

ACE LTD

FORM 8-K (Current report filing)

Filed 04/29/14 for the Period Ending 04/29/14

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

**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, 2014

ACE LIMITED
(Exact name of registrant as specified in its charter)

Switzerland
(State or other jurisdiction
of Incorporation)

1-11778
(Commission
File Number)

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

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

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

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

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

On April 29, 2014, ACE Limited issued a Press Release reporting its first quarter 2014 results and the availability of its first quarter 2014 Financial Supplement. The Press Release and the Financial Supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, Dated April 29, 2014, Reporting First Quarter 2014 Results
99.2	First Quarter 2014 Financial Supplement

SIGNATURES

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

ACE LIMITED

By: /s/ Philip V. Bancroft

Philip V. Bancroft
Chief Financial Officer

DATE: April 29, 2014

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated April 29, 2014, Reporting First Quarter 2014 Results	Furnished herewith
99.2	First Quarter 2014 Financial Supplement	Furnished herewith



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News Release

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**ACE REPORTS FIRST QUARTER OPERATING INCOME UP 4% TO \$777 MILLION,
P&C NET PREMIUMS WRITTEN UP 12%, OR 14% IN CONSTANT DOLLARS, WITH P&C
COMBINED RATIO OF 88.8%; OPERATING RETURN ON EQUITY IS 11.2%**

- **P&C underwriting income up 7%, driven by strong current accident year underwriting income excluding catastrophe losses, which was up 17%**
- **Net investment income of \$553 million, up 4%**
- **Operating cash flow of \$1.25 billion**
- **Book value per share up 2.4% and tangible book value per share up 3.0%**

ZURICH — April 29, 2014 — ACE Limited (NYSE: ACE) today reported net income for the quarter ended March 31, 2014, of \$2.14 per share, compared with \$2.77 per share for the same quarter last year. ⁽¹⁾ Operating income was \$2.27 per share, compared with \$2.17 per share for the same quarter last year. Book value and tangible book value per share increased 2.4% and 3.0%, respectively, from December 31, 2013. Book value and tangible book value per share now stand at \$86.90 and \$70.97, respectively. Operating return on equity for the quarter was 11.2%. The property and casualty (P&C) combined ratio for the quarter was 88.8%.

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

	(Per Share - Diluted)					
	2014	2013	Change	2014	2013	Change
Operating income, net of tax	\$777	\$746	4.2%	\$ 2.27	\$2.17	4.6%
Adjusted net realized gains (losses), net of tax	(43)	207	NM	(0.13)	0.60	NM
Net income	\$734	\$953	(23.0)%	\$ 2.14	\$2.77	(22.7)%

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had an excellent first quarter and a very good start to the year. After-tax operating income of \$777 million was driven by both strong underwriting and investment income results, which generated an operating ROE of 11.2%. Per share book and tangible book value grew 2.4% and 3%, respectively.

“Underwriting results were particularly strong in the quarter, with underwriting income up 7% and a P&C combined ratio of 88.8%. Underwriting income benefited from excellent current accident year underwriting income growth before catastrophe losses of 17% as a result of double-digit growth in earned premium and improved margin.

“Premium revenue growth across the company was exceptionally strong, with total P&C net premiums up 12%, or nearly 14% in constant dollars. In North America, our P&C business grew 11% in the quarter and continued to achieve positive rate increases with overall pricing up in casualty-related lines and down in property-related. Internationally, where our P&C business grew more than 12% in constant dollars, pricing was generally flat. Commercial P&C market conditions globally are stable but growing more competitive. This is not a surprise - we are a disciplined organization and prepared. Given our excellent diversification by product, geography and distribution, many areas of our business have attractive growth prospects, and as a result we are confident in our ability to outperform.”

Operating highlights for the quarter ended March 31, 2014, were as follows:

(in millions of U.S. dollars except for percentages)	<u>1Q</u> <u>2014</u>	<u>1Q</u> <u>2013</u>	<u>Change</u>
<u>P&C</u>			
Net premiums written	\$ 3,691	\$ 3,296	12.0%
Net premiums written constant-dollar ⁽¹⁾		\$ 3,247	13.7%
Underwriting income	\$ 390	\$ 364	7.0%
Combined ratio	88.8%	88.2%	
Current accident year underwriting income excluding catastrophe losses	\$ 381	\$ 326	16.7%
Current accident year combined ratio excluding catastrophe losses	88.9%	89.4%	
<u>Global P&C (excludes Agriculture)</u>			
Net premiums written	\$ 3,497	\$ 3,183	9.9%
Net premiums written constant-dollar		\$ 3,134	11.6%
Underwriting income	\$ 421	\$ 353	19.1%
Combined ratio	87.6%	88.4%	
Current accident year underwriting income excluding catastrophe losses	\$ 373	\$ 318	17.1%
Current accident year combined ratio excluding catastrophe losses	89.0%	89.5%	
<u>Agriculture</u>			
Net premiums written	\$ 194	\$ 113	72.1%
Underwriting income (loss)	\$ (31)	\$ 11	NM
Combined ratio	130.3%	79.3%	
Current accident year underwriting income excluding catastrophe losses	\$ 8	\$ 8	—
Current accident year combined ratio excluding catastrophe losses	88.9%	85.4%	

⁽¹⁾ Excluding acquisitions, P&C net premiums written increased 9.4% on a constant-dollar basis.

- P&C current accident year underwriting income excluding catastrophe losses increased 16.7% to \$381 million, driven by growth in the Insurance – North American P&C and Insurance – Overseas General segments.
- The P&C expense ratio for the quarter was 31.1%, unchanged from last year. The prior year included a net benefit of \$19 million from a legal settlement, partially offset by an expense adjustment, that together reduced the expense ratio by 0.6 percentage point.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums were \$53 million (1.5 percentage points of the combined ratio) and \$43 million, respectively, compared with \$32 million (1.0 percentage point of the combined ratio) and \$28 million, respectively, last year.
- Favorable prior period development pre-tax for the quarter was \$62 million (1.6 percentage points of the combined ratio), compared with \$70 million (2.2 percentage points of the combined ratio) last year.
- Operating cash flow was \$1.25 billion for the quarter.
- Net loss reserves decreased \$105 million and the net paid-to-incurred ratio was 106% for the quarter. Excluding 2013 crop insurance loss payments in the quarter, net loss reserves increased \$179 million and the net paid-to-incurred ratio was 93%.
- Net investment income for the quarter increased 4.1% to \$553 million.
- Net realized and unrealized gains pre-tax totaled \$462 million for the quarter, which included net realized losses of \$51 million and net unrealized gains of \$513 million.
- Operating return on equity was 11.2% for the quarter. Return on equity computed using net income was 10.1% for the quarter.
- Share repurchases totaled \$332 million, or approximately 3.5 million shares, during the quarter. Since the inception of the November 2013 share repurchase authorization, the company has repurchased approximately 4.5 million shares for \$436 million through April 28, 2014.
- Book value per share increased 2.4% to \$86.90 from \$84.83 at December 31, 2013.
- Tangible book value per share increased 3.0% to \$70.97 from \$68.93 at December 31, 2013.

Details of financial results by business segment are available in the ACE Limited Financial Supplement. Key segment items for the quarter ended March 31, 2014, include:

- Insurance – North American P&C: Net premiums written increased 10.5%. The combined ratio was 84.7% compared with 85.7%. The expense ratio was 21.5% compared with 20.1%. The 2013 expense ratio included a 2.2 point favorable impact related to a \$29 million legal settlement. The current accident year combined ratio excluding catastrophe losses was 87.1% compared with 87.7%.
- Insurance – North American Agriculture: Net premiums written increased 72.1% due to premium-sharing formulas with the U.S. government related to a loss adjustment for the 2013 crop year and changes to the company's third-party proportional reinsurance. Excluding these items, net premiums written increased \$4 million, or 3.2%. The combined ratio was 130.3% compared with 79.3%. The current accident year combined ratio excluding catastrophe losses was 88.9% compared with 85.4%. Adjusted for the current quarter adverse development, the ultimate full-year 2013 combined ratio increased from 94.7% to 97.0%.
- Insurance – Overseas General: Net premiums written increased 9.3%, or 12.3% on a constant-dollar basis. The combined ratio was 90.1% compared with 90.6%. The current accident year combined ratio excluding catastrophe losses was 90.5% compared with 90.7%.
- Global Reinsurance: Net premiums written increased 10.3% for the quarter. The combined ratio was 72.9% compared with 67.3%. The current accident year combined ratio excluding catastrophe losses was 75.1% compared with 69.2%.
- Life segment: Operating income was \$77 million compared with \$70 million. Net premiums written and deposits collected, excluding life reinsurance, increased 3.2% on a constant-dollar basis. International life net premiums written increased 13.9% on a constant-dollar basis.

Please refer to the ACE Limited Financial Supplement, dated March 31, 2014, which is posted on the company's website in the Investor Information section, and access Financial Reports for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, investment portfolio and capital structure.

ACE will hold its first quarter earnings conference call on Wednesday, April 30, 2014, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live webcast at www.acegroup.com or by dialing 888-287-5529 (within the United States) or 719-325-4814 (international), passcode 1981939. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, May 14, 2014, and the archived webcast will be available for approximately one month. To listen to the replay, please dial 888-203-1112 (in the United States) or 719-457-0820 (international), passcode 1981939.

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

(1) All comparisons are with the same period last year unless specifically stated.

Regulation G—Non-GAAP Financial Measures

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

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

Net premiums written on a constant-dollar basis and P&C net premiums written on a constant-dollar basis are financial measures which exclude the impact of foreign exchange. We believe it is useful to evaluate the trends in net premiums written, exclusive of the effect of fluctuations in exchange rates between the U.S. dollar and the currencies in which our international business is transacted, as these exchange rates could fluctuate significantly between periods and distort the analysis of trends. The impact is determined by assuming constant foreign exchange rates between periods by translating prior period results using the same local currency exchange rates as the comparable current period. P&C net premiums written excluding acquisitions on a constant-dollar basis exclude the net premiums written of Fianzas Monterrey and ABA Seguros acquired in 2013 in order to adjust for the distortive effect of acquisitions.

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

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

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

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

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

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

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

See reconciliation of Non-GAAP Financial Measures on pages 20-21 in the Financial Supplement. These measures should not be viewed as a substitute for net income, return on equity, or effective tax rate determined in accordance with GAAP.

NM - not meaningful comparison

Cautionary Statement Regarding Forward-Looking Statements :

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

(tables to follow)

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


	<u>March 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
Assets		
Investments	\$62,045	\$ 60,928
Cash	847	579
Insurance and reinsurance balances receivable	4,761	5,026
Reinsurance recoverable on losses and loss expenses	10,755	11,227
Other assets	16,771	16,750
Total assets	<u>\$95,179</u>	<u>\$ 94,510</u>
Liabilities		
Unpaid losses and loss expenses	\$36,866	\$ 37,443
Unearned premiums	7,791	7,539
Other liabilities	21,153	20,703
Total liabilities	<u>65,810</u>	<u>65,685</u>
Shareholders' equity		
Total shareholders' equity	29,369	28,825
Total liabilities and shareholders' equity	<u>\$95,179</u>	<u>\$ 94,510</u>
Book value per common share	\$ 86.90	\$ 84.83

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

	Three Months Ended March 31	
	2014	2013
Gross premiums written	\$ 5,374	\$ 4,963
Net premiums written	4,185	3,798
Net premiums earned	3,970	3,573
Losses and loss expenses	2,161	1,926
Policy benefits	114	131
Policy acquisition costs	728	614
Administrative expenses	535	514
Underwriting income	432	388
Net investment income	553	531
Net realized gains (losses)	(104)	206
Interest expense	71	60
Other income (expense):		
Gains (losses) from separate account assets	(6)	4
Other	23	6
Income tax expense	93	122
Net income	<u>\$ 734</u>	<u>\$ 953</u>
<i>Diluted earnings per share:</i>		
Operating income	\$ 2.27	\$ 2.17
Net income	\$ 2.14	\$ 2.77
Weighted average diluted shares outstanding	342.0	343.9
Loss and loss expense ratio	57.7%	57.1%
Policy acquisition cost ratio	17.7%	17.2%
Administrative expense ratio	13.4%	13.9%
Combined ratio	<u>88.8%</u>	<u>88.2%</u>

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

	Three Months Ended	
	March 31	
	2014	2013
Gross Premiums Written		
Insurance – North American P&C	\$ 2,024	\$ 1,819
Insurance – North American Agriculture	234	249
Insurance – Overseas General	2,261	2,073
Global Reinsurance	333	294
Life	522	528
<i>Total</i>	<u>\$ 5,374</u>	<u>\$ 4,963</u>
Net Premiums Written		
Insurance – North American P&C	\$ 1,418	\$ 1,284
Insurance – North American Agriculture	194	113
Insurance – Overseas General	1,771	1,620
Global Reinsurance	308	279
Life	494	502
<i>Total</i>	<u>\$ 4,185</u>	<u>\$ 3,798</u>
Net Premiums Earned		
Insurance – North American P&C	\$ 1,487	\$ 1,338
Insurance – North American Agriculture	103	52
Insurance – Overseas General	1,612	1,459
Global Reinsurance	284	247
Life	484	477
<i>Total</i>	<u>\$ 3,970</u>	<u>\$ 3,573</u>
Operating Income (loss)		
Insurance – North American P&C	\$ 411	\$ 361
Insurance – North American Agriculture	(25)	7
Insurance – Overseas General	239	239
Global Reinsurance	144	144
Life	77	70
Corporate	(69)	(75)
<i>Total</i>	<u>\$ 777</u>	<u>\$ 746</u>



Financial Supplement

March 31, 2014

Investor Contact

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

Cautionary Statement Regarding Forward-Looking Statements:

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

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



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

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

	Three months ended March 31		% Change	Constant \$	Constant \$
	2014	2013	1Q-14 vs. 1Q-13	2013 ⁽¹⁾	1Q-14 vs. 1Q-13 ⁽¹⁾
Gross premiums written	\$ 5,374	\$ 4,963	8.3%	\$ 4,884	10.0%
Net premiums written	\$ 4,185	\$ 3,798	10.2%	\$ 3,735	12.1%
P&C net premiums written ⁽²⁾	\$ 3,691	\$ 3,296	12.0%	\$ 3,247	13.7%
Global P&C net premiums written ⁽³⁾	\$ 3,497	\$ 3,183	9.9%	\$ 3,134	11.6%
Net premiums earned	\$ 3,970	\$ 3,573	11.1%	\$ 3,501	13.4%
Net investment income	\$ 553	\$ 531	4.1%		
Operating income	\$ 777	\$ 746	4.2%		
Net income	\$ 734	\$ 953	-23.0%		
Comprehensive income	\$ 1,108	\$ 716	54.7%		
Operating cash flow	\$ 1,250	\$ 913			
P&C combined ratio					
Loss and loss expense ratio	57.7%	57.1%			
Underwriting and administrative expense ratio	31.1%	31.1%			
Combined ratio	88.8%	88.2%			
Operating return on equity (ROE)	11.2%	11.9%			
ROE	10.1%	13.7%			
Operating effective tax rate	11.5%	10.8%			
Effective tax rate	11.3%	11.3%			
Diluted earnings per share					
Operating income	\$ 2.27	\$ 2.17	4.6%		
Net income	\$ 2.14	\$ 2.77	-22.7%		
				December 31	% Change
				2013	1Q-14 vs. 4Q-13
Book value per common share	\$ 86.90	\$ 82.17	5.8%	\$ 84.83	2.4%
Tangible book value per common share	\$ 70.97	\$ 67.74	4.8%	\$ 68.93	3.0%
Tangible book value per common share excluding 2013 acquisitions ⁽⁴⁾	\$ 72.71	\$ 67.74	7.3%		
Weighted average basic common shares outstanding	338.9	340.8			
Weighted average diluted common shares outstanding	342.0	343.9			
Debt plus trust preferred securities/ tangible capital	20.1%	20.7%		20.4%	

(1) Prior periods on a constant dollar basis.

(2) P&C net premiums written is defined as consolidated net premiums written excluding net premiums written of the company's Life segment. See non-GAAP financial measures.

(3) Global P&C net premiums written is defined as consolidated net premiums written excluding net premiums written of the company's Life and Insurance – North American Agriculture segments. See non-GAAP financial measures.

(4) For 2014, tangible book value per common share excludes the impact from goodwill and intangibles relating to the acquisitions of ABA Seguros (May 2013) and Fianzas Monterrey (April 2013) of \$394 million and \$192 million, respectively.



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

ACE Limited Consolidated	1Q-14	4Q-13	3Q-13	2Q-13	1Q-13	Full Year 2013
Consolidated Results (Including Corporate) Excluding Life Segment ⁽¹⁾						
Gross premiums written	\$4,852	\$4,936	\$5,863	\$5,518	\$4,435	\$20,752
Net premiums written	3,691	3,712	4,141	3,904	3,296	15,053
Net premiums earned	3,486	3,882	4,143	3,587	3,096	14,708
Adjusted losses and loss expenses ⁽²⁾	2,012	2,378	2,515	2,105	1,769	8,767
Policy acquisition costs	617	605	592	570	534	2,301
Administrative expenses	467	483	478	478	429	1,868
Underwriting income	390	416	558	434	364	1,772
Net investment income	489	493	461	471	468	1,893
Interest expense	68	67	68	69	56	260
Other income (expense)—operating ⁽³⁾	(23)	(23)	(29)	(31)	(22)	(105)
Income tax expense	88	81	140	91	78	390
Operating income (including Corporate) excluding Life segment	700	738	782	714	676	2,910
Life segment operating income	77	86	75	76	70	307
Consolidated operating income	777	824	857	790	746	3,217
Adjusted net realized gains (losses) ⁽²⁾	(102)	154	41	104	206	505
Net realized gains (losses) related to unconsolidated entities	51	25	22	12	33	92
Income tax expense (benefit) on adjusted net realized gains (losses)	(8)	5	4	15	32	56
Consolidated net income	<u>\$ 734</u>	<u>\$ 998</u>	<u>\$ 916</u>	<u>\$ 891</u>	<u>\$ 953</u>	<u>\$ 3,758</u>
% Change versus prior year period ⁽¹⁾						
Net premiums written as reported	12.0%	18.2%	-2.0%	7.1%	6.9%	6.8%
Net premiums earned as reported	12.6%	15.5%	-1.0%	8.4%	6.4%	6.9%
Net premiums written constant \$	13.7%					
Net premiums earned constant \$	14.8%					
Other ratios						
Net premiums written/gross premiums written ⁽¹⁾	76%	75%	71%	71%	74%	73%
Operating effective tax rate	11.5%	9.2%	14.9%	11.2%	10.8%	11.6%
P&C combined ratio						
Loss and loss expense ratio	57.7%	61.3%	60.7%	58.7%	57.1%	59.6%
Policy acquisition cost ratio	17.7%	15.6%	14.3%	15.9%	17.2%	15.7%
Administrative expense ratio	13.4%	12.4%	11.5%	13.3%	13.9%	12.7%
Combined ratio	<u>88.8%</u>	<u>89.3%</u>	<u>86.5%</u>	<u>87.9%</u>	<u>88.2%</u>	<u>88.0%</u>
Combined ratio excluding catastrophe losses and PPD	88.9%	91.5%	89.8%	89.2%	89.4%	90.0%
P&C expense ratio	31.1%	28.0%	25.8%	29.2%	31.1%	28.4%
P&C expense ratio excluding A&H	27.5%	24.0%	21.9%	25.7%	27.4%	24.5%
Catastrophe reinstatement premiums (expensed) collected—pre-tax	\$ —	\$ 1	\$ 2	\$ —	\$ —	\$ 3
Catastrophe losses—pre-tax	\$ 53	\$ 37	\$ 80	\$ 81	\$ 32	\$ 230
Favorable prior period development (PPD)—pre-tax ⁽⁴⁾	\$ (62)	\$ (122)	\$ (210)	\$ (128)	\$ (70)	\$ (530)
Loss and loss expense ratio excluding catastrophe losses and PPD	57.5%	63.5%	64.1%	60.0%	58.3%	61.8%

(1) Presented excluding the Life segment. This is a non-GAAP financial measure.

(2) Losses from fair value changes on crop derivatives are reclassified from Adjusted net realized gains (losses) to Adjusted losses and loss expenses for this presentation. Crop derivative losses for Q1 2014 were \$2 million.

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

(4) For Q1 2014, favorable prior period development includes \$35 million of favorable net earned premium adjustments, all related to the Insurance – North American Agriculture segment.



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

	<u>March 31 2014</u>	<u>December 31 2013</u>
Assets		
Fixed maturities available for sale, at fair value	\$49,611	\$ 49,254
Fixed maturities held to maturity, at amortized cost	5,887	6,098
Equity securities, at fair value	851	837
Short-term investments, at fair value	2,526	1,763
Other investments	3,170	2,976
Total investments	62,045	60,928
Cash	847	579
Securities lending collateral	1,550	1,632
Insurance and reinsurance balances receivable	4,761	5,026
Reinsurance recoverable on losses and loss expenses	10,755	11,227
Deferred policy acquisition costs	2,402	2,313
Value of business acquired	517	536
Prepaid reinsurance premiums	1,721	1,675
Goodwill and other intangible assets	5,382	5,404
Deferred tax assets	516	616
Investments in partially-owned insurance companies	466	470
Other assets	4,217	4,104
Total assets	<u>\$95,179</u>	<u>\$ 94,510</u>
Liabilities		
Unpaid losses and loss expenses	\$36,866	\$ 37,443
Unearned premiums	7,791	7,539
Future policy benefits	4,632	4,615
Insurance and reinsurance balances payable	3,734	3,628
Securities lending payable	1,551	1,633
Accounts payable, accrued expenses, and other liabilities	5,218	4,810
Short-term debt	1,901	1,901
Long-term debt	3,808	3,807
Trust preferred securities	309	309
Total liabilities	65,810	65,685
Shareholders' equity		
Total shareholders' equity, excl. AOCI	27,843	27,673
Accumulated other comprehensive income (AOCI)	1,526	1,152
Total shareholders' equity	29,369	28,825
Total liabilities and shareholders' equity	<u>\$95,179</u>	<u>\$ 94,510</u>
Book value per common share	\$ 86.90	\$ 84.83
% change over prior quarter	2.4%	2.2%
Tangible book value per common share	\$ 70.97	\$ 68.93
% change over prior quarter	3.0%	3.0%



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

ACE Limited Consolidated

	<u>1Q-14</u>	% of Total Consolidated	<u>1Q-13</u>	% of Total Consolidated	% Change 1Q-14 vs. 1Q-13	Constant \$ 1Q-13 ⁽²⁾	Constant \$ % Change 1Q-14 vs. 1Q-13
Net premiums written							
Property and all other	\$1,372	33%	\$1,222	32%	12.3%		
Casualty	1,455	35%	1,308	35%	11.2%		
Subtotal	2,827	68%	2,530	67%	11.8%	\$ 2,504	12.9%
Agriculture	194	4%	113	3%	72.1%	113	72.1%
Personal accident (A&H) ⁽¹⁾	917	22%	914	24%	0.3%	886	3.5%
Life	247	6%	241	6%	2.4%	232	6.2%
Total consolidated	<u>\$4,185</u>	<u>100%</u>	<u>\$3,798</u>	<u>100%</u>	10.2%	<u>\$ 3,735</u>	12.1%
Net premiums earned							
Property and all other	\$1,252	31%	\$1,067	30%	17.4%		
Casualty	1,480	37%	1,353	38%	9.5%		
Subtotal	2,732	68%	2,420	68%	12.9%	\$ 2,384	14.6%
Agriculture	103	3%	52	1%	96.8%	52	96.8%
Personal accident (A&H) ⁽¹⁾	894	23%	874	25%	2.3%	845	5.8%
Life	241	6%	227	6%	5.8%	220	9.3%
Total consolidated	<u>\$3,970</u>	<u>100%</u>	<u>\$3,573</u>	<u>100%</u>	11.1%	<u>\$ 3,501</u>	13.4%
Operating income (loss)							
Property, casualty, and all other	\$ 645	82%	\$ 581	78%	11.0%	\$ 576	12.0%
Agriculture	(25)	-3%	7	1%	NM	7	NM
Personal accident (A&H) ⁽¹⁾	114	15%	124	16%	-8.2%	121	-5.9%
Life	43	6%	34	5%	28.2%	34	27.4%
Total consolidated	<u>\$ 777</u>	<u>100%</u>	<u>\$ 746</u>	<u>100%</u>	4.2%	<u>\$ 738</u>	5.3%

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



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

Global P&C includes the company's Insurance – North American P&C segment (refer to page 6), Insurance – Overseas General segment (refer to page 8), Global Reinsurance segment (refer to page 9), and Corporate (not separately disclosed in the Financial Supplement). Global P&C excludes the Insurance – North American Agriculture and Life segments.

Global P&C (Including Corporate)	1Q-14	4Q-13	3Q-13	2Q-13	1Q-13	Full Year 2013
Gross premiums written	\$4,618	\$4,719	\$4,417	\$4,769	\$4,186	\$18,091
Net premiums written	3,497	3,456	3,336	3,451	3,183	13,426
Net premiums earned	3,383	3,456	3,294	3,236	3,044	13,030
Losses and loss expenses	1,884	1,925	1,768	1,812	1,737	7,242
Policy acquisition costs	612	608	560	550	530	2,248
Administrative expenses	466	485	473	475	424	1,857
Underwriting income	421	438	493	399	353	1,683
Net investment income	482	486	455	464	462	1,867
Interest expense	68	66	68	69	56	259
Other income (expense)—operating ⁽¹⁾	(15)	(15)	(21)	(23)	(14)	(73)
Income tax expense	95	85	127	83	76	371
Global P&C operating income	725	758	732	688	669	2,847
Net realized gains (losses)	(26)	—	(3)	67	79	143
Net realized gains (losses) related to unconsolidated entities	53	27	24	8	28	87
Income tax expense (benefit) on net realized gains (losses)	(5)	6	4	14	31	55
Global P&C net income	<u>\$ 757</u>	<u>\$ 779</u>	<u>\$ 749</u>	<u>\$ 749</u>	<u>\$ 745</u>	<u>\$ 3,022</u>
Additional Global P&C financial data						
% Change versus prior year period						
Net premiums written as reported	9.9%	13.1%	8.9%	9.5%	7.3%	9.7%
Net premiums earned as reported	11.2%	11.6%	9.1%	10.7%	6.8%	9.6%
Net premiums written constant \$	11.6%					
Net premiums earned constant \$	13.4%					
Other ratios						
Net premiums written/gross premiums written	76%	73%	76%	72%	76%	74%
Combined ratio						
Loss and loss expense ratio	55.7%	55.7%	53.7%	56.0%	57.1%	55.6%
Policy acquisition cost ratio	18.1%	17.6%	17.0%	17.0%	17.4%	17.3%
Administrative expense ratio	13.8%	14.1%	14.3%	14.7%	13.9%	14.2%
Combined ratio	<u>87.6%</u>	<u>87.4%</u>	<u>85.0%</u>	<u>87.7%</u>	<u>88.4%</u>	<u>87.1%</u>
Combined ratio excluding catastrophe losses and PPD	89.0%	89.9%	88.9%	89.2%	89.5%	89.4%
Expense ratio	31.9%	31.7%	31.3%	31.7%	31.3%	31.5%
Expense ratio excluding A&H	28.4%	27.9%	27.6%	28.3%	27.7%	27.9%
Catastrophe reinstatement premiums (expensed) collected—pre-tax	\$ —	\$ 1	\$ 2	\$ —	\$ —	\$ 3
Catastrophe losses—pre-tax	\$ 52	\$ 35	\$ 78	\$ 78	\$ 32	\$ 223
Favorable prior period development (PPD)—pre-tax ⁽²⁾	\$ (100)	\$ (122)	\$ (200)	\$ (128)	\$ (67)	\$ (517)
Loss and loss expense ratio excluding catastrophe losses and PPD	57.1%	58.3%	57.7%	57.6%	58.1%	58.0%

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

(2) For Q1 2014, favorable prior period development is net of \$2 million of profit-sharing commissions that are included in the expense ratio.



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

Insurance – North American P&C

	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>Full Year 2013</u>
Gross premiums written	\$2,024	\$2,439	\$2,135	\$2,327	\$1,819	\$ 8,720
Net premiums written	1,418	1,602	1,500	1,529	1,284	5,915
Net premiums earned	1,487	1,511	1,444	1,428	1,338	5,721
Losses and loss expenses	940	985	963	950	878	3,776
Policy acquisition costs	159	153	159	142	143	597
Administrative expenses	161	164	153	159	125	601
Underwriting income	227	209	169	177	192	747
Net investment income	270	266	254	250	251	1,021
Interest expense	3	1	3	3	(2)	5
Other income (expense)—operating	—	1	(3)	(4)	1	(5)
Income tax expense	83	73	75	79	85	312
Operating income	411	402	342	341	361	1,446
Net realized gains (losses)	(9)	9	9	28	26	72
Net realized gains (losses) related to unconsolidated entities	20	19	16	14	14	63
Income tax expense on net realized gains (losses)	—	10	4	12	9	35
Net income	<u>\$ 422</u>	<u>\$ 420</u>	<u>\$ 363</u>	<u>\$ 371</u>	<u>\$ 392</u>	<u>\$ 1,546</u>
Combined ratio						
Loss and loss expense ratio	63.2%	65.2%	66.7%	66.6%	65.6%	66.0%
Policy acquisition cost ratio	10.7%	10.1%	11.1%	9.9%	10.7%	10.4%
Administrative expense ratio	10.8%	10.9%	10.5%	11.1%	9.4%	10.5%
Combined ratio	<u>84.7%</u>	<u>86.2%</u>	<u>88.3%</u>	<u>87.6%</u>	<u>85.7%</u>	<u>86.9%</u>
Combined ratio excluding catastrophe losses and PPD	87.1%	87.2%	88.3%	87.3%	87.7%	87.6%
Catastrophe reinstatement premiums expensed—pre-tax	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ (1)
Catastrophe losses—pre-tax	\$ 32	\$ 12	\$ 21	\$ 50	\$ 11	\$ 94
Favorable prior period development (PPD)—pre-tax ⁽¹⁾	\$ (68)	\$ (28)	\$ (19)	\$ (47)	\$ (40)	\$ (134)
Loss and loss expense ratio excluding catastrophe losses and PPD	65.7%	66.3%	66.9%	66.5%	67.6%	66.8%
% Change versus prior year period						
Net premiums written	10.5%	11.8%	9.3%	11.8%	9.3%	10.6%
Net premiums earned	11.2%	12.3%	10.6%	12.7%	8.9%	11.1%
Other ratios						
Net premiums written/gross premiums written	70%	66%	70%	66%	71%	68%

(1) For Q1 2014, favorable prior period development is net of \$2 million of profit-sharing commissions that are included in the expense ratio.



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

Insurance – North American Agriculture

	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>2013</u>
						Full Year
Gross premiums written	\$ 234	\$ 217	\$1,446	\$ 749	\$ 249	\$ 2,661
Net premiums written	194	256	805	453	113	1,627
Net premiums earned	103	426	849	351	52	1,678
Losses and loss expenses	126	453	746	293	32	1,524
Losses from fair value changes on crop derivatives ⁽¹⁾	2	—	1	—	—	1
Policy acquisition costs	5	(3)	32	20	4	53
Administrative expenses	1	(2)	5	3	5	11
Underwriting income (loss) ⁽²⁾	(31)	(22)	65	35	11	89
Net investment income	7	7	6	7	6	26
Interest expense	—	1	—	—	—	1
Other income (expense)—operating	(8)	(8)	(8)	(8)	(8)	(32)
Income tax expense (benefit)	(7)	(4)	13	8	2	19
Operating income (loss)	(25)	(20)	50	26	7	63
Net realized gains (losses) excluding losses from fair value changes on crop derivatives ⁽¹⁾	—	—	1	1	—	2
Net realized gains (losses) related to unconsolidated entities	—	—	—	—	—	—
Income tax expense on net realized gains (losses)	—	—	1	—	—	1
Net income (loss)	<u>\$ (25)</u>	<u>\$ (20)</u>	<u>\$ 50</u>	<u>\$ 27</u>	<u>\$ 7</u>	<u>\$ 64</u>
Combined ratio						
Loss and loss expense ratio	124.6%	106.3%	88.0%	83.4%	61.9%	90.9%
Policy acquisition cost ratio	4.5%	-0.5%	3.8%	5.6%	7.5%	3.2%
Administrative expense ratio	1.2%	-0.6%	0.5%	0.9%	9.9%	0.6%
Combined ratio	<u>130.3%</u>	<u>105.2%</u>	<u>92.3%</u>	<u>89.9%</u>	<u>79.3%</u>	<u>94.7%</u>
Combined ratio excluding catastrophe losses and PPD	88.9%	104.8%	93.3%	89.1%	85.4%	95.1%
Catastrophe reinstatement premiums—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses—pre-tax	\$ 1	\$ 2	\$ 2	\$ 3	\$ —	\$ 7
Unfavorable (favorable) prior period development (PPD)—pre-tax ⁽³⁾	\$ 38	\$ —	\$ (10)	\$ —	\$ (3)	\$ (13)
Loss and loss expense ratio excluding catastrophe losses and PPD	78.3%	105.8%	88.9%	82.6%	67.9%	91.3%
% Change versus prior year period						
Net premiums written	72.1%	203.6%	-30.8%	-8.0%	-5.1%	-12.5%
Net premiums earned	96.8%	62.3%	-27.2%	-8.8%	-11.1%	-10.4%
Other ratios						
Net premiums written/gross premiums written	83%	118%	56%	60%	45%	61%

- (1) Losses from fair value changes on crop derivatives are reclassified from Net realized gains (losses) for this presentation.
- (2) We assess the performance of our Insurance – North American Agriculture segment based on underwriting income which includes losses from fair value changes on crop derivatives.
- (3) For Q1 2014, unfavorable prior period development is net of \$35 million of favorable net earned premium adjustments and \$1 million of favorable profit-sharing commissions.



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

Insurance – Overseas General

	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>2013</u>
						Full Year
Gross premiums written	\$2,261	\$2,126	\$2,018	\$2,097	\$2,073	\$ 8,314
Net premiums written	1,771	1,699	1,571	1,630	1,620	6,520
Net premiums earned	1,612	1,700	1,611	1,563	1,459	6,333
Losses and loss expenses	817	835	712	768	747	3,062
Policy acquisition costs	386	405	349	360	339	1,453
Administrative expenses	250	258	263	251	236	1,008
Underwriting income	159	202	287	184	137	810
Net investment income	132	143	128	136	132	539
Interest expense	1	1	1	2	1	5
Other income (expense)—operating	(9)	(13)	(16)	(14)	(5)	(48)
Income tax expense	42	52	78	48	24	202
Operating income	239	279	320	256	239	1,094
Net realized gains (losses)	(10)	(16)	(8)	8	34	18
Net realized gains (losses) related to unconsolidated entities	15	4	2	(3)	6	9
Income tax expense (benefit) on net realized gains (losses)	(5)	(4)	—	2	22	20
Net income	<u>\$ 249</u>	<u>\$ 271</u>	<u>\$ 314</u>	<u>\$ 259</u>	<u>\$ 257</u>	<u>\$ 1,101</u>
Combined ratio						
Loss and loss expense ratio	50.7%	49.2%	44.2%	49.1%	51.2%	48.4%
Policy acquisition cost ratio	23.9%	23.8%	21.6%	23.0%	23.2%	22.9%
Administrative expense ratio	15.5%	15.1%	16.4%	16.1%	16.2%	15.9%
Combined ratio	<u>90.1%</u>	<u>88.1%</u>	<u>82.2%</u>	<u>88.2%</u>	<u>90.6%</u>	<u>87.2%</u>
Combined ratio excluding catastrophe losses and PPD	90.5%	91.6%	89.4%	90.5%	90.7%	90.5%
Catastrophe reinstatement premiums expensed—pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses—pre-tax	\$ 17	\$ 17	\$ 33	\$ 17	\$ 21	\$ 88
Favorable prior period development (PPD)—pre-tax	\$ (23)	\$ (76)	\$ (149)	\$ (52)	\$ (22)	\$ (299)
Loss and loss expense ratio excluding catastrophe losses and PPD	51.1%	52.6%	51.4%	51.3%	51.3%	51.7%
% Change versus prior year period						
Net premiums written as reported	9.3%	15.1%	13.5%	10.5%	6.0%	11.2%
Net premiums earned as reported	10.4%	13.5%	12.5%	10.1%	4.9%	10.3%
Net premiums written constant \$	12.3%					
Net premiums earned constant \$	14.6%					
Other ratios						
Net premiums written/gross premiums written	78%	80%	78%	78%	78%	78%



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

Global Reinsurance

						Full Year
	1Q-14	4Q-13	3Q-13	2Q-13	1Q-13	2013
Gross premiums written	\$ 333	\$ 154	\$ 264	\$ 345	\$ 294	\$ 1,057
Net premiums written	308	155	265	292	279	991
Net premiums earned	284	245	239	245	247	976
Losses and loss expenses	126	104	93	93	106	396
Policy acquisition costs	67	49	52	48	48	197
Administrative expenses	14	14	12	12	12	50
Underwriting income	77	78	82	92	81	333
Net investment income	77	71	66	71	72	280
Interest expense	1	1	2	1	1	5
Other income (expense)—operating	1	2	1	1	—	4
Income tax expense	10	5	16	7	8	36
Operating income	144	145	131	156	144	576
Net realized gains (losses)	(8)	7	(5)	31	20	53
Net realized gains (losses) related to unconsolidated entities	18	4	6	(3)	8	15
Income tax expense on net realized gains (losses)	—	—	—	—	—	—
Net income	<u>\$ 154</u>	<u>\$ 156</u>	<u>\$ 132</u>	<u>\$ 184</u>	<u>\$ 172</u>	<u>\$ 644</u>
Combined ratio						
Loss and loss expense ratio	44.4%	42.5%	38.9%	37.7%	43.0%	40.5%
Policy acquisition cost ratio	23.5%	20.4%	21.7%	19.9%	19.3%	20.3%
Administrative expense ratio	5.0%	5.5%	5.2%	4.6%	5.0%	5.1%
Combined ratio	<u>72.9%</u>	<u>68.4%</u>	<u>65.8%</u>	<u>62.2%</u>	<u>67.3%</u>	<u>65.9%</u>
Combined ratio excluding catastrophe losses and PPD	75.1%	73.6%	71.0%	70.0%	69.2%	70.9%
Catastrophe reinstatement premiums collected—pre-tax	\$ —	\$ 1	\$ 2	\$ 1	\$ —	\$ 4
Catastrophe losses—pre-tax	\$ 3	\$ 6	\$ 24	\$ 11	\$ —	\$ 41
Favorable prior period development (PPD)—pre-tax	\$ (9)	\$ (18)	\$ (32)	\$ (29)	\$ (5)	\$ (84)
Loss and loss expense ratio excluding catastrophe losses and PPD	46.5%	47.7%	44.6%	45.3%	44.8%	45.6%
% Change versus prior year period						
Net premiums written as reported	10.3%	5.5%	-13.6%	-5.3%	6.1%	-3.3%
Net premiums earned as reported	15.5%	-3.7%	-15.0%	3.6%	7.3%	-2.6%
Net premiums written constant \$	10.5%					
Net premiums earned constant \$	15.4%					
Other ratios						
Net premiums written/gross premiums written	92%	101%	100%	85%	95%	94%



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

Life

						Full Year
	1Q-14	4Q-13	3Q-13	2Q-13	1Q-13	2013
Gross premiums written	\$522	\$526	\$510	\$512	\$528	\$ 2,076
Net premiums written	494	504	479	487	502	1,972
Net premiums earned	484	481	467	480	477	1,905
Losses and loss expenses	151	139	141	145	157	582
Policy benefits ⁽¹⁾	114	136	138	110	131	515
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	6	(9)	(14)	11	(4)	(16)
Policy acquisition costs	111	97	86	95	80	358
Administrative expenses	68	87	85	86	85	343
Net investment income	64	64	61	63	63	251
Life underwriting income ⁽²⁾	98	95	92	96	91	374
Interest expense	3	3	4	4	4	15
Other income (expense)—operating ⁽¹⁾	(5)	(4)	(2)	(7)	(5)	(18)
Income tax expense	13	2	11	9	12	34
Operating income	77	86	75	76	70	307
Net realized gains (losses):						
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	(67)	149	39	33	78	299
Foreign exchange gains (losses) and all other	(9)	5	4	3	49	61
Net realized gains (losses) related to unconsolidated entities	(2)	(2)	(2)	4	5	5
Income tax expense (benefit) on net realized gains (losses)	(3)	(1)	(1)	1	1	—
Net income	<u>\$ 2</u>	<u>\$239</u>	<u>\$117</u>	<u>\$115</u>	<u>\$201</u>	<u>\$ 672</u>
% Change versus prior year period						
Net premiums written as reported	-1.6%	-2.6%	-1.9%	0.2%	3.0%	-0.4%
Net premiums earned as reported	1.3%	-1.5%	-2.7%	0.9%	1.1%	-0.6%
Net premiums written constant \$ ⁽³⁾	1.1%					
Net premiums earned constant \$	4.0%					

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

	1Q-14	Constant \$ 1Q-13	Constant \$ % Change 1Q-14 vs. 1Q-13
Life excluding life reinsurance ⁽⁴⁾	\$629	\$ 610	3.2%
Life reinsurance including variable annuity	67	74	-10.3%
Total Life	<u>\$696</u>	<u>\$ 684</u>	<u>1.7%</u>

- (4) Includes deposits collected on universal life and investment contracts of \$202 million for Q1 2014 and \$196 million for Q1 2013 on a constant-dollar basis. Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from revenues.



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

	Unpaid Losses			Net Paid to Incurred Ratio
	Gross	Ceded	Net	
Balance at December 31, 2012	\$37,946	\$11,399	\$26,547	
Losses and loss expenses incurred	2,483	557	1,926	
Losses and loss expenses paid	(2,987)	(932)	(2,055)	107%
Other (incl. foreign exch. revaluation)	(360)	(106)	(254)	
Balance at March 31, 2013	\$37,082	\$10,918	\$26,164	
Losses and loss expenses incurred	3,007	757	2,250	
Losses and loss expenses paid	(2,797)	(941)	(1,856)	83%
Other (incl. foreign exch. revaluation)	51	4	47	
Balance at June 30, 2013	\$37,343	\$10,738	\$26,605	
Losses and loss expenses incurred	3,617	962	2,655	
Losses and loss expenses paid	(3,285)	(942)	(2,343)	88%
Other (incl. foreign exch. revaluation)	207	61	146	
Balance at September 30, 2013	\$37,882	\$10,819	\$27,063	
Losses and loss expenses incurred	3,322	805	2,517	
Losses and loss expenses paid	(3,716)	(993)	(2,723)	108%
Other (incl. foreign exch. revaluation)	(45)	(19)	(26)	
Balance at December 31, 2013	\$37,443	\$10,612	\$26,831	
Losses and loss expenses incurred	2,462	301	2,161	
Losses and loss expenses paid	(3,059)	(762)	(2,297)	106%
Other (incl. foreign exch. revaluation)	20	16	4	
Balance at March 31, 2014	\$36,866	\$10,167	\$26,699	
Add net recoverable on paid losses	—	588	(588)	
Balance including net recoverable on paid losses	\$36,866	\$10,755	\$26,111	



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

Net Reinsurance Recoverable by Division

	<u>March 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
Reinsurance recoverable on paid losses and loss expenses		
Active operations	\$ 351	\$ 376
Brandywine and Other Run-off	357	356
Total	<u>\$ 708</u>	<u>\$ 732</u>
Reinsurance recoverable on unpaid losses and loss expenses		
Active operations	\$ 9,184	\$ 9,576
Brandywine and Other Run-off	1,249	1,309
Total	<u>\$10,433</u>	<u>\$ 10,885</u>
Gross reinsurance recoverable		
Active operations	\$ 9,535	\$ 9,952
Brandywine and Other Run-off	1,606	1,665
Total	<u>\$11,141</u>	<u>\$ 11,617</u>
Provision for uncollectible reinsurance ⁽¹⁾		
Active operations	\$ (249)	\$ (251)
Brandywine and Other Run-off	(137)	(139)
Total	<u>\$ (386)</u>	<u>\$ (390)</u>
Net reinsurance recoverable		
Active operations	\$ 9,286	\$ 9,701
Brandywine and Other Run-off	1,469	1,526
Total	<u>\$10,755</u>	<u>\$ 11,227</u>

(1) The provision for uncollectible reinsurance is based on a default analysis applied to gross reinsurance recoverables, net of approximately \$2.3 billion of collateral.



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

	<u>March 31</u> <u>2014</u>		<u>December 31</u> <u>2013</u>	
Market Value				
Fixed maturities available for sale	\$ 49,611		\$ 49,254	
Fixed maturities held to maturity	6,080		6,263	
Short-term investments	<u>2,526</u>		<u>1,763</u>	
Total fixed maturities	<u>\$ 58,217</u>		<u>\$ 57,280</u>	
Asset Allocation by Market Value				
Treasury	\$ 2,411	4%	\$ 2,327	4%
Agency	1,349	2%	1,454	3%
Corporate and asset-backed	19,650	34%	19,475	34%
Mortgage-backed	12,277	21%	12,273	21%
Municipal	4,599	8%	4,500	8%
Non-U.S.	15,405	27%	15,488	27%
Short-term investments	<u>2,526</u>	<u>4%</u>	<u>1,763</u>	<u>3%</u>
Total fixed maturities	<u>\$ 58,217</u>	<u>100%</u>	<u>\$ 57,280</u>	<u>100%</u>
Credit Quality by Market Value				
AAA	\$ 9,410	16%	\$ 8,677	15%
AA	21,652	37%	21,520	38%
A	11,112	19%	11,168	19%
BBB	7,306	12%	7,193	12%
BB	4,451	8%	4,418	8%
B	3,965	7%	3,940	7%
Other	<u>321</u>	<u>1%</u>	<u>364</u>	<u>1%</u>
Total fixed maturities	<u>\$ 58,217</u>	<u>100%</u>	<u>\$ 57,280</u>	<u>100%</u>
Cost/Amortized Cost				
Fixed maturities available for sale	\$ 48,282		\$ 48,406	
Fixed maturities held to maturity	5,887		6,098	
Short-term investments	<u>2,526</u>		<u>1,763</u>	
Subtotal fixed maturities	56,695		56,267	
Equity securities	845		841	
Other investments	<u>2,823</u>		<u>2,671</u>	
Total investment portfolio	<u>\$ 60,363</u>		<u>\$ 59,779</u>	
Avg. duration of fixed maturities	4.0 years		4.0 years	
Avg. market yield of fixed maturities	2.8%		3.0%	
Avg. credit quality	A/Aa		A/Aa	
Avg. yield on invested assets	3.7%		3.8%	



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

Mortgage-backed Fixed Income Portfolio

Mortgage-backed securities

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Market Value at March 31, 2014						
Agency residential mortgage-backed (RMBS)	\$ —	\$10,125	\$—	\$—	\$ —	\$10,125
Non-agency RMBS	50	8	22	13	132	225
Commercial mortgage-backed	1,897	13	14	3	—	1,927
Total mortgage-backed securities at market value	<u>\$1,947</u>	<u>\$10,146</u>	<u>\$ 36</u>	<u>\$ 16</u>	<u>\$ 132</u>	<u>\$12,277</u>

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

Market Value at March 31, 2014

	S&P Credit Rating					Total
	Investment Grade					
	AAA	AA	A	BBB		
Asset-backed	\$477	\$ 95	\$ —	\$ —		\$ 572
Banks	—	—	2,301	350		2,651
Basic Materials	—	—	97	324		421
Communications	—	51	488	811		1,350
Consumer, Cyclical	—	98	315	372		785
Consumer, Non-Cyclical	53	540	875	662		2,130
Diversified Financial Services	—	78	238	114		430
Energy	32	35	193	704		964
Industrial	—	357	359	295		1,011
Utilities	—	11	600	464		1,075
All Others	55	126	591	525		1,297
Total	<u>\$617</u>	<u>\$1,391</u>	<u>\$6,057</u>	<u>\$4,621</u>		<u>\$12,686</u>

Market Value at March 31, 2014

	S&P Credit Rating				Total
	Below Investment Grade				
	BB	B	CCC		
Asset-backed	\$ —	\$ 4	\$ 16		\$ 20
Banks	1	4	—		5
Basic Materials	143	130	7		280
Communications	574	462	12		1,048
Consumer, Cyclical	459	655	14		1,128
Consumer, Non-Cyclical	569	892	33		1,494
Diversified Financial Services	104	75	—		179
Energy	743	300	31		1,074
Industrial	371	382	26		779
Utilities	275	21	—		296
All Others	247	399	15		661
Total	<u>\$3,486</u>	<u>\$3,324</u>	<u>\$154</u>		<u>\$6,964</u>



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

Non-U.S. Fixed Income Portfolio

March 31, 2014

Non-U.S. Government Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$1,077	\$ —	\$ —	\$ —	\$ —	\$1,077
Republic of Korea	—	664	35	—	—	699
Canada	542	—	—	—	—	542
United Mexican States	—	2	324	118	—	444
Germany	336	4	—	—	—	340
Province of Ontario	—	326	—	—	—	326
Japan	—	300	—	—	—	300
Federative Republic of Brazil	—	—	208	66	—	274
Kingdom of Thailand	—	—	202	62	—	264
Province of Quebec	—	—	246	—	—	246
Other Non-U.S. Government Securities	751	1,116	226	249	305	2,647
Total	\$2,706	\$2,412	\$1,241	\$495	\$ 305	\$7,159

Non-U.S. Corporate Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$ 98	\$ 65	\$ 765	\$ 365	\$ 201	\$1,494
Canada	155	123	291	394	169	1,132
Australia	55	99	311	107	64	636
United States	7	125	105	211	168	616
France	62	54	200	129	77	522
Netherlands	18	265	120	89	29	521
Germany	156	37	131	109	51	484
Euro Supranational	194	51	—	1	—	246
Switzerland	2	22	54	114	47	239
Sweden	53	99	67	3	8	230
Other Non-U.S. Corporate Securities	97	272	754	608	395	2,126
Total	\$897	\$1,212	\$2,798	\$2,130	\$ 1,209	\$8,246

Non-U.S. Corporate Investment Portfolio

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



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

Fixed Maturity Investment Portfolio
Top 10 Global Corporate Exposures

	<u>March 31, 2014</u>	<u>Market Value</u>	<u>Rating</u>
1	JP Morgan Chase & Co	\$ 513	A
2	General Electric Co	418	AA+
3	Goldman Sachs Group Inc	367	A-
4	Wells Fargo & Co	283	A+
5	Citigroup Inc	277	A-
6	Verizon Communications Inc	272	BBB+
7	Morgan Stanley	271	A-
8	Bank of America Corp	255	A-
9	HSBC Holdings Plc	238	A+
10	Comcast Corp	203	A-



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

	Three months ended March 31, 2014		
	Net Realized Gains (Losses) ⁽¹⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 11	\$ 461	\$ 472
Fixed income derivatives	(25)	—	(25)
Total fixed maturities	(14)	461	447
Public equity	(5)	10	5
Private equity	56	42	98
Total equity	51	52	103
Mark-to-market losses from derivative transactions ⁽²⁾	(67)	—	(67)
Foreign exchange losses ⁽²⁾	(9)	—	(9)
Other	(7)	—	(7)
Partially-owned entities ⁽³⁾	(5)	—	(5)
Income tax expense (benefit)	(8)	93	85
Net gains (losses)	<u>\$ (43)</u>	<u>\$ 420</u>	<u>\$ 377</u>

- (1) Other-than-temporary impairments for the quarter includes \$5 million for fixed maturities and \$6 million for public equity.
- (2) Includes \$67 million of realized losses from variable annuity reinsurance for the quarter which comprises \$48 million in mark-to-market losses from derivative transactions and \$19 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange losses for the quarter were \$2 million.
- (3) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

	Three months ended March 31, 2013		
	Net Realized Gains (Losses) ⁽⁴⁾	Net Unrealized Gains (Losses)	Net Impact
Fixed maturities	\$ 36	\$ (191)	\$ (155)
Fixed income derivatives	18	—	18
Total fixed maturities	54	(191)	(137)
Public equity	(1)	14	13
Private equity	28	25	53
Total equity	27	39	66
Mark-to-market gains from derivative transactions ⁽⁵⁾	78	—	78
Foreign exchange gains ⁽⁵⁾	76	—	76
Other	—	1	1
Partially-owned entities ⁽⁶⁾	4	—	4
Income tax expense (benefit)	32	(56)	(24)
Net gains (losses)	<u>\$ 207</u>	<u>\$ (95)</u>	<u>\$ 112</u>

- (4) Other-than-temporary impairments for the quarter includes \$1 million for fixed maturities, \$1 million for public equity, and \$1 million for private equity.
- (5) Includes \$78 million of realized gains from variable annuity reinsurance for the quarter which comprises \$328 million in mark-to-market gains from derivative transactions, net of \$250 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$41 million.
- (6) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).



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

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

Note: As of March 31, 2014, there was \$1.2 billion usage of credit facilities on a total commitment of \$1.9 billion.

- (1) Repurchase agreements in the amount of \$426 million matured during the quarter, and there were new repurchase agreements in the amount of \$426 million.
- (2) Tangible capital is equal to total capitalization less goodwill and other intangible assets.



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

	Three months ended March 31	
	2014	2013
Numerator		
Operating income to common shares	\$ 777	\$ 746
Adjusted net realized gains (losses), net of income tax	(43)	207
Net income	<u>\$ 734</u>	<u>\$ 953</u>
Rollforward of Common Shares Outstanding		
Shares—beginning of period	339,793,935	340,321,534
Repurchase of shares ⁽¹⁾	(3,487,882)	(1,808,300)
Shares issued, excluding option exercises	1,176,596	947,536
Issued for option exercises	491,995	584,486
Shares—end of period	<u>337,974,644</u>	<u>340,045,256</u>
Denominator		
Weighted average shares outstanding	338,869,562	340,778,142
Effect of other dilutive securities	3,171,174	3,128,226
Adj. wtd. avg. shares outstanding and assumed conversions	<u>342,040,736</u>	<u>343,906,368</u>
Basic earnings per share		
Operating income	\$ 2.29	\$ 2.19
Adjusted net realized gains (losses), net of income tax	(0.13)	0.61
Net income	<u>\$ 2.16</u>	<u>\$ 2.80</u>
Diluted earnings per share		
Operating income	\$ 2.27	\$ 2.17
Adjusted net realized gains (losses), net of income tax	(0.13)	0.60
Net income	<u>\$ 2.14</u>	<u>\$ 2.77</u>

(1) For the period April 1, 2014 through April 28, 2014 we repurchased 475 thousand shares totaling \$47 million, pursuant to a plan adopted under SEC Rule 10b5-1 and in accordance with the provisions of SEC Rule 10b-18.



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

Regulation G—Non-GAAP Financial Measures

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

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

Adjusted net realized gains (losses) is a non-GAAP financial measure that excludes realized gains and losses from fair value changes on crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. We view changes in the fair value of these derivatives as part of the results of our underwriting operations and therefore realized gains and losses from these derivatives are reclassified to Adjusted losses and loss expenses (a non-GAAP financial measure). Adjusted losses and loss expenses include gains and losses from fair value changes on crop derivatives.

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

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

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

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

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

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

Global P&C performance metrics are non-GAAP financial measures and comprise consolidated operating results (including corporate) and exclude the operating results of the company's Life and Insurance – North American Agriculture segments. We believe that these measures are useful and meaningful to investors as they are used by management to assess the company's global P&C operations which are the most

economically similar. We exclude the Insurance – North American Agriculture and Life segments because the results of these businesses do not always correlate with the results of our global P&C operations.

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

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

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

Book value excluding unrealized gains (losses) on investments, or shareholders' equity, as adjusted, is a non-GAAP financial measure and is shareholders' equity excluding unrealized gains (losses) on investments, net of tax. We believe this measure is useful as it removes the effect of changing prices on invested assets which is heavily influenced by market conditions.

Tangible book value per common share is a non-GAAP financial measure and is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. We believe that goodwill and other intangible assets are not indicative of our underlying insurance results or trends and make book value comparisons to less acquisitive peer companies less meaningful. A reconciliation of tangible book value per share is provided on page 22. Tangible book value per common share excluding 2013 acquisitions is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros in order to adjust for the distortive effect of acquisitions.



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

Regulation G—Non-GAAP Financial Measures (continued)

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

	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>Full Year 2013</u>
Net income, as reported	\$ 734	\$ 998	\$ 916	\$ 891	\$ 953	\$ 3,758
Adjusted net realized gains (losses)	(102)	154	41	104	206	505
Net realized gains (losses) related to unconsolidated entities ⁽¹⁾	51	25	22	12	33	92
Income tax expense (benefit) on adjusted net realized gains (losses)	(8)	5	4	15	32	56
Operating income	<u>\$ 777</u>	<u>\$ 824</u>	<u>\$ 857</u>	<u>\$ 790</u>	<u>\$ 746</u>	<u>\$ 3,217</u>

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

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

	<u>1Q-14</u>	<u>4Q-13</u>	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>Full Year 2013</u>
Tax expense, as reported	\$ 93	\$ 88	\$ 155	\$ 115	\$ 122	\$ 480
Tax expense (benefit) on adjusted net realized gains (losses)	(8)	5	4	15	32	56
Tax expense, adjusted	<u>\$ 101</u>	<u>\$ 83</u>	<u>\$ 151</u>	<u>\$ 100</u>	<u>\$ 90</u>	<u>\$ 424</u>
Income before tax, as reported	\$ 827	\$ 1,086	\$ 1,071	\$ 1,006	\$ 1,075	\$ 4,238
Less: adjusted realized gains (losses)	(102)	154	41	104	206	505
Less: realized gains (losses) related to unconsolidated entities	51	25	22	12	33	92
Operating income before tax	<u>\$ 878</u>	<u>\$ 907</u>	<u>\$ 1,008</u>	<u>\$ 890</u>	<u>\$ 836</u>	<u>\$ 3,641</u>
Effective tax rate	11.3%	8.1%	14.4%	11.5%	11.3%	11.3%
Adjustment for tax impact of adjusted net realized gains (losses)	0.2%	1.1%	0.5%	-0.3%	-0.5%	0.3%
Operating effective tax rate	<u>11.5%</u>	<u>9.2%</u>	<u>14.9%</u>	<u>11.2%</u>	<u>10.8%</u>	<u>11.6%</u>

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

	<u>1Q-14</u>	<u>1Q-13</u>	<u>Full Year 2013</u>
Net income	\$ 734	\$ 953	\$ 3,758
Operating income	\$ 777	\$ 746	\$ 3,217
Equity—beginning of period, as reported	\$ 28,825	\$ 27,531	\$ 27,531
Less: unrealized gains (losses) on investments, net of deferred tax	1,174	2,633	2,633
Equity—beginning of period, as adjusted	<u>\$ 27,651</u>	<u>\$ 24,898</u>	<u>\$ 24,898</u>
Equity—end of period, as reported	\$ 29,369	\$ 27,942	\$ 28,825
Less: unrealized gains (losses) on investments, net of deferred tax	1,594	2,538	1,174
Equity—end of period, as adjusted	<u>\$ 27,775</u>	<u>\$ 25,404</u>	<u>\$ 27,651</u>
Average equity, as reported	\$ 29,097	\$ 27,737	\$ 28,178
Average equity, as adjusted	<u>\$ 27,713</u>	<u>\$ 25,151</u>	<u>\$ 26,275</u>
Operating ROE	11.2%	11.9%	12.2%
ROE	10.1%	13.7%	13.3%



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

Reconciliation of Book Value per Common Share

	<u>March 31 2014</u>	<u>December 31 2013</u>	<u>March 31 2013</u>
Shareholders' equity	\$ 29,369	\$ 28,825	\$ 27,942
Less: goodwill and other intangible assets	5,382	5,404	4,909
Numerator for tangible book value per share	<u>\$ 23,987</u>	<u>\$ 23,421</u>	<u>\$ 23,033</u>
Book value—% change over prior quarter	1.9%	2.2%	1.5%
Tangible book value—% change over prior quarter	2.4%	2.9%	2.1%
Denominator	<u>337,974,644</u>	<u>339,793,935</u>	<u>340,045,256</u>
Book value per common share	\$ 86.90	\$ 84.83	\$ 82.17
Tangible book value per common share	\$ 70.97	\$ 68.93	\$ 67.74
<u>Reconciliation of Book Value</u>			
Shareholders' equity, beginning of quarter	\$ 28,825	\$ 28,218	\$ 27,531
Operating income	777	824	746
Adjusted net realized gains (losses), net of tax	(43)	174	207
Net unrealized gains (losses), net of tax	420	(145)	(95)
Repurchase of shares	(332)	(57)	(154)
Dividend declared on common shares ⁽¹⁾	(256)	(174)	(168)
Cumulative translation, net of tax	(41)	(66)	(156)
Pension liability	(5)	(11)	14
Other ⁽²⁾	24	62	17
	<u>\$ 29,369</u>	<u>\$ 28,825</u>	<u>\$ 27,942</u>

- (1) The March 31, 2014 amount includes a \$0.12 per share increase related to the Q4 2013 dividend installment approved by our shareholders on January 10, 2014.
- (2) Other primarily includes proceeds from exercise of stock options and stock compensation.



ACE Limited Consolidated comprises all segments including Corporate.

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

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

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

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

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

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

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

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

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

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

NM: Not meaningful.