

ACE LTD

FORM 8-K (Current report filing)

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

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported) – February 5, 2008

ACE LIMITED

(Exact name of registrant as specified in its charter)

Cayman Islands
(State or other jurisdiction
of Incorporation)

1-11778
(Commission File Number)

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

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

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

Not applicable

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

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

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

On February 5, 2008, ACE Limited issued a press release reporting its fourth quarter 2007 results and the availability of its fourth quarter financial supplement. The press release and the financial supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

Item 9.01. Financial Statements, Pro Forma Financial Information and Exhibits.**(c) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release, dated February 5, 2008, reporting fourth quarter results
99.2	Fourth Quarter 2007 Financial Supplement

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press release, dated February 5 2008, reporting fourth quarter results	Furnished herewith
99.2	Fourth Quarter 2007 Financial Supplement	Furnished herewith



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**News
Release**

FOR IMMEDIATE RELEASE

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**ACE REPORTS FOURTH QUARTER 2007 NET INCOME OF \$572 MILLION,
OPERATING INCOME UP 8% TO RECORD \$693 MILLION;
FULL YEAR 2007 NET INCOME INCREASES 12% TO RECORD \$2,578 MILLION,
OPERATING INCOME UP 15% TO RECORD \$2,712 MILLION**

HAMILTON, Bermuda, February 5, 2008 — ACE Limited (NYSE: ACE) today reported net income for the fourth quarter ended December 31, 2007, of \$1.69 per common share after payment of preferred dividends, compared with \$1.99 per share for the same quarter last year. Income excluding net realized gains (losses) for the fourth quarter was \$2.05 per share, compared with \$1.92 per share for the same quarter of last year. ⁽¹⁾ Book value increased 4% for the quarter, and annualized return on average equity was 17.2%. ⁽²⁾ The net realized and unrealized loss after tax was \$15 million for the quarter. The overall mark-to-market impact on our investment portfolio was a pre-tax gain of \$106 million.

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

				(Per Share – Diluted)		
	2007	2006	Change	2007	2006	Change
Net income	\$ 572	\$665	(14)%	\$ 1.69	\$1.99	(15)%
Net realized gains (losses), net of tax	(121)	22	—	(0.36)	0.07	—
Income excluding net realized gains (losses), net of tax ⁽¹⁾	\$ 693	\$643	8%	\$ 2.05	\$1.92	7%

Net income for the year was \$7.66 per share, an increase of 11% over prior year. For 2007, income excluding net realized gains (losses) and cumulative effect of an accounting change ⁽³⁾ was \$8.07 per share, compared with \$7.05 per share for 2006. ⁽¹⁾ The combined ratio for the year was 87.9%, compared with 88.1% for 2006. Book value increased 17% and return on equity for the year was 17.9%. ⁽²⁾

Full Year Summary
(in millions, except per share amounts)
(Unaudited)

				(Per Share – Diluted)		
	2007	2006	Change	2007	2006	Change
Net income	\$2,578	\$2,305	12%	\$ 7.66	\$ 6.91	11%
Net realized gains (losses), net of tax	(134)	(50)	—	(0.41)	(0.15)	—
Cumulative effect, net of tax ⁽³⁾	—	4	—	—	0.01	—
Income excluding net realized gains (losses) and cumulative effect, net of tax ⁽¹⁾	\$2,712	\$2,351	15%	\$ 8.07	\$ 7.05	14%

Evan Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had a strong fourth quarter that capped an excellent year for the Company. All areas of the Company performed well, and the financial markets crisis had a relatively modest impact on our results. For the year, we achieved record net income and net operating income, which increased 12% and 15%, respectively, while book value per share increased 16%. ⁽⁴⁾ In December we announced two acquisitions that will further diversify and contribute to ACE’s future earnings. Looking ahead, we are well positioned to manage through an increasingly difficult environment marked by continuing volatility in the financial markets, deteriorating economic fundamentals and a softening property and casualty market.”

Other operating highlights were as follows:

- Net premiums written declined 1.3% over the prior year quarter and 0.4% over the full year.
- Net premiums earned increased 1% over the prior year quarter and 4% over the full year.
- The P&C combined ratio for the quarter was 88.1% compared with 88.2% in the prior year quarter; for the full year the P&C combined ratio was 87.9% compared with 88.1% for 2006.
- P&C underwriting income was \$351 million for the quarter and \$1.4 billion for the full year.
- Operating cash flow amounted to \$823 million for the quarter and \$4.7 billion for the full year.
- Invested assets increased by \$5.1 billion or 14% during the year to \$42.3 billion.
- Net loss reserves increased 8% for the full year to \$22.7 billion.
- Net investment income increased 18% over the prior year quarter and 20% for the year to \$1.9 billion.
- Shareholders’ equity increased 17% for the year to \$16.7 billion.
- Tangible equity ⁽¹⁾ rose to nearly \$14 billion, an increase of 21% from year-end 2006.
- Return on average equity for 2007 was 17.9%; excluding FAS 115, it was 18.6%. ⁽²⁾
- Book value per share increased 4% from September 30, 2007, and 16% for the year to \$48.89. ⁽⁴⁾

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

- Insurance-North American: Net premiums written decreased 7% over the prior year quarter. The combined ratio was 89.1%.
- Insurance-Overseas General: Net premiums written increased 10% over the prior year quarter. The combined ratio was 87.5%.
- Global Reinsurance: Net premiums written decreased 31% over the prior year quarter. The combined ratio was 73.6%.
- Life Insurance and Reinsurance: Net premiums written increased 42% over the prior year quarter. Income excluding net realized gains (losses) decreased 21% to \$33 million over the prior year quarter. Net realized losses of \$108 million are primarily attributable to the mark-to-market impact of our guaranteed minimum income benefit liabilities that are accounted for as derivatives.
- Corporate and Other: Net realized losses of \$73 million are attributable to our investment in Assured Guaranty Ltd. and their reported unrealized mark-to-market loss on derivatives associated with financial guaranties written as credit default swaps.

Please refer to the ACE Limited Financial Supplement dated December 31, 2007, which is posted on the Company's website in the Investor Information section, and access Financial Reports for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, investment portfolio and capital structure. The URL reference is: http://media.corporate-ir.net/media_files/nys/ace/reports/fin_supp_december_31_2007.xls. (Due to the length of this URL, it may be necessary to copy and paste this hyperlink into your Internet browser's URL address field.)

ACE will host its fourth quarter earnings conference call and webcast on Wednesday, February 6, 2008, beginning at 8:30 a.m. ET. The earnings conference call will be available via live and archived webcast at www.ancelimited.com or by dialing 888-819-8006 (within the United States) or 913-312-0823 (international); passcode 6462453. Please refer to the ACE Limited website in the Investor Information section under Calendar of Events for details. A replay of the call will be available for approximately one month. To listen to the replay, dial: 888-203-1112 (in the United States) or 719-457-0820 (international); passcode 6462453.

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

¹ Non-GAAP Financial Measures:

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

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

Tangible shareholders' equity is shareholders' equity less goodwill. See reconciliation of Non-GAAP Financial Measures beginning on page 24 in the financial supplement. These measures should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

² Calculated using income excluding net realized gains (losses).

³ The cumulative effect is a benefit resulting from the inclusion of a forfeiture rate on restricted stock in our stock compensation expense calculations, as required under Financial Accounting Standard (FAS) 123R.

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

Cautionary Statement Regarding Forward-Looking Statements :

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

(tables to follow)

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

	December 31	December 31
	2007	2006
Assets		
Total investments	\$ 41,779	\$ 36,601
Cash	510	565
Insurance and reinsurance balances receivable	3,540	3,580
Reinsurance recoverable	14,362	14,580
Other assets	11,899	11,809
Total assets	<u>\$ 72,090</u>	<u>\$ 67,135</u>
Liabilities		
Unpaid losses and loss expenses	\$ 37,112	\$ 35,517
Unearned premium	6,227	6,437
Other Liabilities	12,074	10,903
Total liabilities	<u>\$ 55,413</u>	<u>\$ 52,857</u>
Shareholders' equity		
Total shareholders' equity	<u>\$ 16,677</u>	<u>\$ 14,278</u>
Total liabilities and shareholders' equity	<u>\$ 72,090</u>	<u>\$ 67,135</u>
Book value per ordinary share ⁽⁴⁾	\$ 48.89	\$ 42.03

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

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
Gross premiums written	\$4,144	\$4,010	\$17,740	\$17,401
Net premiums written	2,827	2,864	11,979	12,030
Net premiums earned	3,057	3,026	12,297	11,825
Losses and loss expenses	1,788	1,824	7,351	7,070
Life and annuity benefits	60	32	168	123
Policy acquisition costs	457	433	1,771	1,715
Administrative expenses	385	365	1,455	1,456
Underwriting income (loss) ⁽¹⁾	367	372	1,552	1,461
Net investment income	504	428	1,918	1,601
Net realized gains (losses)	(66)	15	(61)	(98)
Interest expense	43	42	175	176
Other (income) expense	49	(16)	81	(35)
Income tax expense (benefit)	141	124	575	522
Cumulative effect, net of tax	—	—	—	4
Net income	572	665	2,578	2,305
Preferred share dividend	(12)	(12)	(45)	(45)
Net income available to holders of ordinary shares	<u>\$ 560</u>	<u>\$ 653</u>	<u>\$ 2,533</u>	<u>\$ 2,260</u>
<i>Diluted earnings per share:</i>				
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 2.05	\$ 1.92	\$ 8.07	\$ 7.05
Net income	\$ 1.69	\$ 1.99	\$ 7.66	\$ 6.91
Weighted average diluted shares outstanding	331.3	328.4	330.4	327.2
Loss and loss expense ratio	60.4%	61.8%	61.6%	61.2%
Policy acquisition cost ratio	15.1%	14.4%	14.5%	14.6%
Administrative expense ratio	12.6%	12.0%	11.8%	12.3%
Combined ratio	88.1%	88.2%	87.9%	88.1%

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

	<u>Three Months Ended</u> <u>December 31</u>		<u>Year Ended</u> <u>December 31</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Gross Premiums Written				
Insurance — North American	\$ 2,274	\$ 2,236	\$ 9,840	\$ 9,663
Insurance — Overseas General	1,584	1,441	6,291	5,897
Global Reinsurance	177	255	1,218	1,567
Life Insurance and Reinsurance	109	78	391	274
<i>Total</i>	<u>\$ 4,144</u>	<u>\$ 4,010</u>	<u>\$17,740</u>	<u>\$17,401</u>
Net Premiums Written				
Insurance — North American	\$ 1,373	\$ 1,476	\$ 5,833	\$ 5,940
Insurance — Overseas General	1,169	1,059	4,568	4,266
Global Reinsurance	174	251	1,197	1,550
Life Insurance and Reinsurance	111	78	381	274
<i>Total</i>	<u>\$ 2,827</u>	<u>\$ 2,864</u>	<u>\$11,979</u>	<u>\$12,030</u>
Net Premiums Earned				
Insurance — North American	\$ 1,418	\$ 1,471	\$ 6,007	\$ 5,719
Insurance — Overseas General	1,229	1,097	4,623	4,321
Global Reinsurance	312	380	1,299	1,511
Life Insurance and Reinsurance	98	78	368	274
<i>Total</i>	<u>\$ 3,057</u>	<u>\$ 3,026</u>	<u>\$12,297</u>	<u>\$11,825</u>
Income Excluding Net Realized Gains (Losses) and Cumulative Effect ⁽¹⁾				
Insurance — North American	\$ 329	\$ 304	\$ 1,269	\$ 1,132
Insurance — Overseas General	210	187	818	754
Global Reinsurance	146	148	559	536
Life Insurance and Reinsurance	33	42	166	138
Corporate	(25)	(38)	(100)	(209)
<i>Total</i>	<u>\$ 693</u>	<u>\$ 643</u>	<u>\$ 2,712</u>	<u>\$ 2,351</u>



ace limited

Financial Supplement

December 31, 2007

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

Cautionary Statement Regarding Forward-Looking Statements:

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

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



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

	Three months ended December 31		% Change 4Q-07 vs. 4Q-06	Year ended December 31		% Change 2007 vs. 2006
	2007	2006		2007	2006	
Gross premiums written	\$ 4,144	\$ 4,010	3%	\$ 17,740	\$ 17,401	2%
Net premiums written	\$ 2,827	\$ 2,864	-1%	\$ 11,979	\$ 12,030	0%
Net premiums earned	\$ 3,057	\$ 3,026	1%	\$ 12,297	\$ 11,825	4%
Net investment income	\$ 504	\$ 428	18%	\$ 1,918	\$ 1,601	20%
Net income	\$ 572	\$ 665	-14%	\$ 2,578	\$ 2,305	12%
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 693	\$ 643	8%	\$ 2,712	\$ 2,351	15%
Comprehensive income	\$ 685	\$ 824	-17%	\$ 2,643	\$ 2,700	-2%
Operating cash flow	\$ 823	\$ 804	2%	\$ 4,701	\$ 4,105	15%
Combined ratio						
Loss and loss expense ratio	60.4%	61.8%		61.6%	61.2%	
Underwriting and administrative expense ratio	27.7%	26.4%		26.3%	26.9%	
Combined ratio	88.1%	88.2%		87.9%	88.1%	
Annualized ROE*	17.2%	19.0%		17.9%	18.5%	
Annualized ROE, excluding FAS 115*	17.8%	19.8%		18.6%	19.2%	
Effective tax rate on income excluding net realized gains (losses) and cumulative effect	17%	17%		18%	20%	
Diluted earnings per share						
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 2.05	\$ 1.92	7%	\$ 8.07	\$ 7.05	14%
Net income	\$ 1.69	\$ 1.99	-15%	\$ 7.66	\$ 6.91	11%
Book value per ordinary share	\$ 48.89	\$ 42.03	16%	\$ 48.89	\$ 42.03	16%
Tangible book value per ordinary share	\$ 40.61	\$ 33.66	21%	\$ 40.61	\$ 33.66	21%
Weighted average basic ordinary shares outstanding	325.6	322.5		324.9	321.8	
Weighted average diluted ordinary shares outstanding	331.3	328.4		330.4	327.2	
Debt/ total capitalization	11.4%	12.8%		11.4%	12.8%	

(1) See page 24 Non-GAAP Financial Measures.

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



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

ACE Limited Consolidated

	4Q-07	3Q-07	2Q-07	1Q-07	4Q-06	Full Year 2007	Full Year 2006
Property and Casualty							
Gross premiums written	\$4,035	\$4,363	\$4,545	\$4,406	\$3,932	\$17,349	\$17,127
Net premiums written	2,716	2,705	2,995	3,182	2,786	11,598	11,756
Net premiums earned	2,959	3,055	2,921	2,994	2,948	11,929	11,551
Losses and loss expenses	1,788	1,910	1,793	1,860	1,824	7,351	7,070
Policy acquisition costs	448	450	422	406	424	1,726	1,689
Administrative expenses	372	345	344	344	353	1,405	1,421
P&C underwriting income	<u>\$ 351</u>	<u>\$ 350</u>	<u>\$ 362</u>	<u>\$ 384</u>	<u>\$ 347</u>	<u>\$ 1,447</u>	<u>\$ 1,371</u>
Life underwriting income excluding investment income							
Life underwriting income excluding investment income	16	30	30	29	25	105	90
Net investment income	504	492	471	451	428	1,918	1,601
Net realized gains (losses)	(66)	—	(11)	16	15	(61)	(98)
Interest expense	43	44	42	46	42	175	176
Other (income) expense ⁽¹⁾	49	32	(4)	4	(16)	81	(35)
Income tax expense (benefit)	141	140	165	129	124	575	522
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	—	—	4
Net income	<u>\$ 572</u>	<u>\$ 656</u>	<u>\$ 649</u>	<u>\$ 701</u>	<u>\$ 665</u>	<u>\$ 2,578</u>	<u>\$ 2,305</u>
Net realized gains (losses) in other (income) expense ⁽¹⁾							
Net realized gains (losses)	(66)	—	(11)	16	15	(61)	(98)
Net realized gains (losses) in other (income) expense ⁽¹⁾	(57)	(38)	—	—	—	(95)	—
Tax expense (benefit) on net realized gains (losses)	(2)	(2)	4	(22)	(7)	(22)	(48)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	—	—	4
Income excluding net realized gains (losses) and cumulative effect ⁽²⁾	<u>\$ 693</u>	<u>\$ 692</u>	<u>\$ 664</u>	<u>\$ 663</u>	<u>\$ 643</u>	<u>\$ 2,712</u>	<u>\$ 2,351</u>
% Change versus prior year period ⁽³⁾							
Property and Casualty net premiums written	-3%	-1%	0%	-2%	9%	-1%	2%
Property and Casualty net premiums earned	0%	1%	3%	9%	6%	3%	0%
Other ratios							
Net premiums written/gross premiums written	67%	62%	66%	72%	71%	67%	69%
Effective tax rate on income excluding net realized gains (losses) and cumulative effect	17%	17%	20%	19%	17%	18%	20%
Combined ratio ⁽³⁾							
Loss and loss expense ratio	60.4%	62.5%	61.4%	62.1%	61.8%	61.6%	61.2%
Policy acquisition cost ratio	15.1%	14.7%	14.5%	13.5%	14.4%	14.5%	14.6%
Administrative expense ratio	12.6%	11.3%	11.7%	11.5%	12.0%	11.8%	12.3%
Combined ratio	<u>88.1%</u>	<u>88.5%</u>	<u>87.6%</u>	<u>87.1%</u>	<u>88.2%</u>	<u>87.9%</u>	<u>88.1%</u>
Expense ratio P&C	27.7%	26.0%	26.2%	25.0%	26.4%	26.3%	26.9%
Expense ratio excluding A&H	24.6%	22.8%	23.6%	21.9%	23.8%	23.2%	24.5%
Large losses and other items ⁽³⁾							
Catastrophe and other large losses (before tax)	\$ 23	\$ 21	\$ 81	\$ 34	\$ 6	\$ 159	\$ 17
Prior period development - unfavorable (favorable)	\$ (89)	\$ (70)	\$ (40)	\$ (18)	\$ 17	\$ (217)	\$ (12)

(1) Includes \$57 million and \$38 million of net realized investment and derivative losses related to our unconsolidated insurance affiliates for quarter 4 2007 and quarter 3 2007, respectively.

(2) See page 24 Non-GAAP Financial Measures.

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



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

	December 31	September 30	June 30	March 31	December 31
	2007	2007	2007	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Assets					
Fixed maturities available for sale, at fair value	\$ 33,184	\$ 32,632	\$ 30,591	\$ 29,934	\$ 28,540
Fixed maturities held to maturity, at amortized cost	2,987	2,979	3,013	3,060	3,047
Equity securities, at fair value	1,837	1,866	1,896	1,772	1,713
Short-term investments, at fair value	2,631	2,940	2,919	2,658	2,456
Other investments	1,140	1,050	934	896	845
Total investments	<u>41,779</u>	<u>41,467</u>	<u>39,353</u>	<u>38,320</u>	<u>36,601</u>
Cash	510	506	621	639	565
Securities lending collateral	2,109	2,301	2,811	2,905	2,171
Insurance and reinsurance balances receivable	3,540	3,324	3,923	3,689	3,580
Reinsurance recoverable	14,362	14,218	14,081	14,374	14,580
Deferred policy acquisition costs	1,121	1,138	1,160	1,133	1,077
Prepaid reinsurance premiums	1,600	1,687	1,854	1,621	1,586
Goodwill	2,731	2,731	2,731	2,731	2,731
Deferred tax assets	1,087	1,163	1,163	1,192	1,165
Investments in partially owned insurance companies	773	786	826	804	789
Other assets	2,478	2,633	2,497	2,366	2,290
Total assets	<u>\$ 72,090</u>	<u>\$ 71,954</u>	<u>\$ 71,020</u>	<u>\$ 69,774</u>	<u>\$ 67,135</u>
Liabilities					
Unpaid losses and loss expenses	\$ 37,112	\$ 36,868	\$ 36,123	\$ 35,813	\$ 35,517
Unearned premiums	6,227	6,542	7,001	6,670	6,437
Future policy benefits for life and annuity contracts	545	527	521	521	518
Insurance and reinsurance balances payable	2,843	2,592	2,690	2,511	2,449
Deposit liabilities	351	355	363	327	335
Securities lending payable	2,109	2,301	2,811	2,905	2,171
Payable for securities purchased	1,798	2,407	2,257	1,338	1,286
Accounts payable, accrued expenses and other liabilities	1,825	1,689	1,445	1,514	1,541
Income taxes payable	111	174	168	265	156
Short-term debt	372	87	85	581	578
Long-term debt	1,811	2,068	2,063	2,061	1,560
Trust preferred securities	309	309	309	309	309
Total liabilities	<u>55,413</u>	<u>55,919</u>	<u>55,836</u>	<u>54,815</u>	<u>52,857</u>
Shareholders' equity					
Total shareholders' equity, excl. AOCI	15,908	15,379	14,781	14,181	13,562
Accumulated other comprehensive income (AOCI)	769	656	403	778	716
Total shareholders' equity	<u>16,677</u>	<u>16,035</u>	<u>15,184</u>	<u>14,959</u>	<u>14,278</u>
Total liabilities and shareholders' equity	<u>\$ 72,090</u>	<u>\$ 71,954</u>	<u>\$ 71,020</u>	<u>\$ 69,774</u>	<u>\$ 67,135</u>
Book value per ordinary share ⁽¹⁾	\$ 48.89	\$ 46.98	\$ 44.46	\$ 43.87	\$ 42.03
Tangible book value per ordinary share ⁽¹⁾	\$ 40.61	\$ 38.69	\$ 36.16	\$ 35.55	\$ 33.66

(1) See page 24 Non-GAAP Financial Measures.



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

ACE Limited Consolidated

	4Q-07	% of Total Consolidated	4Q-06	% of Total Consolidated	% Change		% of Total Consolidated	Year 2006	% of Total Consolidated	% Change	
					4Q-07 vs. 4Q-06	Year 2007				2007 vs. 2006	
Net premiums written											
Property and all other	\$ 765	27%	\$ 734	25%	4%	\$ 3,702	31%	\$ 3,677	31%	1%	
Casualty	1,522	54%	1,687	59%	-10%	6,219	52%	6,652	55%	-7%	
Personal accident (A&H)	429	15%	365	13%	18%	1,677	14%	1,427	12%	18%	
Total P&C	2,716	96%	2,786	97%	-3%	11,598	97%	11,756	98%	-1%	
Life	111	4%	78	3%	42%	381	3%	274	2%	39%	
Total Consolidated	<u>\$2,827</u>	<u>100%</u>	<u>\$2,864</u>	<u>100%</u>	<u>-1%</u>	<u>\$11,979</u>	<u>100%</u>	<u>\$12,030</u>	<u>100%</u>	<u>0%</u>	
Net premiums earned											
Property and all other	\$ 957	31%	\$ 924	31%	4%	\$ 3,787	31%	\$ 3,618	31%	5%	
Casualty	1,556	51%	1,646	54%	-5%	6,464	52%	6,506	55%	-1%	
Personal accident (A&H)	446	15%	378	12%	18%	1,678	14%	1,427	12%	18%	
Total P&C	2,959	97%	2,948	97%	0%	11,929	97%	11,551	98%	3%	
Life	98	3%	78	3%	26%	368	3%	274	2%	34%	
Total Consolidated	<u>\$3,057</u>	<u>100%</u>	<u>\$3,026</u>	<u>100%</u>	<u>1%</u>	<u>\$12,297</u>	<u>100%</u>	<u>\$11,825</u>	<u>100%</u>	<u>4%</u>	

Line of Business



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

	Insurance - North American	Insurance - Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Life Insurance & Reinsurance	ACE Consolidated
December 31, 2007							
Gross premiums written	\$ 2,274	\$ 1,584	\$ 177	\$ —	\$ 4,035	\$ 109	\$ 4,144
Net premiums written	1,373	1,169	174	—	2,716	111	2,827
Net premiums earned	1,418	1,229	312	—	2,959	98	3,057
Losses and loss expenses	1,004	631	155	(2)	1,788	—	1,788
Life and annuity benefits	—	—	—	—	—	60	60
Policy acquisition costs	121	269	58	—	448	9	457
Administrative expenses	138	175	17	42	372	13	385
Underwriting income (loss)	155	154	82	(40)	351	16	367
Net investment income	276	119	73	21	489	15	504
Net realized gains (losses)	44	(11)	(3)	12	42	(108)	(66)
Interest expense	—	—	—	43	43	—	43
Other (income) expense	—	(12)	1	59	48	1	49
Income tax expense (benefit)	100	59	7	(21)	145	(4)	141
Net income (loss)	375	215	144	(88)	646	(74)	572
Net realized gains (losses)	44	(11)	(3)	12	42	(108)	(66)
Net realized gains (losses) in other (income) expense	—	15	—	(73)	(58)	1	(57)
Tax expense (benefit) on net realized gains (losses)	(2)	(1)	(1)	2	(2)	—	(2)
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 329	\$ 210	\$ 146	\$ (25)	\$ 660	\$ 33	\$ 693
December 31, 2006							
Gross premiums written	\$ 2,236	\$ 1,441	\$ 255	\$ —	\$ 3,932	\$ 78	\$ 4,010
Net premiums written	1,476	1,059	251	—	2,786	78	2,864
Net premiums earned	1,471	1,097	380	—	2,948	78	3,026
Losses and loss expenses	1,054	576	194	—	1,824	—	1,824
Life and annuity benefits	—	—	—	—	—	32	32
Policy acquisition costs	122	226	76	—	424	9	433
Administrative expenses	132	157	14	50	353	12	365
Underwriting income (loss)	163	138	96	(50)	347	25	372
Net investment income	233	97	62	24	416	12	428
Net realized gains (losses)	(11)	8	17	14	28	(13)	15
Interest expense	—	—	—	42	42	—	42
Other (income) expense	(13)	7	2	(12)	(16)	—	(16)
Income tax expense (benefit)	89	43	9	(12)	129	(5)	124
Net income (loss)	309	193	164	(30)	636	29	665
Net realized gains (losses)	(11)	8	17	14	28	(13)	15
Tax expense (benefit) on net realized gains (losses)	(16)	2	1	6	(7)	—	(7)
Income (loss) excluding net realized gains (losses) ⁽¹⁾	\$ 304	\$ 187	\$ 148	\$ (38)	\$ 601	\$ 42	\$ 643

(1) See page 24 Non-GAAP Financial Measures.



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

	Insurance - North American	Insurance - Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Life Insurance & Reinsurance	ACE Consolidated
December 31, 2007							
Gross premiums written	\$ 9,840	\$ 6,291	\$ 1,218	\$ —	\$ 17,349	\$ 391	\$ 17,740
Net premiums written	5,833	4,568	1,197	—	11,598	381	11,979
Net premiums earned	6,007	4,623	1,299	—	11,929	368	12,297
Losses and loss expenses	4,269	2,420	664	(2)	7,351	—	7,351
Life and annuity benefits	—	—	—	—	—	168	168
Policy acquisition costs	515	963	248	—	1,726	45	1,771
Administrative expenses	530	669	64	142	1,405	50	1,455
Underwriting income (loss)	693	571	323	(140)	1,447	105	1,552
Net investment income	1,034	450	274	105	1,863	55	1,918
Net realized gains (losses)	125	(69)	21	26	103	(164)	(61)
Interest expense	—	—	—	175	175	—	175
Other (income) expense	11	(20)	4	85	80	1	81
Income tax expense (benefit)	468	183	32	(100)	583	(8)	575
Net income (loss)	1,373	789	582	(169)	2,575	3	2,578
Net realized gains (losses)	125	(69)	21	26	103	(164)	(61)
Net realized gains (losses) in other (income) expense	—	26	—	(122)	(96)	1	(95)
Tax expense (benefit) on net realized gains (losses)	21	(14)	(2)	(27)	(22)	—	(22)
Income (loss) excluding net realized gains (losses) ⁽¹⁾	<u>\$ 1,269</u>	<u>\$ 818</u>	<u>\$ 559</u>	<u>\$ (100)</u>	<u>\$ 2,546</u>	<u>\$ 166</u>	<u>\$ 2,712</u>
December 31, 2006							
Gross premiums written	\$ 9,663	\$ 5,897	\$ 1,567	\$ —	\$ 17,127	\$ 274	\$ 17,401
Net premiums written	5,940	4,266	1,550	—	11,756	274	12,030
Net premiums earned	5,719	4,321	1,511	—	11,551	274	11,825
Losses and loss expenses	4,026	2,259	784	1	7,070	—	7,070
Life and annuity benefits	—	—	—	—	—	123	123
Policy acquisition costs	530	856	303	—	1,689	26	1,715
Administrative expenses	502	609	62	248	1,421	35	1,456
Underwriting income (loss)	661	597	362	(249)	1,371	90	1,461
Net investment income	876	370	221	92	1,559	42	1,601
Net realized gains (losses)	(83)	(16)	10	27	(62)	(36)	(98)
Interest expense	—	—	—	176	176	—	176
Other (income) expense	(2)	10	8	(51)	(35)	—	(35)
Income tax expense (benefit)	352	206	38	(68)	528	(6)	522
Cumulative effect of a change in accounting principle, net of tax	—	—	—	4	4	—	4
Net income (loss)	1,104	735	547	(183)	2,203	102	2,305
Net realized gains (losses)	(83)	(16)	10	27	(62)	(36)	(98)
Tax expense (benefit) on net realized gains (losses)	(55)	3	(1)	5	(48)	—	(48)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	4	4	—	4
Income (loss) excluding net realized gains (losses) ⁽¹⁾	<u>\$ 1,132</u>	<u>\$ 754</u>	<u>\$ 536</u>	<u>\$ (209)</u>	<u>\$ 2,213</u>	<u>\$ 138</u>	<u>\$ 2,351</u>

(1) See page 24 Non-GAAP Financial Measures.



ACE Limited
Consolidated Results—Financial Institutions Portfolio—U.S. Exposed
(in millions of U.S. dollars)
(Unaudited)

	Net Premiums Written	Average Net Limit	Average Attachment
Directors and Officers (D&O)			
<i>A-Side</i>	\$ 25.3	\$ 13.7	\$ 102.1
<i>ABC</i>	<u>68.9</u>	<u>6.2</u>	<u>43.4</u>
	\$ 94.2	\$ 7.7	\$ 55.3
Errors and Omissions (E&O)			
<i>Bankers Professional</i>	\$ 8.5	\$ 4.6	\$ 19.4
<i>Insurance Companies</i>	16.1	5.7	15.0
<i>Investment Management</i>	10.1	5.2	28.5
<i>Rating Agencies</i>	1.1	5.4	25.4
<i>Mortgage Bankers / Brokers</i>	4.2	0.5	0.0
<i>Broker/Dealers</i>	<u>9.2</u>	<u>1.1</u>	<u>12.9</u>
	\$ 49.2	\$ 3.2	\$ 17.1
Total	\$ 143.4	\$ 5.8*	\$ 39.0*

Additional Facts:

1. U.S. Exposed D&O includes International Companies with U.S. Securities and Exchange Commission (SEC) / American Depository Receipts (ADR) exposure.
2. D&O includes Capital Markets, Commercial Banks, Consumer Finance, Diversified Financials, Insurance, REITS, Thrifts&Mortgage, Rating Agencies
3. All premium is net of treaty reinsurance. Net to gross ratio is 76.4% for U.S. exposed business.
4. All coverage is claims made.
5. Defense costs are included within policy limits.

* Excludes Mortgage Bankers/Brokers



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

Insurance - North American

	<u>4Q-07</u>	<u>3Q-07</u>	<u>2Q-07</u>	<u>1Q-07</u>	<u>4Q-06</u>	<u>2007</u>	<u>2006</u>
Gross premiums written	\$2,274	\$2,708	\$2,589	\$2,269	\$2,236	\$ 9,840	\$ 9,663
Net premiums written	1,373	1,449	1,497	1,514	1,476	5,833	5,940
Net premiums earned	1,418	1,595	1,455	1,539	1,471	6,007	5,719
Losses and loss expenses	1,004	1,138	1,016	1,111	1,054	4,269	4,026
Policy acquisition costs	121	150	128	116	122	515	530
Administrative expenses	138	129	130	133	132	530	502
Underwriting income	155	178	181	179	163	693	661
Net investment income	276	260	257	241	233	1,034	876
Net realized gains (losses)	44	29	15	37	(11)	125	(83)
Interest expense	—	—	—	—	—	—	—
Other (income) expense	—	1	1	9	(13)	11	(2)
Income tax expense (benefit)	100	125	115	128	89	468	352
Net income	375	341	337	320	309	1,373	1,104
Net realized gains (losses)	44	29	15	37	(11)	125	(83)
Tax expense (benefit) on net realized gains (losses)	(2)	—	8	15	(16)	21	(55)
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 329</u>	<u>\$ 312</u>	<u>\$ 330</u>	<u>\$ 298</u>	<u>\$ 304</u>	<u>\$ 1,269</u>	<u>\$ 1,132</u>

Combined ratio

Loss and loss expense ratio	70.8%	71.3%	69.8%	72.2%	71.7%	71.1%	70.4%
Policy acquisition cost ratio	8.6%	9.4%	8.8%	7.5%	8.3%	8.6%	9.2%
Administrative expense ratio	9.7%	8.1%	8.9%	8.7%	8.9%	8.8%	8.8%
Combined ratio	<u>89.1%</u>	<u>88.8%</u>	<u>87.5%</u>	<u>88.4%</u>	<u>88.9%</u>	<u>88.5%</u>	<u>88.4%</u>

Large losses and other items (before tax)

Catastrophe and other large losses (before tax)	\$ —	\$ —	\$ 16	\$ —	\$ —	\$ 16	\$ —
Prior period development - unfavorable (favorable)	\$ 1	\$ 4	\$ (6)	\$ 10	\$ 20	\$ 9	\$ 65

% Change versus prior year period

Net premiums written	-7%	-1%	0%	1%	16%	-2%	2%
Net premiums earned	-4%	3%	6%	15%	9%	5%	0%

Other ratios

Net premiums written/gross premiums written	60%	54%	58%	67%	66%	59%	61%
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(1) See page 24 Non-GAAP Financial Measures.



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

Insurance - Overseas General

	<u>4Q-07</u>	<u>3Q-07</u>	<u>2Q-07</u>	<u>1Q-07</u>	<u>4Q-06</u>	<u>2007</u>	<u>2006</u>
Gross premiums written	\$1,584	\$1,427	\$1,621	\$1,659	\$1,441	\$ 6,291	\$ 5,897
Net premiums written	1,169	1,041	1,166	1,192	1,059	4,568	4,266
Net premiums earned	1,229	1,141	1,141	1,112	1,097	4,623	4,321
Losses and loss expenses	631	611	614	564	576	2,420	2,259
Policy acquisition costs	269	240	230	224	226	963	856
Administrative expenses	175	170	162	162	157	669	609
Underwriting income	154	120	135	162	138	571	597
Net investment income	119	116	111	104	97	450	370
Net realized gains (losses)	(11)	(5)	(27)	(26)	8	(69)	(16)
Interest expense	—	—	—	—	—	—	—
Other (income) expense	(12)	(12)	1	3	7	(20)	10
Income tax expense (benefit)	59	26	58	40	43	183	206
Net income	215	217	160	197	193	789	735
Net realized gains (losses)	(11)	(5)	(27)	(26)	8	(69)	(16)
Net realized gains (losses) in other (income) expense	15	11	—	—	—	26	—
Tax expense (benefit) on net realized gains (losses)	(1)	(1)	(4)	(8)	2	(14)	3
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 210</u>	<u>\$ 210</u>	<u>\$ 183</u>	<u>\$ 215</u>	<u>\$ 187</u>	<u>\$ 818</u>	<u>\$ 754</u>

Combined ratio

Loss and loss expense ratio	51.4%	53.6%	53.9%	50.7%	52.5%	52.4%	52.3%
Policy acquisition cost ratio	21.8%	21.1%	20.1%	20.2%	20.6%	20.8%	19.8%
Administrative expense ratio	14.3%	14.8%	14.2%	14.5%	14.3%	14.5%	14.1%
Combined ratio	<u>87.5%</u>	<u>89.5%</u>	<u>88.2%</u>	<u>85.4%</u>	<u>87.4%</u>	<u>87.7%</u>	<u>86.2%</u>

Large losses and other items

Catastrophe and other large losses (before tax)	\$ 13	\$ 8	\$ 58	\$ 15	\$ —	94	\$ 3
Prior period development - unfavorable (favorable)	\$ (76)	\$ (64)	\$ (31)	\$ (21)	\$ 4	(192)	\$ (72)

% Change versus prior year period

Net premiums written	10%	6%	8%	4%	4%	7%	2%
Net premiums earned	12%	4%	5%	7%	5%	7%	2%

Other ratios

Net premiums written/gross premiums written	74%	73%	72%	72%	73%	73%	72%
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(1) See page 24 Non-GAAP Financial Measures.



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

Global Reinsurance

	<u>4Q-07</u>	<u>3Q-07</u>	<u>2Q-07</u>	<u>1Q-07</u>	<u>4Q-06</u>	<u>2007</u>	<u>2006</u>
						Full Year	Full Year
Gross premiums written	\$ 177	\$ 228	\$ 335	\$ 478	\$ 255	\$ 1,218	\$ 1,567
Net premiums written	174	215	332	476	251	1,197	1,550
Net premiums earned	312	319	325	343	380	1,299	1,511
Losses and loss expenses	155	161	163	185	194	664	784
Policy acquisition costs	58	60	64	66	76	248	303
Administrative expenses	17	14	16	17	14	64	62
Underwriting income	82	84	82	75	96	323	362
Net investment income	73	69	66	66	62	274	221
Net realized gains (losses)	(3)	25	(7)	6	17	21	10
Interest expense	—	—	—	—	—	—	—
Other (income) expense	1	—	2	1	2	4	8
Income tax expense (benefit)	7	11	7	7	9	32	38
Net income	144	167	132	139	164	582	547
Net realized gains (losses)	(3)	25	(7)	6	17	21	10
Tax expense (benefit) on net realized gains (losses)	(1)	—	—	(1)	1	(2)	(1)
Income excluding net realized gains (losses) ⁽¹⁾	<u>\$ 146</u>	<u>\$ 142</u>	<u>\$ 139</u>	<u>\$ 132</u>	<u>\$ 148</u>	<u>\$ 559</u>	<u>\$ 536</u>

Combined ratio

Loss and loss expense ratio	49.8%	50.6%	50.1%	53.8%	50.9%	51.1%	51.8%
Policy acquisition cost ratio	18.3%	18.8%	19.9%	19.2%	20.1%	19.1%	20.1%
Administrative expense ratio	5.5%	4.2%	5.0%	5.0%	3.7%	4.9%	4.1%
Combined ratio	<u>73.6%</u>	<u>73.6%</u>	<u>75.0%</u>	<u>78.0%</u>	<u>74.7%</u>	<u>75.1%</u>	<u>76.0%</u>

Large losses and other items

Catastrophe and other large losses (before tax)	\$ 10	\$ 13	\$ 7	\$ 19	\$ 6	49	\$ 14
Prior period development - unfavorable (favorable)	\$ (14)	\$ (10)	\$ (3)	\$ (7)	\$ (7)	(34)	\$ (5)

(1) See page 24 Non-GAAP Financial Measures.



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

Global Reinsurance

	4Q-07	3Q-07	2Q-07	1Q-07	4Q-06	Full Year 2007	Full Year 2006
% Change versus prior year period							
Net premiums written	-31%	-24%	-20%	-21%	-9%	-23%	0%
Net premiums earned	-18%	-14%	-16%	-8%	-4%	-14%	-1%
Other ratios							
Net premiums written/gross premiums written	98%	94%	99%	100%	98%	98%	99%

Global Reinsurance - By Division

	4Q-07	3Q-07	2Q-07	1Q-07	4Q-06	Full Year 2007	Full Year 2006
Gross premiums written							
ACE Tempest Re Bermuda	\$ 14	\$ 51	\$121	\$174	\$ 16	\$ 360	\$ 386
ACE Tempest Re USA	118	134	175	188	181	615	903
ACE Tempest Re Europe	42	39	35	112	58	228	278
ACE Tempest Re Canada	3	4	4	4	—	15	—
Total	<u>\$177</u>	<u>\$228</u>	<u>\$335</u>	<u>\$478</u>	<u>\$255</u>	<u>\$ 1,218</u>	<u>\$ 1,567</u>
Net premiums written							
ACE Tempest Re Bermuda	\$ 13	\$ 40	\$120	\$174	\$ 13	\$ 347	\$ 379
ACE Tempest Re USA	118	134	175	188	181	615	902
ACE Tempest Re Europe	40	37	33	110	57	220	269
ACE Tempest Re Canada	3	4	4	4	—	15	—
Total	<u>\$174</u>	<u>\$215</u>	<u>\$332</u>	<u>\$476</u>	<u>\$251</u>	<u>\$ 1,197</u>	<u>\$ 1,550</u>
Net premiums earned							
ACE Tempest Re Bermuda	\$ 91	\$ 90	\$ 87	\$ 88	\$ 96	\$ 356	\$ 367
ACE Tempest Re USA	162	167	177	187	216	693	872
ACE Tempest Re Europe	55	59	60	67	68	241	272
ACE Tempest Re Canada	4	3	1	1	—	9	—
Total	<u>\$312</u>	<u>\$319</u>	<u>\$325</u>	<u>\$343</u>	<u>\$380</u>	<u>\$ 1,299</u>	<u>\$ 1,511</u>
<u>Net premiums written/gross premiums written</u>							
ACE Tempest Re Bermuda	93%	78%	99%	100%	81%	96%	98%
ACE Tempest Re USA	100%	100%	100%	100%	100%	100%	100%
ACE Tempest Re Europe	95%	95%	94%	98%	98%	96%	97%
ACE Tempest Re Canada	100%	100%	100%	100%	—	100%	—
Total NPW/GPW	<u>98%</u>	<u>94%</u>	<u>99%</u>	<u>100%</u>	<u>98%</u>	<u>98%</u>	<u>99%</u>



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

Life Insurance and Reinsurance

	4Q-07	3Q-07	2Q-07	1Q-07	4Q-06	Full Year 2007	Full Year 2006
Gross premiums written ⁽¹⁾	\$ 109	\$100	\$ 92	\$ 90	\$ 78	\$ 391	\$ 274
Net premiums written	111	95	87	88	78	381	274
Net premiums earned	98	95	87	88	78	368	274
Life and annuity benefits	60	39	33	36	32	168	123
Policy acquisition costs	9	13	12	11	9	45	26
Administrative expenses	13	13	12	12	12	50	35
Net investment income	15	14	14	12	12	55	42
Life underwriting income ⁽²⁾	31	44	44	41	37	160	132
Net realized gains (losses)	(108)	(51)	(1)	(4)	(13)	(164)	(36)
Other (income) expense	1	—	—	—	—	1	—
Income tax expense (benefit)	(4)	(3)	1	(2)	(5)	(8)	(6)
Net income	(74)	(4)	42	39	29	3	102
Net realized gains (losses)	(108)	(51)	(1)	(4)	(13)	(164)	(36)
Net realized gains (losses) in other (income) expense	1	—	—	—	—	1	—
Tax expense (benefit) on net realized gains (losses)	—	—	—	—	—	—	—
Income excluding net realized gains (losses) ⁽³⁾	<u>\$ 33</u>	<u>\$ 47</u>	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 42</u>	<u>\$ 166</u>	<u>\$ 138</u>

(1) Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from premium revenue. For the quarters ended December 31, 2007, September 30, 2007, and June 30, 2007, premiums or deposits collected on investment and universal life contracts that are excluded from premium revenue above aggregated to \$27.2 million, \$17.4 million and \$10.6 million, respectively. Previous to Q2-07, premiums collected on such contracts were inconsequential.

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

(3) See page 24 Non-GAAP Financial Measures.



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

	Total			Ongoing			Run-off ⁽¹⁾		
	Unpaid Losses			Unpaid Losses			Unpaid Losses		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Balance at December 31, 2005	\$ 35,055	\$ 14,597	\$ 20,458	\$ 27,174	\$ 9,269	\$ 17,905	\$ 7,881	\$ 5,328	\$ 2,553
Losses and loss expenses incurred	2,130	450	1,680	2,143	476	1,667	(13)	(26)	13
Losses and loss expenses paid	(1,686)	(503)	(1,183)	(1,486)	(353)	(1,133)	(200)	(150)	(50)
Other (incl. foreign exch. revaluation)	9	10	(1)	16	10	6	(7)	—	(7)
Balance at March 31, 2006	35,508	14,554	20,954	27,847	9,402	18,445	7,661	5,152	2,509
Losses and loss expenses incurred	2,378	630	1,748	2,349	618	1,731	29	12	17
Losses and loss expenses paid	(2,536)	(1,082)	(1,454)	(2,344)	(938)	(1,406)	(192)	(144)	(48)
Other (incl. foreign exch. revaluation)	214	69	145	212	69	143	2	—	2
Balance at June 30, 2006	35,564	14,171	21,393	28,064	9,151	18,913	7,500	5,020	2,480
Losses and loss expenses incurred	2,582	764	1,818	2,588	797	1,791	(6)	(33)	27
Losses and loss expenses paid	(2,395)	(975)	(1,420)	(2,223)	(893)	(1,330)	(172)	(82)	(90)
Other (Sale of certain run-off subsidiaries) ⁽²⁾	(789)	(317)	(472)	—	—	—	(789)	(317)	(472)
Other (incl. foreign exch. revaluation)	187	66	121	199	69	130	(12)	(3)	(9)
Balance at September 30, 2006	35,149	13,709	21,440	28,628	9,124	19,504	6,521	4,585	1,936
Losses and loss expenses incurred	2,780	956	1,824	2,477	710	1,767	303	246	57
Losses and loss expenses paid	(2,613)	(1,211)	(1,402)	(2,405)	(1,078)	(1,327)	(208)	(133)	(75)
Other (incl. foreign exch. revaluation)	201	55	146	289	221	68	(88)	(166)	78
Balance at December 31, 2006	35,517	13,509	22,008	28,989	8,977	20,012	6,528	4,532	1,996
Losses and loss expenses incurred	2,703	843	1,860	2,690	832	1,858	13	11	2
Losses and loss expenses paid	(2,363)	(943)	(1,420)	(2,206)	(797)	(1,409)	(157)	(146)	(11)
Other (incl. foreign exch. revaluation)	(44)	4	(48)	(44)	4	(48)	—	—	—
Balance at March 31, 2007	35,813	13,413	22,400	29,429	9,016	20,413	6,384	4,397	1,987
Losses and loss expenses incurred	2,280	487	1,793	2,249	473	1,776	31	14	17
Losses and loss expenses paid	(2,111)	(758)	(1,353)	(1,977)	(637)	(1,340)	(134)	(121)	(13)
Other (incl. foreign exch. revaluation)	141	34	107	140	34	106	1	—	1
Balance at June 30, 2007	36,123	13,176	22,947	29,841	8,886	20,955	6,282	4,290	1,992
Losses and loss expenses incurred	3,010	1,100	1,910	2,999	1,093	1,906	11	7	4
Losses and loss expenses paid	(2,429)	(948)	(1,481)	(2,269)	(833)	(1,436)	(160)	(115)	(45)
Other (incl. foreign exch. revaluation)	164	58	106	164	58	106	—	—	—
Balance at September 30, 2007	36,868	13,386	23,482	30,735	9,204	21,531	6,133	4,182	1,951
Losses and loss expenses incurred	2,838	1,050	1,788	2,815	1,057	1,758	23	(7)	30
Losses and loss expenses paid	(2,613)	(933)	(1,680)	(2,400)	(806)	(1,594)	(213)	(127)	(86)
Other (incl. foreign exch. revaluation)	19	17	2	19	17	2	—	—	—
Balance at December 31, 2007	\$37,112	\$13,520	\$23,592	\$31,169	\$9,472	\$21,697	\$5,943	\$4,048	\$1,895

(1) The run-off reserves primarily include the Brandywine group, the Commercial Insurance Service—Middle Market Workers' Comp. reserves and the pre-1997 Westchester Specialty reserves.

(2) During the third quarter of 2006, ACE Limited completed the sale of three run-off reinsurance subsidiaries, ACE American Reinsurance Company, Brandywine Reinsurance Co. (UK) Ltd. and Brandywine Reinsurance Company S.A.-N.V. to Randall & Quilter Investment Holdings Limited.



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

Net Reinsurance Recoverable by Division

	December 31	September 30	June 30	March 31	December 31
	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2006</u>
Reinsurance recoverable on paid losses and loss expenses					
Active operations	\$ 697	\$ 761	\$ 820	\$ 922	\$ 1,013
Brandywine	305	227	245	242	251
Westchester Run-off	36	29	33	42	36
Other Run-off	12	13	16	17	16
Total	<u>\$ 1,050</u>	<u>\$ 1,030</u>	<u>\$ 1,114</u>	<u>\$ 1,223</u>	<u>\$ 1,316</u>
Reinsurance recoverable on unpaid losses and loss expenses					
Active operations	\$ 10,024	\$ 9,753	\$ 9,418	\$ 9,505	\$ 9,479
Brandywine	3,161	3,211	3,303	3,425	3,535
Westchester Run-off	653	671	674	690	699
Other Run-off	160	202	221	202	200
Total	<u>\$ 13,998</u>	<u>\$ 13,837</u>	<u>\$13,616</u>	<u>\$13,822</u>	<u>\$ 13,913</u>
Gross reinsurance recoverable					
Active operations	\$ 10,721	\$ 10,514	\$10,238	\$10,427	\$ 10,515
Brandywine	3,466	3,438	3,548	3,667	3,786
Westchester Run-off	689	700	707	732	712
Other Run-off	172	215	237	219	216
Total	<u>\$ 15,048</u>	<u>\$ 14,867</u>	<u>\$14,730</u>	<u>\$15,045</u>	<u>\$ 15,229</u>
Provision for uncollectible reinsurance					
Active operations	\$ (435)	\$ (430)	\$ (427)	\$ (455)	\$ (427)
Brandywine	(197)	(164)	(169)	(169)	(172)
Westchester Run-off	(31)	(31)	(31)	(30)	(30)
Other Run-off	(23)	(24)	(22)	(17)	(20)
Total	<u>\$ (686)</u>	<u>\$ (649)</u>	<u>\$ (649)</u>	<u>\$ (671)</u>	<u>\$ (649)</u>
Net reinsurance recoverable					
Active operations	\$ 10,286	\$ 10,084	\$ 9,811	\$ 9,972	\$ 10,088
Brandywine	3,269	3,274	3,379	3,498	3,614
Westchester Run-off	658	669	676	702	682
Other Run-off	149	191	215	202	196
Total	<u>\$ 14,362</u>	<u>\$ 14,218</u>	<u>\$14,081</u>	<u>\$14,374</u>	<u>\$ 14,580</u>



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

Reinsurance Recoverable for Active Operations

Categories	September 30, 2007		
	Recoverable	Provision	% of Gross
Top 10 reinsurers	\$ 5,152	\$ 66	1.3%
Other reinsurers balances >\$20 million	2,271	45	2.0%
Other reinsurers balances <\$20 million	547	59	10.8%
Mandatory pools and government agencies	573	3	0.5%
Structured settlements	220	7	3.2%
Captives	1,476	1	0.1%
Other ⁽¹⁾	275	249	90.5%
Total	\$ 10,514	\$ 430	4.1%

At September 30, 2007, \$7.7 billion of the active operations' recoverables were from rated reinsurers, of which 93.7% were rated the equivalent of A- or better by internationally recognized rating agencies. The Company held collateral of \$3.3 billion, of which \$2.1 billion was matched and usable against existing recoverables.

Top 10 Reinsurers (net of collateral) ⁽²⁾

AGRI General Ins Co
American International Group (AIG)
Berkshire Hathaway Insurance Group
Chubb Insurance Group
Federal Crop Insurance Corp
HDI Haftpflichtverband Der Deutschen
Industrie Vag (Hannover)
Lloyd's Of London
Munich Re Group
Swiss Re Group
XL Capital Group

Other Reinsurers Balances Greater Than \$20 million (net of collateral) ⁽²⁾

AIOI Insurance Group
Allianz
Allied World Assurance Group
Arch Capital
Aspen Insurance Holdings Ltd
AXA
CIGNA
Dow Chemical Co
Electric Insurance Company Group
Equitas
Everest Re Group
Fairfax Financial
Hartford Insurance Group
Independence Blue Cross Group
IRB - Brasil Resseguros S.A. Group
Liberty Mutual Insurance Companies
Partner Re
Platinum Underwriters
PMA Capital Corp
Power Corp Of Canada
Renaissance Re Holdings Ltd
Royal & Sun Alliance Insurance Group
SCOR Group
Sompo Japan Group
Toa Reinsurance Company
Travelers Companies Inc
White Mountains Insurance Group
WR Berkley Corp
Zurich Financial Services Group

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

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



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

Consolidated Reinsurance Recoverable

Categories	September 30, 2007		
	Recoverable	Provision	% of Gross
Top 10 reinsurers	\$ 7,614	\$ 78	1.0%
Other reinsurers balances >\$20 million	3,453	156	4.5%
Other reinsurers balances <\$20 million	625	77	12.3%
Mandatory pools and government agencies	579	3	0.5%
Structured settlements	527	16	3.0%
Captives	1,574	6	0.4%
Other ⁽¹⁾	495	313	63.2%
Total	\$ 14,867	\$ 649	4.4%

At September 30, 2007, \$11.2 billion of ACE Limited recoverables were from rated reinsurers, of which 93.8% were rated the equivalent of A- or better by internationally recognized rating agencies.

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

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

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



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

Detail on Reinsurance Recoverable on Paid Losses and Loss Expenses

	General Collections (1)	Other (2)	Total
Gross balance at December 31, 2006	\$ 932	\$ 384	\$1,316
Provision at 12/31/06	53	202	255
% of gross	5.7%	52.6%	19.4%
Net balance at December 31, 2006	<u>\$ 879</u>	<u>\$ 182</u>	<u>\$1,061</u>
Gross balance at March 31, 2007	\$ 933	\$ 290	\$1,223
Provision at 3/31/07	57	215	272
% of gross	6.1%	74.1%	22.2%
Net balance at March 31, 2007	<u>\$ 876</u>	<u>\$ 75</u>	<u>\$ 951</u>
Gross balance at June 30, 2007	\$ 887	\$ 227	\$1,114
Provision at 6/30/07	39	180	219
% of gross	4.4%	79.3%	19.7%
Net balance at June 30, 2007	<u>\$ 848</u>	<u>\$ 47</u>	<u>\$ 895</u>
Gross balance at September 30, 2007	\$ 774	\$ 256	\$1,030
Provision at 9/30/07	40	167	207
% of gross	5.2%	65.2%	20.1%
Net balance at September 30, 2007	<u>\$ 734</u>	<u>\$ 89</u>	<u>\$ 823</u>
Gross balance at December 31, 2007	\$ 789	\$ 261	\$1,050
Provision at 12/31/07	41	175	216
% of gross	5.2%	67.0%	20.6%
Net balance at December 31, 2007 ⁽³⁾	<u>\$ 748</u>	<u>\$ 86</u>	<u>\$ 834</u>

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



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

	December 31	September 30	June 30	March 31	December 31
	2007	2007	2007	2007	2006
Market Value					
Fixed maturities available for sale	\$ 33,184	\$ 32,632	\$ 30,591	\$ 29,934	\$ 28,540
Fixed maturities held to maturity	3,015	2,966	2,957	3,039	3,015
Short-term investments	2,631	2,940	2,919	2,658	2,456
Total	<u>\$ 38,830</u>	<u>\$ 38,538</u>	<u>\$ 36,467</u>	<u>\$ 35,631</u>	<u>\$ 34,011</u>
Asset Allocation by Market Value					
Treasury	\$ 1,145	\$ 1,208	\$ 1,587	\$ 1,689	\$ 1,322
Agency	1,820	1,901	2,117	2,223	2,207
Corporate	9,015	8,579	7,643	7,473	7,394
Mortgage-backed securities	13,733	13,542	12,338	11,925	11,346
Asset-backed securities	1,150	1,377	1,611	1,772	2,020
Municipal	1,844	1,603	1,367	1,157	809
Non-U.S.	7,492	7,388	6,885	6,734	6,457
Short-term investments	2,631	2,940	2,919	2,658	2,456
Total	<u>\$ 38,830</u>	<u>\$ 38,538</u>	<u>\$ 36,467</u>	<u>\$ 35,631</u>	<u>\$ 34,011</u>
Credit Quality by Market Value					
AAA	\$ 24,553	\$ 25,239	\$ 24,121	\$ 23,783	\$ 22,471
AA	3,747	3,416	3,178	3,095	2,725
A	4,590	4,059	3,902	3,582	3,909
BBB	3,297	3,171	2,841	2,610	2,498
BB	1,073	1,121	948	992	943
B	1,481	1,437	1,376	1,475	1,365
Other	89	95	101	94	100
Total	<u>\$ 38,830</u>	<u>\$ 38,538</u>	<u>\$ 36,467</u>	<u>\$ 35,631</u>	<u>\$ 34,011</u>
Cost/Amortized Cost					
Fixed maturities available for sale	\$ 32,994	\$ 32,619	\$ 30,847	\$ 29,723	\$ 28,389
Fixed maturities held to maturity	2,987	2,979	3,013	3,060	3,047
Short-term investments	2,631	2,940	2,919	2,658	2,456
Subtotal	38,612	38,538	36,779	35,441	33,892
Equity securities	1,618	1,540	1,522	1,432	1,372
Other investments	880	812	749	687	661
Total	<u>\$ 41,110</u>	<u>\$ 40,890</u>	<u>\$ 39,050</u>	<u>\$ 37,560</u>	<u>\$ 35,925</u>
Avg. duration of fixed maturities, adjusted for int. rate swaps	3.5 years	3.6 years	3.7 years	3.3 years	3.3 years
Avg. market yield of fixed maturities	5.3%	5.5%	5.7%	5.3%	5.4%
Avg. credit quality	AA	AA	AA	AA	AA



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

Investment portfolio

Top 10 Exposures - Fixed Maturity Investments

<u>December 31, 2007</u>		<u>December 31, 2006</u>	
General Electric Co	\$336	General Electric Co	\$270
Citigroup Inc	258	HSBC Holdings Plc	226
Morgan Stanley	254	Citigroup Inc	200
Bank of America Corp	247	Morgan Stanley	192
Lehman Brothers Holdings Inc	246	Bank of America Corp	186
JP Morgan Chase & Co	240	JP Morgan Chase & Co	179
Goldman Sachs Group Inc	225	Comcast Corp	148
HSBC Holdings Plc	212	Wells Fargo & Co	145
Comcast Corp	171	Wachovia Corp	131
AT&T Inc	165	Lehman Brothers Holdings Inc	129



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

Mortgage-backed and Asset-backed Fixed Income Portfolio

Market Value at December 31, 2007

	S&P Credit Rating							Total
	AAA	AA	A	BBB	BB	B	Other	
Mortgage-backed securities								
Residential mortgage-backed (RMBS)								
GNMA	\$ 395	\$—	\$—	\$—	\$—	\$—	\$—	\$ 395
FNMA	5,330	—	—	—	—	—	—	5,330
Freddie Mac	2,287	—	—	—	—	—	—	2,287
Total agency RMBS	8,012	—	—	—	—	—	—	8,012
Non-agency RMBS	3,070	11	1	12	—	—	—	3,094
Total residential mortgage-backed	11,082	11	1	12	—	—	—	11,106
Commercial mortgage-backed	2,611	3	10	3	—	—	—	2,627
Total mortgage-backed securities	\$13,693	\$ 14	\$ 11	\$ 15	\$—	\$—	\$—	\$13,733
Asset-backed securities								
Sub-prime	\$ 125	\$ 2	\$ 8	\$—	\$—	\$—	\$—	\$ 135
Credit cards	76	—	17	8	—	—	—	101
Autos	621	27	8	—	—	—	—	656
Other	255	—	3	—	—	—	—	258
Total asset-backed securities	\$ 1,077	\$ 29	\$ 36	\$ 8	\$—	\$—	\$—	\$ 1,150

- 1) Insured municipal bonds represent \$848 million, or 46% of our municipal bond holdings.
- 2) Insured asset-backed securities represent \$222 million, or 19% of our asset-backed security holdings.
- 3) Additional details were provided in a press release on December 18, 2007, none of the information provided has changed significantly.



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

	Three months ended December 31, 2007			Year ended December 31, 2007		
	Net Realized	Net Unrealized		Net Realized	Net Unrealized	
	Gains (Losses) ⁽¹⁾	Gains (Losses)	Net Impact	Gains (Losses) ⁽¹⁾	Gains (Losses)	Net Impact
Fixed maturities	\$ (8)	\$ 185	\$ 177	\$ (98)	\$ 48	\$ (50)
Equity securities	20	(107)	(87)	162	(122)	40
Equity and fixed income derivatives	(5)	—	(5)	(19)	—	(19)
Foreign exchange gains (losses)	1	—	1	4	—	4
Other	19	28	47	37	73	110
Sub-total	27	106	133	86	(1)	85
Other FAS 133 adjustments ⁽²⁾	(93)	—	(93)	(147)	—	(147)
Total gains (losses)	(66)	106	40	(61)	(1)	(62)
Partially-owned insurance companies ⁽³⁾	(57)	33	(24)	(95)	25	(70)
Income tax expense (benefit)	(2)	33	31	(22)	23	1
Net gains (losses)	<u>\$ (121)</u>	<u>\$ 106</u>	<u>\$ (15)</u>	<u>\$ (134)</u>	<u>\$ 1</u>	<u>\$ (133)</u>

- (1) The quarter includes impairments of \$60M for fixed maturities and \$9M for equities. The full year includes impairments of \$123M for fixed maturities, \$16M for equities and \$2M for other investments.
- (2) Other FAS 133 adjustments for the fourth quarter includes \$105 million of realized losses primarily on the guaranteed minimum income benefit derivatives from our life reinsurance operations.
- (3) Net realized and unrealized gains (losses) on partially-owned insurance companies that meet the requirements for equity accounting. The net income or loss is included in other (income) expense. The fourth quarter includes \$73 million in net realized losses on derivatives from our investment in Assured Guaranty Ltd., carried at \$392 million at December 31, 2007.

	Three months ended December 31, 2006			Year ended December 31, 2006		
	Net Realized	Net Unrealized		Net Realized	Net Unrealized	
	Gains (Losses) ⁽⁴⁾	Gains (Losses)	Net Impact	Gains (Losses) ⁽⁴⁾	Gains (Losses)	Net Impact
Fixed maturities	\$ 21	\$ 4	\$ 25	\$ (220)	\$ 134	\$ (86)
Equity securities	39	85	124	163	114	277
Equity and fixed income derivatives	(26)	—	(26)	(18)	—	(18)
Foreign exchange gains (losses)	(2)	—	(2)	(13)	—	(13)
Other	26	37	63	28	105	133
Total inv. portfolio gains (losses)	58	126	184	(60)	353	293
Sale of run-off reinsurance subsidiaries	(32)	—	(32)	(23)	—	(23)
Other FAS 133 adjustments	(11)	—	(11)	(15)	—	(15)
Total gains (losses)	15	126	141	(98)	353	255
Income tax expense (benefit)	(7)	19	12	(48)	63	15
Net gains (losses)	<u>\$ 22</u>	<u>\$ 107</u>	<u>\$ 129</u>	<u>\$ (50)</u>	<u>\$ 290</u>	<u>\$ 240</u>

- (4) The quarter includes impairments of \$12M for fixed maturities and \$1M for equities. The full year includes impairments of \$198M for fixed maturities, \$10M for equities and \$6M for other investments.



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

	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006	December 31 2005
Total short-term debt	\$ 372	\$ 87	\$ 85	\$ 581	\$ 578	\$ 300
Total long-term debt	1,811	2,068	2,063	2,061	1,560	1,811
Total debt	<u>2,183</u>	<u>2,155</u>	<u>2,148</u>	<u>2,642</u>	<u>2,138</u>	<u>2,111</u>
Total trust preferred securities	<u>309</u>	<u>309</u>	<u>309</u>	<u>309</u>	<u>309</u>	<u>309</u>
Perpetual preferred shares	557	557	557	557	557	557
Ordinary shareholders' equity	16,120	15,478	14,627	14,402	13,721	11,255
Total shareholders' equity	<u>\$ 16,677</u>	<u>\$ 16,035</u>	<u>\$15,184</u>	<u>\$14,959</u>	<u>\$ 14,278</u>	<u>\$ 11,812</u>
Total capitalization	<u>\$ 19,169</u>	<u>\$ 18,499</u>	<u>\$17,641</u>	<u>\$17,910</u>	<u>\$ 16,725</u>	<u>\$ 14,232</u>
Tangible shareholders' equity ⁽¹⁾	\$ 13,946	\$ 13,304	\$12,453	\$12,228	\$ 11,547	\$ 9,109

Leverage ratios

Debt/ total capitalization	11.4%	11.6%	12.2%	14.8%	12.8%	14.8%
Debt plus trust preferred securities/ total capitalization	13.0%	13.3%	13.9%	16.5%	14.6%	17.0%
Debt/ tangible equity	15.7%	16.2%	17.2%	21.6%	18.5%	23.2%
Debt plus trust preferred securities/ tangible equity	17.9%	18.5%	19.7%	24.1%	21.2%	26.6%
Debt plus total preferred stock/ total capitalization	15.9%	16.3%	17.1%	19.6%	18.0%	20.9%

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



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

	<u>Three months ended December 31</u>		<u>Year ended December 31</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Numerator				
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 693	\$ 643	\$ 2,712	\$ 2,351
Perpetual preferred dividend	(12)	(12)	(45)	(45)
Income to ordinary shares, excl. net realized gains (losses) and cumulative effect	681	631	2,667	2,306
Net realized gains (losses), net of income tax	(121)	22	(134)	(50)
Net income available to the holders of ordinary shares excluding cumulative effect	560	653	2,533	2,256
Cumulative effect of a change in accounting principle, net of tax	—	—	—	4
Net income available to the holders of ordinary shares	<u>\$ 560</u>	<u>\$ 653</u>	<u>\$ 2,533</u>	<u>\$ 2,260</u>
Rollforward of Ordinary Shares				
Ordinary Shares - beginning of period	329,460,367	325,956,542	326,455,468	323,322,586
Issued under employee stock purchase plan	—	58	205,396	202,949
Shares (cancelled) granted	(46,477)	(41,791)	1,212,603	947,373
Issued for option exercises	290,641	540,659	1,831,064	1,982,560
Ordinary Shares - end of period	<u>329,704,531</u>	<u>326,455,468</u>	<u>329,704,531</u>	<u>326,455,468</u>
Denominator				
Weighted average shares outstanding	325,611,204	322,461,336	324,938,327	321,768,672
Effect of other dilutive securities	5,645,111	5,905,367	5,509,394	5,463,350
Adj. wtd. avg. shares outstanding and assumed conversions	<u>331,256,315</u>	<u>328,366,703</u>	<u>330,447,721</u>	<u>327,232,022</u>
Basic earnings per share				
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 2.09	\$ 1.96	\$ 8.21	\$ 7.17
Net realized gains (losses), net of income tax	(0.37)	0.07	(0.42)	(0.16)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	0.01
Net income	<u>\$ 1.72</u>	<u>\$ 2.03</u>	<u>\$ 7.79</u>	<u>\$ 7.02</u>
Diluted earnings per share				
Income excluding net realized gains (losses) and cumulative effect ⁽¹⁾	\$ 2.05	\$ 1.92	\$ 8.07	\$ 7.05
Net realized gains (losses), net of income tax	(0.36)	0.07	(0.41)	(0.15)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	0.01
Net income	<u>\$ 1.69</u>	<u>\$ 1.99</u>	<u>\$ 7.66</u>	<u>\$ 6.91</u>

(1) See page 24 Non-GAAP Financial Measures.



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

Regulation G - Non-GAAP Financial Measures

In presenting our results, we have included and discussed certain non-GAAP measures. These non-GAAP measures, which may be defined differently by other companies, are important for an understanding of our overall results of operations. However, they should not be viewed as a substitute for measures determined in accordance with GAAP. A reconciliation of book value per share is provided on page 25.

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

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

	<u>4Q-07</u>	<u>3Q-07</u>	<u>2Q-07</u>	<u>1Q-07</u>	<u>4Q-06</u>	<u>Full Year</u> <u>2007</u>	<u>Full Year</u> <u>2006</u>
Net income, as reported	\$572	\$656	\$649	\$701	\$665	\$ 2,578	\$ 2,305
Net realized gains (losses)	(66)	—	(11)	16	15	(61)	(98)
Net realized gains (losses) in other (income) expense ⁽¹⁾	(57)	(38)	—	—	—	(95)	—
Income tax expense (benefit) on net realized gains (losses)	(2)	(2)	4	(22)	(7)	(22)	(48)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	—	—	4
Income excluding net realized gains (losses) and cumulative effect	<u>\$693</u>	<u>\$692</u>	<u>\$664</u>	<u>\$663</u>	<u>\$643</u>	<u>\$ 2,712</u>	<u>\$ 2,351</u>

(1) Realized gains (losses) on partially-owned insurance companies that meet the requirements for equity accounting. The net income or loss is included in other (income) expense.



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

Reconciliation of Book Value per Ordinary Share

	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
Shareholders' equity	\$ 16,677	\$ 16,035	\$ 15,184	\$ 14,959	\$ 14,278
Proceeds from issuance of perpetual preferred shares	(557)	(557)	(557)	(557)	(557)
Numerator for book value per share calculation	16,120	15,478	14,627	14,402	13,721
Less: goodwill	2,731	2,731	2,731	2,731	2,731
Numerator for tangible book value per share	<u>\$ 13,389</u>	<u>\$ 12,747</u>	<u>\$ 11,896</u>	<u>\$ 11,671</u>	<u>\$ 10,990</u>
Denominator	<u>329,704,531</u>	<u>329,460,367</u>	<u>329,009,343</u>	<u>328,309,225</u>	<u>326,455,468</u>
Book value per ordinary share	\$ 48.89	\$ 46.98	\$ 44.46	\$ 43.87	\$ 42.03
Tangible book value per ordinary share	\$ 40.61	\$ 38.69	\$ 36.16	\$ 35.55	\$ 33.66



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

Consolidated Statement of Comprehensive Income

	<u>4Q-07</u>	<u>3Q-07</u>	<u>2Q-07</u>	<u>1Q-07</u>	<u>4Q-06</u>	<u>Full Year 2007</u>	<u>Full Year 2006</u>
Net income	\$572	\$656	\$ 649	\$701	\$665	\$ 2,578	\$ 2,305
Net unrealized appreciation (depreciation) on investments							
Unrealized appreciation (depreciation) on investments	133	218	(427)	73	132	(3)	289
Reclassification adjustment for net realized gains (losses) included in net income	6	6	12	3	(6)	27	64
Change in cumulative translation adjustments	12	58	19	16	46	105	135
Change in minimum pension liability	(1)	(1)	(2)	—	29	(4)	20
Income tax (expense) benefit related to other comprehensive income items	(37)	(28)	23	(18)	(42)	(60)	(113)
Other comprehensive income (loss)	<u>113</u>	<u>253</u>	<u>(375)</u>	<u>74</u>	<u>159</u>	<u>65</u>	<u>395</u>
Comprehensive income	<u>\$685</u>	<u>\$909</u>	<u>\$ 274</u>	<u>\$775</u>	<u>\$824</u>	<u>\$ 2,643</u>	<u>\$ 2,700</u>

Comprehensive Income

Page 26



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

Book value per ordinary share: Ordinary shareholders' equity divided by the shares outstanding.

Combined ratio: The sum of the loss and loss expense ratio, acquisition cost ratio and the administrative expense ratio excluding life business. Calculated on a GAAP basis.

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

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

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

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

NM: Not meaningful.

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

P&C: Property and casualty.

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

Tangible equity: Shareholders' equity less goodwill.

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

YTD: Year to date.