ACE LTD

FORM 10-K/A
(Amended Annual Report)

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Telephone	441 295 5200
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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 10-K/A
(Amendment No. 1)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2008
OR
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File No. 1-11778

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

Switzerland	**98-0091805**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Bärengasse 32
Zurich, Switzerland CH-8001
(Address of principal executive offices, Zip Code)
+41 (0)43 456 76 00
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Shares, par value CHF 33.14 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES ☐ NO ☑

The aggregate market value of voting stock held by non-affiliates as of June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately $18 billion. For the purposes of this computation, shares held by directors and officers of the registrant have been excluded. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.

As of February 24, 2009, there were 333,613,391 Common Shares par value CHF 33.14 of the registrant outstanding.

Documents Incorporated By Reference

Certain portions of the registrant's definitive proxy statement relating to its 2009 Annual General Meeting of Shareholders are incorporated by reference in Part III of this report.

Explanatory Note

The Registrant is filing this Amendment No. 1 to its Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission on February 27, 2009, for the sole purpose of correcting certain table line item descriptions in Item 7A (Quantitative and Qualitative Disclosures about Market Risk). The line item descriptions relating to hedge value and net income have been changed to place parentheses around the word “decrease” rather than “Increase” in the tables entitled (i) Interest Rate Shock, (ii) Sensitivities to Other Economic Variables, and (iii) Sensitivities to Actuarial Assumptions. No number entries to any of the tables were changed.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Sensitive Instruments and Risk Management

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments. We are exposed to potential losses from various market risks including changes in interest rates, equity prices and foreign currency exchange rates. Further, through the writings of certain products such as credit derivatives (through our approximately 21 percent ownership of Assured Guaranty Ltd.) and GMIB and GMDB products, we are exposed to deterioration in the credit markets, decreases in interest rates, and declines in the equity markets. Our investment portfolio consists of both fixed income and equity securities, denominated in both U.S. dollars and foreign currencies, which are sensitive to changes in interest rates, equity prices, and foreign currency exchange rates.

The majority of our fixed income and all of our equity securities are classified as available for sale and, as such, changes in interest rates, equity prices, or foreign currency exchange rates will have an immediate effect on comprehensive income and shareholders' equity but will not ordinarily have an immediate effect on net income. Nevertheless, changes in interest rates and equity prices affect consolidated net income when, and if, a security is sold or a determination is made to incur a charge for impairment. From time to time, we also use investment derivative instruments such as futures, options, swaps, and foreign currency forward contracts to manage the duration of our investment portfolio and foreign currency exposures and also to obtain exposure to a particular financial market. At December 31, 2008 and 2007, our notional exposure to investment derivative instruments was $10.3 billion and $15.8 billion, respectively. In addition, as part of our investing activity, we purchase to be announced mortgage backed securities (TBAs). These instruments are recognized as assets or liabilities in our Consolidated Financial Statements and are sensitive to changes in interest rates, foreign currency exchange rates, and equity security prices. Changes in the fair value of TBAs are included in net realized gains (losses) and therefore have an immediate effect on both our net income and shareholders' equity.

We seek to mitigate market risk using a number of techniques, including maintaining and managing the assets and liabilities of our international operations consistent with the foreign currencies of the underlying insurance and reinsurance businesses, thereby limiting exchange rate risk to net assets denominated in foreign currencies.

The following is a discussion of our primary market risk exposures at December 31, 2008. Our policies to address these risks in 2008 were not materially different from 2007. We do not currently anticipate significant changes in our primary market risk exposures or in how those exposures are managed in future reporting periods based upon what is known or expected to be in effect in future reporting periods.

Interest rate risk – fixed income portfolio and debt obligations

Our fixed income portfolio and debt obligations have exposure to interest rate risk. Changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of our insurance reserves and debt obligations. We monitor this exposure through periodic reviews of our asset and liability positions.

The following table shows the impact on the market value of our fixed income portfolio of a hypothetical increase in interest rates of 100 bps applied instantly across the U.S. yield curve (an immediate time horizon was used as this presents the worst case scenario) at December 31, 2008 and 2007.

(in millions of U.S. dollars)	**2008**	2007
Fair value of fixed income portfolio	**$37,370**	$38,830
Pre-tax impact of 100 bps increase in interest rates	**$ 1,329**	$ 1,281
Percentage of total fixed income portfolio at fair value	**3.6%**	3.3%

Changes in interest rates will have an immediate effect on comprehensive income and shareholders' equity but will not ordinarily have an immediate effect on net income.

Although our debt, Preferred Shares (redeemed in 2008), and trust preferred securities (collectively referred to as debt obligations) are reported at amortized value and not adjusted for fair value changes, changes in interest rates could have a material impact on their fair value, albeit there is no immediate impact on our Consolidated Financial Statements. The following table shows the impact on the market value of our debt obligations of a hypothetical decrease in interest rates of 100 bps applied instantly across the U.S. yield curve (an immediate time horizon was used as this presents the worst case scenario) at December 31, 2008 and 2007.

(in millions of U.S. dollars)	**2008**	2007
Fair value of debt obligations	**$3,344**	$3,169
Impact of 100 bps decrease in interest rates	**$ 179**	$ 235
Percentage of total debt obligations at fair value	**5.3%**	7.4%

Variations in market interest rates could produce significant changes in the timing of prepayments due to prepayment options available. For these reasons, actual results could differ from those reflected in the tables.

Equity price risk – equity portfolio

Our portfolio of equity securities, which we carry on our balance sheet at fair value, has exposure to price risk. This risk is defined as the potential loss in fair value resulting from adverse changes in stock prices. In addition, we attain exposure to the equity markets through the use of derivative instruments, which also have exposure to price risk. Our U.S. equity portfolio is correlated with the S&P 500 index and changes in that index would approximate the impact on our portfolio. Our international equity portfolio has exposure to a broad range of non-U.S. equity markets. The following table provides more information on our exposure to equity price risk at December 31, 2008 and 2007.

(in millions of U.S. dollars)	**2008**	2007
Fair value of equity securities	**$988**	$1,837
Pre-tax impact of 10 percent decline in market prices for equity exposures	**$ 99**	$ 184

Changes in the fair value of our equity portfolio are recorded as unrealized appreciation (depreciation) and are included as a separate component of accumulated other comprehensive income in shareholders' equity.

Foreign currency exchange rate risk

Many of our non-U.S. companies maintain both assets and liabilities in local currencies. Therefore, foreign exchange rate risk is generally limited to net assets denominated in those foreign currencies. Foreign exchange rate risk is reviewed as part of our risk management process. Locally required capital levels are invested in home currencies in order to satisfy regulatory requirements and to support local insurance operations regardless of currency fluctuations. The principal currencies creating foreign exchange risk for us are the British pound sterling, the euro, and the Canadian dollar. The following table provides more information on our exposure to foreign exchange rate risk at December 31, 2008 and 2007.

(in millions of U.S. dollars)	**2008**	2007
Fair value of net assets denominated in foreign currencies	**$ 1,127**	$ 1,651
Percentage of fair value of total net assets	**7.8%**	9.9%
Pre-tax impact on equity of hypothetical 10 percent strengthening of the U.S. dollar	**$ 84**	$ 150

Reinsurance of GMDB and GMIB guarantees

Our net income is directly impacted by changes in the reserves calculated in connection with the reinsurance of variable annuity guarantees, primarily GMDB and GMIB. These reserves are calculated in accordance with SOP 03-1 (SOP reserves) and changes in these reserves are reflected as life and annuity benefit expense, which is included in life underwriting income. In addition, our net income is directly impacted by the change in the fair value of the GMIB liability (FVL), which is classified as a derivative according to FAS 133. The fair value liability established for a GMIB reinsurance contract represents the difference between the fair value of the contract and the SOP 03-1 reserves. Changes in the fair value of the GMIB liability, net of associated changes in the calculated SOP 03-1 reserve, are reflected as realized gains or losses.

ACE views our variable annuity reinsurance business as having a similar risk profile to that of catastrophe reinsurance, with the probability of long-term economic loss relatively small at the time of pricing. Adverse changes in market factors and policyholder behavior will have an impact on both life underwriting income and net income. When evaluating these risks, we expect to be compensated for taking both the risk of a cumulative long-term economic net loss, as well as the short-term accounting variations caused by these market movements. Therefore, we evaluate this business in terms of its long-term economic risk and reward.

The ultimate risk to the variable annuity guaranty reinsurance business is a long-term underperformance of investment returns, which can be exacerbated by a long-term reduction in interest rates. Following a market downturn, continued market underperformance over a period of five to seven years would eventually result in a higher level of paid claims as policyholders accessed their guarantees through death or annuitization. However, if market conditions improved following a downturn, SOP 03-1 reserves and fair value liability would fall reflecting a decreased likelihood of future claims, which would result in an increase in both life underwriting income and net income.

As of December 31, 2008, management established the SOP 03-1 reserve based on the benefit ratio calculated using actual market values at December 31, 2008. Management exercises judgment in determining the extent to which short-term market movements impact the SOP 03-1 reserve. The SOP 03-1 reserve is based on the calculation of a long-term benefit ratio (or loss ratio) for the variable annuity guarantee reinsurance. Despite the long-term nature of the risk the benefit ratio calculation is impacted by short-term market movements that may be judged by management to be temporary or transient. Management will, in keeping with the language in SOP 03-1, regularly examine both quantitative and qualitative analysis and management will determine if, in its judgment, the change in the calculated benefit ratio is of sufficient magnitude and has persisted for a sufficient duration to warrant a change in the benefit ratio used to establish the SOP 03-1 reserve. This has no impact on either premium received or claims paid nor does it impact the long-term profit or loss of the variable annuity guarantee reinsurance.

The SOP 03-1 reserve and fair value liability calculations are directly affected by market factors, including equity levels, interest rate levels, credit risk and implied volatilities, as well as policyholder behaviors, such as annuitization and lapse rates. The table below shows the sensitivity, as of December 31, 2008, of the SOP 03-1 reserves and fair value liability associated with the variable annuity guarantee reinsurance portfolio. In addition, the tables below show the sensitivity of the fair value of specific derivative instruments held (hedge value), which includes instruments purchased in January 2009, to partially offset the risk in the variable annuity guarantee reinsurance portfolio. Although these derivatives do not receive hedge accounting treatment, some portion of the change in value may be used to offset changes in the SOP 03-1 reserve.

The following table provides more information on our exposure to variable annuity sensitivities to equities and interest rates at December 31, 2008.

Interest Rate Shock		Worldwide Equity Shock +10%	Flat	-10%	-20%
(in millions of U.S. dollars)					
+100 bps	(Increase)/decrease in SOP reserve	$ 89	$ 25	$ (60)	$ (166)
	(Increase)/decrease in net FVL	222	135	55	(15)
	Increase/(decrease) in hedge value	(80)	(20)	46	118
	Increase/(decrease) in net income	$ 231	$ 140	$ 41	$ (63)
Flat	(Increase)/decrease in SOP reserve	$ 69	$ –	$ (91)	$ (204)
	(Increase)/decrease in net FVL	91	–	(89)	(168)
	Increase/(decrease) in hedge value	(61)	–	67	140
	Increase/(decrease) in net income	$ 99	$ –	$ (113)	$ (232)
-100 bps	(Increase)/decrease in SOP reserve	$ 33	$ (41)	$ (138)	$ (258)
	(Increase)/decrease in net FVL	(87)	(189)	(281)	(356)
	Increase/(decrease) in hedge value	(40)	22	90	163
	Increase/(decrease) in net income	$ (94)	$ (208)	$ (329)	$ (451)

Sensitivities to Other Economic Variables (in millions of U.S. dollars)	A-rated Credit Spreads +100	-100	Interest Rate Volatility +2%	-2%	Equity Volatility +2%	-2%
(Increase)/decrease in SOP reserve	$ –	$ –	$ –	$–	$ –	$ –
(Increase)/decrease in net FVL	65	(104)	(6)	7	(6)	2
Increase/(decrease) in hedge value	–	–	–	–	5	(5)
Increase/(decrease) in net income	$65	$ (104)	$ (6)	$7	$ (1)	$(3)

Sensitivities to Actuarial Assumptions (in millions of U.S. dollars)	Mortality +10%	-10%	Lapses +25%	-25%	Annuitization +25%	-25%
(Increase)/decrease in SOP reserve	$(26)	$ 27	$ 20	$ (23)	$ (11)	$ 14
(Increase)/decrease in net FVL	11	(11)	135	(166)	(97)	105
Increase/(decrease) in hedge value	–	–	–	–	–	–
Increase/(decrease) in net income	$(15)	$ 16	$155	$(189)	$(108)	$119

The above table assumes equity shocks impact all global equity markets equally and that the interest rate shock is a parallel shift in the U.S. yield curve. Although our liabilities have sensitivity to global equity markets we would suggest using the S&P 500 as a proxy and although our liabilities have sensitivity to global interest rates at various points on the yield curve we would suggest using the 10-year U.S. Treasury yield as a proxy. A change in A-rated credit spreads impacts the rate used to discount cash flows in the fair value model. The table above demonstrates, for example, that a 10 percent decrease in worldwide equities, all else equal, would increase our SOP 03-1 reserves by $91 million (subject to management judgment as described above) and cause a net realized loss of $89 million, offset by an increase in hedge value of $67 million, for a total reduction in net income of $113 million. The hedge sensitivity is from December 31, 2008 market levels, but includes hedges entered into in January 2009. Because the new hedges were purchased after December 31, 2008, the increase (decrease) in hedge value for each of the above scenarios relative to December 31, 2008 market conditions, would be $25 million lower (higher).

The above sensitivities are not directly additive, because changes in one factor will affect the sensitivity to changes in other factors. Also, the sensitivities do not scale linearly and may be proportionally greater for larger movements in the market factors. The calculation of the SOP 03-1 reserve and fair value liability is based on internal models that include assumptions regarding future policyholder behavior, including lapse, annuitization, and asset allocation. These assumptions impact both the absolute level of the SOP 03-1 reserve and fair value liability as well as the sensitivities to changes in market factors shown above.

If the global equity market were to experience a 20 percent decrease from levels at December 31, 2008, all else being equal, any additional incremental capital required over the increase in SOP 03-1 reserves, would be approximately offset by the increase in value of currently held hedge assets. Changes in other market factors have a minor impact on required capital. However, we would be required to post additional collateral.

From inception (July 2000) to December 31, 2008, the variable annuity guarantee reinsurance portfolio has produced the following cumulative results. Any increase in SOP 03-1 reserves and fair value liability should be taken in context of these results:

Net premiums earned $1.06 billion
Claims paid $104 million
SOP 03-1 reserves held at December 31, 2008 $347 million
Fair value GMIB liability held at December 31, 2008 $811 million
Life underwriting income $685 million
Net loss $11 million

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

March 10, 2009

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Evan G. Greenberg, certify that:

1) I have reviewed this annual report on Form 10-K/A of ACE Limited;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date March 10, 2009

/s/ Evan G. Greenberg

Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Philip V. Bancroft, certify that:

1) I have reviewed this annual report on Form 10-K/A of ACE Limited;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date March 10, 2009

/s/ Philip V. Bancroft
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of ACE Limited (the Corporation) hereby certifies that the Corporation's Annual Report on Form 10-K/A for the year ended December 31, 2008, fully complies with the applicable reporting requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)) and that the information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of ACE Limited.

Dated: March 10, 2009

/s/ Evan G. Greenberg

Evan G. Greenberg
Chairman and Chief Executive Officer

Exhibit 32.2

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of ACE Limited (the Corporation) hereby certifies that the Corporation's Annual Report on Form 10-K/A for the year ended December 31, 2008, fully complies with the applicable reporting requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a)) and that the information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of ACE Limited.

Dated: March 10, 2009

/s/ Philip V. Bancroft
Philip V. Bancroft
Chief Financial Officer