—	—	—		1	1
Interest expense	2	2	3	3	4		12	17
Income tax expense	9	6	7	8	9		30	21
Amortization of goodwill	—	—	—	—	—		—	4
<b>Net operating income</b>	<b>59</b>	<b>50</b>	<b>48</b>	<b>57</b>	<b>47</b>	<b>26%</b>	<b>202</b>	<b>50</b>
Net realized gains (losses)	(3)	—	(77)	(45)	(5)		(126)	(4)
Tax effect of net realized gains (losses)	—	—	19	9	(1)		26	(2)
Cumulative effect of adopting a new acct' standard	—	—	—	—	—		—	(23)
<b>Net income (loss)</b>	<b>\$ 56</b>	<b>\$ 50</b>	<b>\$ (10)</b>	<b>\$ 21</b>	<b>\$ 41</b>	<b>37%</b>	<b>\$ 102</b>	<b>\$ 21</b>
Net premiums written/gross premiums written	98.9%	95.8%	96.6%	99.7%	97.5%		97.4%	98.6%
Effective tax rate	13.2%	10.7%	12.7%	12.3%	16.1%		12.9%	29.6%
Loss and loss expense ratio	77.0%	88.2%	88.0%	73.2%	83.1%		84.0%	97.8%
Policy acquisition cost ratio	5.2%	5.0%	4.6%	9.6%	7.9%		6.4%	4.0%
Administrative expense ratio	8.6%	4.6%	4.2%	7.4%	4.3%		5.0%	3.9%
<b>Combined ratio</b>	<b>90.8%</b>	<b>97.8%</b>	<b>96.8%</b>	<b>90.2%</b>	<b>95.3%</b>		<b>95.4%</b>	<b>105.7%</b>
<b>Large losses and other items:</b>								
Loss portfolio transfers**	\$ —	\$ 99	\$ 187	\$ 25	\$ —		\$ 311	\$ 642
September 11, 2001 tragedy (before and after tax)								\$ 147 <sup>(1)</sup>

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

(1) September 11, 2001 tragedy (See Note 5 to the Consolidated Financial Statements included in the 2002 Annual Report on Form 10-K).

**ACE Limited**  
**Premiums By Line of Business; Financial Services**  
(in millions of U.S. dollars)  
(Unaudited)

	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02</u>	<u>2Q-02</u>	<u>1Q-02</u>	<u>% Change 1Q-03 vs. 1Q- 02</u>	<u>Full Year 2002</u>	<u>Full Year 2001</u>
<b>Gross Premiums Written:</b>								
Property & casualty	\$—	\$—	\$—	\$—	\$—	—	\$ —	\$ —
Life, accident & health	—	—	—	—	—	—	—	—
Financial guaranty	121	97	147	82	65	86.2%	391	292
Financial solutions	411	141	346	236	423	-2.8%	1,146	1,189
	<u>\$532</u>	<u>\$238</u>	<u>\$493</u>	<u>\$318</u>	<u>\$488</u>	<u>9.0%</u>	<u>\$ 1,537</u>	<u>\$ 1,481</u>
<b>Net Premiums Written:</b>								
Property & casualty	\$—	\$—	\$—	\$—	\$—	—	\$ —	\$ —
Life, accident & health	—	—	—	—	—	—	—	—
Financial guaranty	120	96	146	82	63	90.5%	387	284
Financial solutions	406	132	330	235	413	-1.7%	1,110	1,177
	<u>\$526</u>	<u>\$228</u>	<u>\$476</u>	<u>\$317</u>	<u>\$476</u>	<u>10.5%</u>	<u>\$ 1,497</u>	<u>\$ 1,461</u>
<b>Net Premiums Earned:</b>								
Property & casualty	\$—	\$—	\$—	\$—	\$—	—	\$ —	\$ —
Life, accident & health	—	—	—	—	—	—	—	—
Financial guaranty	88	81	46	81	74	18.9%	282	352
Financial solutions	121	211	327	147	160	-24.4%	845	1,077
	<u>\$209</u>	<u>\$292</u>	<u>\$373</u>	<u>\$228</u>	<u>\$234</u>	<u>-10.7%</u>	<u>\$ 1,127</u>	<u>\$ 1,429</u>

**ACE Limited**  
**Segment—Key Component**  
**Financial Guaranty Profile**

Through its Financial Services segment, the Company is an active participant in the financial guaranty market. The Company's financial guaranty exposure comprises exposure to municipal and non-municipal obligations. At March 31, 2003, the Company had total financial guaranty exposure outstanding of \$82.6 billion of which 60.0 percent represented exposure to municipal obligations and 40.0 percent to non-municipal obligations.

The financial guaranty portfolio is broadly diversified by payment source, geographic location, and maturity schedule. The Company limits its exposure to losses by underwriting primarily investment grade obligations. The following details the composition of the Company's financial guaranty business:

Sector	March 31, 2003			December 31, 2002		
	Par Outstanding	%	Average Rating	Par Outstanding	%	Average Rating
(in millions of U.S. dollars)						
<b>Municipal Exposure:</b>						
Tax backed	\$ 19,614	23.8%	A+	\$ 19,637	24.0%	A+
Municipal utilities	10,523	12.7%	A+	10,390	12.7%	A+
Special revenue	8,536	10.3%	A	8,596	10.5%	A
Healthcare	5,494	6.7%	A	5,798	7.1%	A
Structured municipal(1)	3,378	4.1%	AAA	3,523	4.3%	AAA
Other municipal(2)	1,980	2.4%	A-	2,151	2.7%	A-
<b>Total Municipal</b>	<b>49,525</b>	<b>60.0%</b>	<b>A</b>	<b>50,095</b>	<b>61.3%</b>	<b>A</b>
<b>Non-Municipal Exposure:</b>						
Senior layer CDOs(3)	\$ 13,680	16.6%	AA+	\$ 12,727	15.6%	AA+
Consumer receivables(4)	9,018	10.9%	A	8,388	10.3%	A
Single name corporate CDS	4,283	5.2%	A+	4,454	5.4%	A+
Commercial receivables(5)	3,826	4.6%	A	3,464	4.2%	A+
Other structured finance(6)	1,685	2.0%	A+	2,051	2.5%	A
Funded equity CDOs(3)	580	0.7%	NM	586	0.7%	NM
<b>Total Non-Municipal</b>	<b>33,072</b>	<b>40.0%</b>	<b>AA -</b>	<b>31,670</b>	<b>38.7%</b>	<b>AA -</b>
<b>Total Exposure</b>	<b>\$ 82,597</b>	<b>100%</b>		<b>\$ 81,765</b>	<b>100.0%</b>	

- (1) Structured Municipal: includes excess of loss reinsurance on portfolios of municipal credits where the Company attached in excess of the AAA rating level.
- (2) Other Municipal: primarily includes first mortgage bonds on investor-owned utilities and government-sponsored project finance.
- (3) For ACE, collateralized debt obligations (CDOs) are structured financings backed by a pool of investment grade assets. These financings are typically structured in multiple tranches (layers) from equity (first loss) through super senior (high excess). Losses on defaulted pool assets are allocated successively first to the equity tranche then to higher rated tranches. Market supply and demand factors influence pricing and the amount and position in the structure where ACE chooses to participate.
- (4) Consumer Receivables: principally includes auto loan receivables, residential mortgage-backed securities and credit card receivables.
- (5) Commercial Receivables: principally includes equipment leases and commercial mortgage-backed securities.
- (6) Other Structured Finance: predominantly trade receivable securitization, secured structured lending, and future flow transactions.



**ACE Limited**  
**Segment—Key Component**  
**Financial Guaranty Profile**

The greatest proportion of the Company's municipal financial guaranty exposure (23.7%), comprises general obligation bonds that are supported by the issuer's taxing authority and of special revenue bonds and other special obligations of states and local governments that are supported by the issuer's ability to impose and collect fees and charges for public services or specific projects. Maturities for municipal obligations can range from one to 30 years, with the average maturity in the 12-15 year range. The weighted average credit quality of the municipal portfolio was A as of March 31, 2003.

The Company's non-municipal exposure includes exposure to asset-backed obligations, including those backed by consumer receivables, commercial receivables and collateralized debt obligations ("CDOs") as well as single name corporate obligations. Legal maturities for non-municipal transactions range from 1-30 years. Maturities of single name corporate credit default swaps (CDS) range from 1-5 years with an average maturity of 1.8 years. The weighted average credit quality of the non-municipal portfolio was AA- as of March 31, 2003.

The Company conducts its financial guaranty business by entering into insurance and reinsurance arrangements as well as CDS. Exposure to CDS included in total exposure amounted to \$21.5 billion and \$20.7 billion at March 31, 2003 and December 31, 2002, respectively. The Company's principal CDS exposure is to CDOs and single name corporate obligations. The preponderance of the Company's CDO exposure is highly rated senior layer CDOs. Senior Layer CDOs are structured with first loss protection in the form of subordination or over collateralization so that the Company's risk typically attaches at or above the AAA rating level. The Company also participates in Funded Equity CDO transactions wherein a substantial portion of the Company's exposure is mitigated by premium. Rate on line for such transactions is typically 75%-85% of the total exposure.

Ratings distributions of the Company's senior layer CDOs and single name corporate credit default swaps as of March 31, 2003 are shown below:

	<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>BBB</u>	<u>BIG</u>
Senior Layer CDOs	7.2%	15.5%	70.2%	6.2%	0.9%
Single Name Corporate CDS	49.7%	18.5%	17.3%	11.1%	3.4%

**ACE Limited**  
**Segment—Key Component**  
**Financial Guaranty Profile**

Because credit default swaps are considered derivative transactions under FAS 133, the Company is required to mark-to-market its outstanding exposure at each financial reporting date. This is in contrast to the accounting treatment for a similar risk that is written as an insurance contract and is required in spite of the fact that the Company does not trade its credit default swap positions. Rather, its business is analogous to a buy and hold strategy. The mark-to-market adjustment reflects the estimated cost to the Company to purchase mirror protection on its outstanding exposures and is not an estimate of expected losses incurred. Expected losses are provided for in outstanding loss reserves, which the Company believes are adequate. In the first quarter, the Company recorded a FAS 133 mark-to-market loss before tax of \$2.1 million.

The following table summarizes the Company's scheduled outstanding credit default swap portfolio by year as of March 31, 2003:

(\$ billions)	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Thereafter</u>
<b>Senior Layer CDOs</b>						
Beginning Outstanding Par	13.7	13.6	13.1	10.6	7.7	7.2
Runoff Amount	(0.1)	(0.5)	(2.5)	(2.9)	(3.4)	(7.2)
Ending Outstanding Par	<u>13.6</u>	<u>13.1</u>	<u>10.6</u>	<u>7.7</u>	<u>4.3</u>	<u>0.0</u>
<b>Single Name Corporate CDS</b>						
Beginning Outstanding Par	4.3	3.1	2.4	1.2	1.0	0.4
Runoff Amount	(1.2)	(0.7)	(1.2)	(0.3)	(0.8)	(0.4)
Ending Outstanding Par	<u>3.1</u>	<u>2.4</u>	<u>1.2</u>	<u>1.0</u>	<u>0.2</u>	<u>0.0</u>
<b>Funded Equity CDOs</b>						
Beginning Outstanding Par	0.6	0.6	0.6	0.6	0.4	0.1
Runoff Amount	0.0	0.0	0.0	(0.2)	(0.3)	(0.1)
Ending Outstanding Par	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.4</u>	<u>0.1</u>	<u>0.0</u>

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

**ACE Limited Consolidated**

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
Gross premiums written	\$ 4,064	\$ 3,194	\$ 3,470	\$ 2,901	\$ 3,089	32%	\$ 12,654	\$ 9,751
Net premiums written	2,883	1,937	2,166	1,848	1,958	47%	7,909	5,955
Net premiums earned	2,024	1,923	1,868	1,550	1,331	52%	6,672	5,510
Losses and loss expenses	1,283	1,764	1,328	961	853	50%	4,906	4,552
Policy acquisition costs	292	274	250	229	191	53%	944	777
Administrative expenses (1)	259	265	248	229	196	32%	938	827
Underwriting income (loss)	190	(380)	42	131	91	109%	(116)	(646)
Life underwriting income (loss)	2	—	(1)	2	4		5	4
Net investment income—property and casualty	199	194	192	195	194	3%	775	776
Other income (expense) (2)	(6)	1	(15)	(12)	5		(21)	1
Interest expense	45	47	48	52	46	-2%	193	199
Income tax expense (benefit) (1)	61	(133)	22	35	32		(44)	(70)
Amortization of goodwill	—	—	—	—	—		—	79
<b>Net operating income (loss)</b>	<b>279</b>	<b>(99)</b>	<b>148</b>	<b>229</b>	<b>216</b>	<b>29%</b>	<b>494</b>	<b>(73)</b>
Net realized gains (losses)	(40)	(88)	(235)	(140)	(26)		(489)	(58)
Tax effect of net realized gains (losses)	8	19	30	15	8		72	8
Cumulative effect of adopting a new acct' standard	—	—	—	—	—		—	(23)
<b>Net income (loss)</b>	<b>\$ 247</b>	<b>\$ (168)</b>	<b>\$ (57)</b>	<b>\$ 104</b>	<b>\$ 198</b>	<b>25%</b>	<b>\$ 77</b>	<b>\$ (146)</b>
Net premiums written/gross premiums written	70.9%	60.6%	62.4%	63.7%	63.4%		62.5%	61.1%
Effective tax rate	17.9%	57.3%	12.9%	13.3%	12.9%		-9.8%	49.0%
Loss and loss expense ratio	63.4%	91.8%	71.0%	62.0%	64.1%		73.5%	82.6%
Policy acquisition cost ratio	14.4%	14.3%	13.4%	14.8%	14.3%		14.2%	14.1%
Administrative expense ratio (1)	12.8%	13.7%	13.3%	14.7%	14.7%		14.0%	15.0%
<b>Combined ratio</b>	<b>90.6%</b>	<b>119.8%</b>	<b>97.7%</b>	<b>91.5%</b>	<b>93.1%</b>		<b>101.7%</b>	<b>111.7%</b>
<b>Large losses and other items:</b>		(3)	(4)				(3)(4)	(5)
Large losses (before tax)	\$ —	\$ 516	\$ 100	\$ —	\$ —		\$ 616	\$ 862
Large losses (after tax)	\$ —	\$ 354	\$ 90	\$ —	\$ —		\$ 444	\$ 744
<b>Operating cash flow</b>	<b>\$ 600</b>	<b>\$ 833</b>	<b>\$ 1,020</b>	<b>\$ 427</b>	<b>\$ 144</b>		<b>\$ 2,424</b>	<b>\$ 1,353</b>

(1) Restated to include expenses reported as non-recurring in 2001.

(2) Other income (expense) in Q2 and Q3 of 2002 represents debt prepayment expense. The tax effect in 2Q-02 was \$4M and 3Q-02 was \$5M.

(3) Reported in press release January 27, 2003.

(4) Reported in press release on September 18, 2002. Total after tax \$90 million includes Overseas General and Global Reinsurance.

(5) September 11, 2001 tragedy (See Note 5 to the Consolidated Financial Statements included in the 2002 Annual Report on Form 10-K). Amount includes losses reported in the press release on July 18, 2001 and January 8, 2002.

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

**ACE Limited Consolidated**

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	% Change 1Q-03 vs. 1Q-02	Full Year 2002	Full Year 2001
<b>Gross Premiums Written :</b>								
Property & casualty	\$3,212	\$2,732	\$2,774	\$2,388	\$2,404	33.6%	\$10,298	\$ 7,661
Life, accident & health	369	274	261	223	226	63.3%	984	1,023
Financial guaranty	121	97	147	82	65	86.2%	391	292
Financial solutions	411	141	346	236	423	-2.8%	1,146	1,189
	<u>\$4,113</u>	<u>\$3,244</u>	<u>\$3,528</u>	<u>\$2,929</u>	<u>\$3,118</u>	<u>31.9%</u>	<u>\$12,819</u>	<u>\$10,165</u>
<b>Net Premiums Written :</b>								
Property & casualty	\$2,113	\$1,534	\$1,528	\$1,360	\$1,322	59.8%	\$ 5,744	\$ 3,973
Life, accident & health	291	222	219	198	188	54.8%	827	929
Financial guaranty	120	96	146	82	63	90.5%	387	284
Financial solutions	406	132	330	235	413	-1.7%	1,110	1,177
	<u>\$2,930</u>	<u>\$1,984</u>	<u>\$2,223</u>	<u>\$1,875</u>	<u>\$1,986</u>	<u>47.5%</u>	<u>\$ 8,068</u>	<u>\$ 6,363</u>
<b>Net Premiums Earned :</b>								
Property & casualty	\$1,604	\$1,449	\$1,320	\$1,169	\$ 950	68.8%	\$ 4,888	\$ 3,563
Life, accident & health	259	228	232	179	176	47.2%	815	921
Financial guaranty	88	81	46	81	74	18.9%	282	352
Financial solutions	121	211	327	147	160	-24.4%	845	1,080
	<u>\$2,072</u>	<u>\$1,969</u>	<u>\$1,925</u>	<u>\$1,576</u>	<u>\$1,360</u>	<u>52.4%</u>	<u>\$ 6,830</u>	<u>\$ 5,916</u>

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

**Net Reinsurance Recoverable by Division**

	March 31, 2003				December 31, 2002			
	Brandywine (Runoff)	Westchester (Runoff)	Active Operations	Total	Brandywine (Runoff)	Westchester (Runoff)	Active Operations	Total
Rein. recoverable on paid losses & loss expenses	\$ 397	\$ 25	\$ 950	\$ 1,372	\$ 385	\$ 27	\$ 951	\$ 1,363
Rein. recoverable on unpaid losses & loss expenses	5,218	496	7,997	13,711	5,237	491	7,839	13,567
Gross reinsurance recoverable	5,615	521	8,947	15,083	5,622	518	8,790	14,930
Bad debt reserve	(473)	(29)	(449)	(951)	(478)	(30)	(431)	(939)
Net reinsurance recoverable	\$ 5,142	\$ 492	\$ 8,498	\$14,132	\$ 5,144	\$ 488	\$ 8,359	\$13,991

As illustrated in the table above, it is important to consider the composition of the recoverable balance and the related exposures in three components: Brandywine, Westchester and Active Operations recoverable. Active operations include the run-off operations of CIS. Additional information on reinsurance recoverable on a consolidated basis and for active operations for December 31, 2002 can be found on pages 25 and 26, respectively.

The Company's obligations with respect to further funding of the Brandywine runoff are limited pursuant to the Brandywine Restructuring Order under an \$800 million aggregate excess of loss reinsurance agreement. (Refer to the "Asbestos and Environmental Claims" section of the "Management's Discussion and Analysis of Financial Conditions and Results of Operations" incorporated into our recently filed Form 10-K for the year ended December 31, 2002 for additional information about the order and other Company obligations.) At December 31, 2002, approximately \$466 million in losses and recoverable bad debt reserves were ceded to the aggregate excess of loss reinsurance agreement leaving a remaining limit of approximately \$334 million.

As part of the Westchester acquisition, National Indemnity provided reinsurance protection for all losses occurring prior to 1997. At December 31, 2002, the remaining limit in the reinsurance cover was approximately \$600 million.

The remaining balance of reinsurance recoverable consist of recoverables primarily associated with active operations.

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

Category	March 31, 2003			December 31, 2002		
	Gross	Bad Debt	% of Gross	Gross	Bad Debt	% of Gross
General Collections (1)	\$ 848	54	6.4%	\$ 848	43	5.1%
Other (2)	524	333	63.5%	515	335	65.0%
Total	\$1,372	387	28.2%	\$1,363	378	27.7%

(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. We provide bad debt reserves based primarily on the application of historical loss experience to credit categories and historical dispute statistics.

(2) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation or liquidation. Our estimation of this reserve considers the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as parental guarantees. In addition, we also consider any information we may have regarding the reinsurers plans to dispute amounts recoverable and make judgements based on our knowledge and experience regarding the specific items in dispute.

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

**Consolidated Reinsurance Recoverable**

<u>Categories</u>	<u>December 31, 2002</u>		
	<u>Recoverable</u>	<u>Bad Debt</u>	<u>% of Gross</u>
Top 10 reinsurers	\$ 7,732	\$ 93	1.2%
Other reinsurers balances >\$20 million	2,519	175	6.9%
Other reinsurers balances <\$20 million	1,590	148	9.3%
Mandatory pools and government agencies	771	4	0.5%
Structured settlements	730	3	0.4%
Captives	786	4	0.5%
Other	802	512	63.8%
<b>Total Recoveries</b>	<b>\$ 14,930</b>	<b>\$939</b>	<b>6.3%</b>

At December 31, 2002, \$10.5 billion of consolidated recoverables were from rated reinsurers, of which 95% were rated A- or better by Standard & Poor's.

<u>Top 10 Reinsurers</u>	<u>Other Reinsurers Balances &gt;\$20 million</u>	
AXA	ABB Group	Independence Blue Cross (Amerihealth)
Berkshire Hathaway Insurance Group	Allianz Group	IRB—Brasil Resseguros S.A.
EQUITAS	Allstate Financial	Liberty Mutual Insurance Companies
GE Global Insurance Group	American International Group	Markel Corporation Group
Hannover Re	Aviva plc	Overseas Partners Ltd.
Lloyd's of London	Chubb Group of Insurance Companies	PartnerRe Group
Munich Re	CNA Insurance Companies	PMA Capital Insurance Company
SCOR Group	Converium Group	RenaissanceRe Holdings Ltd
Swiss Re Group	DaimlerChrysler Group	Royal & Sun Alliance Insurance Group plc
Zurich Financial Services Group	Dominion Ins. Co. Ltd.	Sompo Japan Insurance Inc
	Dorinco Reinsurance Co.	St. Paul Companies
	Everest Re Group	Toa Reinsurance Company
	Excess & Casualty Reinsurance Association	Travelers Property Casualty Group
	Fairfax Financial	Trenwick Group
	FM Global Group	White Mountains Insurance Group
	Gerling Group	XL Capital Group
	Hartford Insurance Group	

Classification of reinsurer balances excludes any consideration of related collateral or offsetting balances.

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

**Reinsurance Recoverable for Active Operations**

Categories	December 31, 2002		
	Recoverable	Bad Debt	% of Gross
Top 10 reinsurers	\$ 4,044	\$ 60	1.5%
Other reinsurers balances >\$20 million	1,384	87	6.3%
Other reinsurers balances <\$20 million	1,152	76	6.6%
Mandatory pools and government agencies	738	4	0.5%
Structured settlements	367	1	0.4%
Captives	744	4	0.5%
Other	361	199	55.1%
<b>Total Recoveries</b>	<b>\$ 8,790</b>	<b>\$ 431</b>	<b>4.9%</b>

At December 31, 2002, \$5.8 billion of the active operations' recoverables were from rated reinsurers, of which 95% were rated A- or better by Standard & Poor's. At December 31, 2002, the \$8.8 billion gross balance includes government pools of \$738 million and structured settlements with recourse of \$367 million, both of which present very limited collectibility exposure. The Company held collateral of \$2.1 billion, of which \$1.6 billion was matched and usable against existing recoverables.

Top 10 Reinsurers	Other Reinsurers Balances >\$20 million
AXA	ABB Group
Berkshire Hathaway Insurance Group	Allianz Group
GE Global Insurance Group (Employers Re)	Allstate Financial
Hannover Re	American International Group
Lloyd's of London	Aviva plc
Munich Re	Chubb Group of Insurance Companies
SCOR Group	CNA Insurance Companies
Swiss Re Group	Converium Group
Zurich Financial Services Group	DaimlerChrysler Group
XL Capital Group	Dorinco Reinsurance Co.
	EQUITAS
	Everest Re Group
	Excess & Casualty Reinsurance Association
	Fairfax Financial
	Hartford Insurance Group
	Independence Blue Cross (Amerihealth)
	IRB—Brasil Resseguros S.A.
	Liberty Mutual Insurance Companies
	Markel Corporation Group
	Overseas Partners Ltd.
	PMA Capital Insurance Group
	RenaissanceRe Holdings Ltd
	Royal & Sun Alliance Insurance Group plc
	Sompo Japan Insurance Inc
	St. Paul Companies
	Toa Reinsurance Company
	Trenwick Group

Classification of reinsurer balances exclude consideration of related collateral or offsetting balances.

**ACE Limited**  
**Reconciliation of Unpaid Losses and Loss Expenses**  
(in millions of U.S. dollars)  
(Unaudited)

	Total			Ongoing			Runoff (1)		
	Unpaid Losses			Unpaid Losses			Unpaid Losses		
	Gross	Recoverable	Net	Gross	Recoverable	Net	Gross	Recoverable	Net
Balance at December 31, 2001	\$20,728	\$ 10,629	\$10,099	\$13,001	\$ 5,381	\$ 7,620	\$7,236	\$ 4,757	\$2,479
Losses and loss expenses incurred	1,599	746	853	1,465	623	842	134	123	11
Losses and loss expenses paid	(1,792)	(816)	(976)	(1,501)	(686)	(815)	(291)	(130)	(161)
Other (incl. foreign exch. revaluation)	(20)	26	(46)	(20)	26	(46)	—	—	—
<b>Balance at March 31, 2002</b>	<b>\$20,515</b>	<b>\$ 10,585</b>	<b>\$ 9,930</b>	<b>\$12,945</b>	<b>\$ 5,344</b>	<b>\$ 7,601</b>	<b>\$7,079</b>	<b>\$ 4,750</b>	<b>\$2,329</b>
Losses and loss expenses incurred	1,806	845	961	1,668	717	951	138	128	10
Losses and loss expenses paid	(1,739)	(699)	(1,040)	(1,434)	(574)	(860)	(305)	(125)	(180)
Other (incl. foreign exch. revaluation)	79	26	53	79	26	53	—	—	—
<b>Balance at June 30, 2002</b>	<b>\$20,661</b>	<b>\$ 10,757</b>	<b>\$ 9,904</b>	<b>\$13,258</b>	<b>\$ 5,513</b>	<b>\$ 7,745</b>	<b>\$6,912</b>	<b>\$ 4,753</b>	<b>\$2,159</b>
Losses and loss expenses incurred	2,177	849	1,328	2,166	843	1,323	11	6	5
Losses and loss expenses paid	(1,348)	(586)	(762)	(1,173)	(558)	(615)	(175)	(28)	(147)
Other (incl. foreign exch. revaluation)	151	11	140	151	11	140	—	—	—
<b>Balance at September 30, 2002</b>	<b>\$21,641</b>	<b>\$ 11,031</b>	<b>\$10,610</b>	<b>\$14,402</b>	<b>\$ 5,809</b>	<b>\$ 8,593</b>	<b>\$6,748</b>	<b>\$ 4,731</b>	<b>\$2,017</b>
Losses and loss expenses incurred	4,530	2,766	1,764	2,400	1,115	1,285	2,130	1,651	479
Losses and loss expenses paid	(2,023)	(851)	(1,172)	(1,628)	(668)	(960)	(395)	(183)	(212)
Other (incl. foreign exch. revaluation)	167	51	116	167	51	116	—	—	—
<b>Balance at December 31, 2002</b>	<b>\$24,315</b>	<b>\$ 12,997</b>	<b>\$11,318</b>	<b>\$15,341</b>	<b>\$ 6,307</b>	<b>\$ 9,034</b>	<b>\$8,483</b>	<b>\$ 6,199</b>	<b>\$2,284</b>
Losses and loss expenses incurred	2,390	1,107	1,283	2,365	1,104	1,261	25	3	22
Losses and loss expenses paid	(2,155)	(984)	(1,171)	(1,910)	(893)	(1,017)	(245)	(91)	(154)
Other (incl. foreign exch. revaluation)	86	16	70	79	16	63	7	—	7
<b>Balance at March 31, 2003</b>	<b>\$24,636</b>	<b>\$ 13,136</b>	<b>\$11,500</b>	<b>\$15,875</b>	<b>\$ 6,534</b>	<b>\$ 9,341</b>	<b>\$8,270</b>	<b>\$ 6,111</b>	<b>\$2,159</b>

(1) The run off reserves primarily include Brandywine group, the Commercial Insurance Service—Middle Market Worker's Comp. reserves and the pre-1997 Westchester Specialty reserves. Prior year split between gross and ceded reserves and loss activity in ongoing and runoff categories has been revised to properly reflect intercompany reinsurance eliminations.



**ACE Limited**  
**Asbestos and Environmental Reserves; September 11, 2001 Tragedy**  
(in millions of U.S. dollars)  
(Unaudited)

**Consolidated Asbestos and Environmental:**

	March 31, 2003		December 31, 2002	
	Gross	Net	Gross	Net
Asbestos reserves	\$3,148	\$420	\$3,192	\$446
Environmental and other latent exposures	1,307	366	1,352	403
<b>Total</b>	<b>\$4,455</b>	<b>\$786</b>	<b>\$4,544</b>	<b>\$849</b>
Asbestos claim payments	\$ 44	\$ 26	\$ 284	\$118
Environmental and other latent exposure claim payments	\$ 45	\$ 37	\$ 311	\$195
Gross 3 year asbestos survival ratio at December 31, 2002				11.3x
Gross 1 year asbestos survival ratio at December 31, 2002				12.0x

**September 11, 2001 Tragedy information as of March 31, 2003:**

	Ultimate Losses	Paid to Date	Unpaid Losses
Gross losses	\$1,829	\$820	\$1,009
Reinsurance recoverable	1,179	558	621
<b>Net losses</b>	<b>\$ 650</b>	<b>\$262</b>	<b>\$ 388</b>
<b>Recoveries</b>			
Billed to reinsurers	\$ 558		
Collected	498		
<b>Current outstanding</b>	<b>\$ 60</b>		

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

	March 31 2003 (Unaudited)	December 31 2002 (Audited)	March 31 2002 (Unaudited)
Total short-term debt	\$ 146	\$ 146	\$ 399
Total long-term debt(1)	\$ 1,749	\$ 1,749	\$ 1,849
<b>Total debt</b>	<b>\$ 1,895</b>	<b>\$ 1,895</b>	<b>\$ 2,248</b>
Total trust preferreds(2)	\$ 475	\$ 475	\$ 875
Mezzanine equity(3)	\$ 311	\$ 311	\$ 311
Shareholders' equity	\$ 6,702	\$ 6,389	\$ 6,204
<b>Total capitalization</b>	<b>\$ 9,383</b>	<b>\$ 9,070</b>	<b>\$ 9,638</b>
Tangible equity(4)	\$ 3,991	\$ 3,672	\$ 3,432
<b>Leverage Ratios:</b>			
Debt/total capitalization	20.2%	20.9%	23.3%
Debt plus preferreds/total capitalization	25.3%	26.1%	32.4%
Debt/tangible equity	47.5%	51.6%	65.5%
Debt plus preferreds and mezzanine equity/tangible equity	67.2%	73.0%	100.1%

- (1) \$50 million of ACE INA subordinated notes due 2009 was repaid in both the second and third quarters of 2002. An additional \$500 million of Senior Debt was issued by ACE Limited in March 2002.
- (2) \$400 million of ACE INA Rhino Preferred Securities due 2002 was repaid in the second and third quarters of 2002.
- (3) The FELINE PRIDES are expected to convert in the second quarter of 2003.
- (4) Tangible equity is equal to Shareholders' equity less goodwill.

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

	<u>March 31, 2003</u>	<u>December 31, 2002</u>
Fixed maturities	\$ 15,044	\$ 14,420
Securities on loan	521	293
Short term investments	2,081	1,885
Cash	477	663
	<u>\$ 18,123</u>	<u>\$ 17,261</u>

	<u>March 31, 2003</u>	<u>% of Total</u>	<u>December 31, 2002</u>	<u>% of Total</u>
	<u>Market Value</u>		<u>Market Value</u>	
<b>Allocation:</b>				
Treasury	\$ 859	4.7%	\$ 842	4.9%
Agency	1,074	5.9%	973	5.6%
Corporate	7,117	39.3%	6,459	37.3%
Mortgage-backed securities	3,415	18.8%	3,302	19.2%
Asset-backed securities	338	1.9%	352	2.0%
Municipal	1,220	6.7%	1,201	7.0%
Non-US	1,542	8.5%	1,584	9.2%
Cash & cash equivalent	2,558	14.2%	2,548	14.8%
	<u>\$ 18,123</u>	<u>100.0%</u>	<u>\$ 17,261</u>	<u>100.0%</u>

	<u>March 31, 2003</u>	<u>% of Total</u>	<u>December 31, 2002</u>	<u>% of Total</u>
	<u>Market Value</u>		<u>Market Value</u>	
<b>Credit Quality:</b>				
AAA	8,808	48.6%	8,566	49.4%
AA	3,265	18.0%	2,880	16.7%
A	3,027	16.7%	2,920	17.0%
BBB	1,464	8.1%	1,314	7.6%
BB	697	3.8%	662	3.8%
B	791	4.4%	843	4.9%
Other	71	0.4%	76	0.6%
	<u>\$ 18,123</u>	<u>100.0%</u>	<u>\$ 17,261</u>	<u>100%</u>

Avg. duration of fixed maturities, adj. for int. rate swaps	3.1 years	3.1 years
Avg. market yield of fixed maturities	4.2%	4.4%
Avg. credit quality	AA	AA

**ACE Limited**  
**Investment Information at March 31, 2003**  
(in millions of U.S. dollars)

	March 31, 2003		December 31, 2002	
	Market Value	Cost/ Amortized cost	Market Value	Cost/ Amortized cost
Fixed maturities	\$15,044	\$ 14,361	\$14,420	\$ 13,791
Equity securities	410	414	411	442
Securities on loan	521	494	293	286
Short term investments	2,081	2,081	1,885	1,885
Other investments	685	657	652	622
Cash	477	477	663	663
	<u>\$19,218</u>	<u>\$ 18,484</u>	<u>\$18,324</u>	<u>\$ 17,689</u>

**Top 10 Exposures—Fixed Income Investments and Single Name Credit Default Swaps**

	March 31, 2003
General Electric	\$ 287
General Motors	170
Citigroup Inc	168
Verizon Communications	143
AIG	118
Ford Motor Co	113
Merrill Lynch	110
Morgan Stanley	108
Goldman Sachs Group	101
HSBC Holdings Plc	100
	December 31, 2002
General Electric	\$ 258
General Motors	171
Citigroup Inc	154
Verizon Communications	127
AIG	123
Ford Motor Co	123
Bank of America	119
Wachovia Corp	106
Wells Fargo	105
JP Morgan Chase	105

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

Quarter ended March 31, 2003	Net Realized Gains (Losses) (1)	Net Unrealized Gains (Losses)	Net Impact
<b>Investment Portfolio gains (losses)</b>			
Fixed maturities	\$ 12	\$ 56	\$ 68
Interest rate swaps	(9)	—	(9)
Equity securities	(50)	34	(16)
Equity and fixed income derivatives	—	—	—
Foreign exchange gains (losses)	9	—	9
Other	—	(2)	(2)
	(38)	88	50
Credit default swaps (FAS 133 adjustment)	(2)	—	(2)
<b>Total gains (losses)</b>	<b>(40)</b>	<b>88</b>	<b>48</b>
Income tax (expense) benefit	8	(9)	(1)
<b>Net gains (losses)</b>	<b>\$ (32)</b>	<b>\$ 79</b>	<b>\$ 47</b>

(1) Includes impairments of \$18M for fixed maturities and \$46M for equities.

Quarter ended March 31, 2002	Net Realized Gains (Losses) (2)	Net Unrealized Gains (Losses)	Net Impact
<b>Investment Portfolio gains (losses)</b>			
Fixed maturities	\$ (14)	\$ 114	\$ 100
Interest rate swaps	7	—	7
Equity securities	(2)	(4)	(6)
Equity and fixed income derivatives	(3)	—	(3)
Foreign exchange gains (losses)	(1)	—	(1)
Other	—	(6)	(6)
	(13)	104	91
Credit default swaps (FAS 133 adjustment)	(13)	—	(13)
<b>Total gains (losses)</b>	<b>(26)</b>	<b>104</b>	<b>78</b>
Income tax (expense) benefit	8	(20)	(12)
<b>Net gains (losses)</b>	<b>\$ (18)</b>	<b>\$ 84</b>	<b>\$ 66</b>

(2) Includes impairments of \$16M for fixed maturities, \$1M for equities.

**ACE Limited**  
**Reconciliation to Generally Accepted Accounting Principles**

**Regulation G—Non-GAAP Financial Measures**

In presenting our operating results, we have included and discussed certain non-GAAP measures. These non-GAAP measures, which may be defined differently by other companies, are important to an understanding of our overall results of operations; however, they should not be viewed as a substitute for measures determined in accordance with GAAP. Net operating income (loss) is a common performance measurement and is defined as net income (loss) excluding net realized gains (losses) on investments, the tax effect of net realized gains (losses) on investments and the cumulative effect of adopting a new accounting standard, net of income tax. We believe this presentation of net operating income (loss) enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

We exclude net realized gains (losses) on investments from net operating income (loss) because the amount of these gains (losses) is heavily influenced by, and fluctuates in part, according to the availability of market opportunities. The cumulative effect of adopting a new accounting standard is excluded from our calculation of net operating income (loss). We believe these amounts are largely independent of our business and including them would distort the analysis of trends. Net operating income (loss) should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

	1Q-03	4Q-02	3Q-02	2Q-02	1Q-02	Full Year 2002	Full Year 2001
<b>Net income (loss), as reported</b>	\$247	\$(168)	\$ (57)	\$ 104	\$ 198	\$ 77	\$ (146)
Net realized gains (losses)	(40)	(88)	(235)	(140)	(26)	(489)	(58)
Tax effect of net realized gains (losses)	8	19	30	15	8	72	8
Cumulative effect of adopting a new acct' standard	—	—	—	—	—	—	(23)
<b>Net operating income (loss)</b>	<b>\$279</b>	<b>\$ (99)</b>	<b>\$ 148</b>	<b>\$ 229</b>	<b>\$ 216</b>	<b>\$ 494</b>	<b>\$ (73)</b>
<b>Consolidated Statement of Comprehensive Income</b>							
<b>Net income (loss)</b>	\$247	\$(168)	\$ (57)	\$ 104	\$ 198	\$ 77	\$ (146)
Net unrealized appreciation (depreciation) on investments							
Unrealized appreciation (depreciation) on investments	112	131	198	135	(106)	358	65
Reclassification adjustment for net realized gains (losses) included in net income	(23)	55	28	13	2	98	(16)
Cumulative translation adjustment	26	(4)	4	5	(5)	—	(7)
Income tax (expense) benefit related to other comprehensive income items	(17)	(27)	(69)	(46)	24	(118)	(10)
Other comprehensive income (loss)	98	155	161	107	(85)	338	32
<b>Comprehensive income (loss)</b>	<b>\$345</b>	<b>\$ (13)</b>	<b>\$ 104</b>	<b>\$ 211</b>	<b>\$ 113</b>	<b>\$ 415</b>	<b>\$ (114)</b>

## ACE Limited

### Reconciliation to Generally Accepted Accounting Principles (in millions of U.S. dollars, except share and per share data)

#### Reconciliation of Book Value Per Share to Diluted Book Value Per Share

	March 31, 2003	December 31, 2002	March 31, 2002
Shareholders' equity	\$ 6,702	\$ 6,389	\$ 6,204
Net proceeds from assumed conversions of options	226	138	362
Conversion of mezzanine equity	311	311	311
Numerator for diluted book value per share calculation	7,239	6,838	6,877
Less: goodwill	2,711	2,717	2,772
Numerator for diluted tangible book value per share	\$ 4,528	\$ 4,121	\$ 4,105
Ordinary Shares outstanding—end of period	264,491,819	262,679,356	261,897,433
Shares issued from assumed conversions of options	11,697,607	8,560,131	15,539,693
Shares issued on conversion of mezzanine equity	11,814,373	11,814,373	11,814,373
Denominator for diluted and diluted tangible book value	288,003,799	283,053,860	289,251,499
Book value per share	\$ 25.34	\$ 24.32	\$ 23.69
Diluted book value per share	\$ 25.14	\$ 24.16	\$ 23.78
Diluted tangible book value per share	\$ 15.72	\$ 14.56	\$ 14.19

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**ACE Limited**  
**Glossary**

<b>Annualized operating return on equity:</b>	Calculated using net operating income (loss) less mezzanine equity dividend divided by average shareholders' equity for the period calculated. To annualize a quarterly rate multiply by four.
<b>Combined ratio:</b>	Sum of the loss and loss expense ratio, acquisition cost ratio and the administrative expense ratio for the property and casualty and financial services operations.
<b>Diluted book value per share:</b>	Shareholder's equity and net proceeds from assumed conversions of outstanding in-the-money options divided by the sum of shares outstanding and the number of options assumed issued.
<b>Diluted tangible book value per share:</b>	Shareholder's equity and net assets from assumed conversions of outstanding in-the-money options less goodwill divided by shares outstanding plus the number of options assumed issued.
<b>Effective tax rate:</b>	Income tax expense divided by the sum of income tax expense and net operating income (loss).
<b>Life underwriting income:</b>	Net premium earned plus net investment income less future policy benefits, acquisition costs and administrative expenses.
<b>Net operating income (loss):</b>	Net income (loss) excluding net realized gains (losses) on investments, the tax effect of net realized gains (losses) on investments and the cumulative effect of adopting new accounting standards, net of income tax.
<b>NM:</b>	Not meaningful
<b>Operating return on equity:</b>	Calculated using net operating income (loss) less mezzanine equity dividend divided by average shareholders' equity.
<b>Property and casualty combined ratios:</b>	Loss and loss expense ratios, policy acquisition cost ratios and administrative expense ratios exclude life reinsurance business and financial services segment.
<b>Tangible equity:</b>	Calculated as shareholders' equity less goodwill.
<b>Total capitalization:</b>	The sum of short-term debt, long-term debt, trust preferreds, mezzanine equity and shareholders' equity.