

ACE LTD

FORM 8-K (Current report filing)

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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) – October 22, 2013

ACE LIMITED

(Exact name of registrant as specified in its charter)

Switzerland
(State or other jurisdiction
of Incorporation)

1-11778
(Commission
File Number)

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

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

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

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

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

On October 22, 2013, ACE Limited issued a Press Release reporting its third quarter 2013 results and the availability of its third quarter 2013 Financial Supplement. The Press Release and the Financial Supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, Dated October 22, 2013, Reporting Third Quarter 2013 Results
99.2	Third Quarter 2013 Financial Supplement

SIGNATURES

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

ACE LIMITED

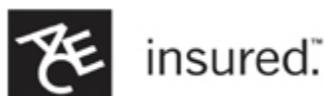
By: /s/ Philip V. Bancroft

Philip V. Bancroft
Chief Financial Officer

DATE: October 22, 2013

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release, Dated October 22, 2013, Reporting Third Quarter 2013 Results	Furnished herewith
99.2	Third Quarter 2013 Financial Supplement	Furnished herewith



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**News
Release**

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**ACE REPORTS RECORD QUARTERLY OPERATING INCOME OF \$857 MILLION;
GLOBAL P&C NET PREMIUMS UP OVER 10.5% IN CONSTANT DOLLARS;
P&C UNDERWRITING INCOME UP 67% WITH P&C COMBINED RATIO OF 86.5%;
OPERATING RETURN ON EQUITY IS 13%**

- **Record operating income of \$2.49 per share, up 23.9% from prior year**
- **Net income of \$916 million, up 43.1%; year-to-date net income up 42.2%**
- **Book value per share up 3.4% and tangible book value per share up 3.9% in the quarter**
- **P&C current accident year underwriting income excluding catastrophe losses up over 175% with combined ratio of 89.8%**

ZURICH — October 22, 2013 — ACE Limited (NYSE: ACE) today reported net income for the quarter ended September 30, 2013, of \$2.66 per share, compared with \$1.86 per share for the same quarter last year. ⁽¹⁾ Operating income was \$2.49 per share, compared with \$2.01 per share for the same quarter last year. Book value and tangible book value per share increased 3.4% and 3.9%, respectively, from June 30, 2013. Book value and tangible book value per share now stand at \$82.98 and \$66.91, respectively. Operating return on equity for the quarter was 13.0%. The property and casualty (P&C) combined ratio for the quarter was 86.5%.

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

				(Per Share – Diluted)		
	2013	2012	Change	2013	2012	Change
Operating income, net of tax	\$ 857	\$ 688	24.6%	\$ 2.49	\$ 2.01	23.9%
Net realized gains (losses), net of tax	59	(48)	NM	0.17	(0.15)	NM
Net income	\$ 916	\$ 640	43.1%	\$ 2.66	\$ 1.86	43.0%

For the nine months ended September 30, 2013, net income was \$8.02 per share, compared with \$5.67 per share for 2012. Operating income was \$6.95 per share, compared with \$6.23 per share for 2012. Book value increased \$687 million, up 2.5% from December 31, 2012, and tangible book value increased \$197 million, up 0.9%. Operating return on equity was 12.3% year to date. The P&C combined ratio for the nine months ended September 30, 2013, was 87.5%.

Nine Months Ended Summary
(in millions, except per share amounts)
(Unaudited)

				(Per Share – Diluted)		
	2013	2012	Change	2013	2012	Change
Operating income, net of tax	\$ 2,393	\$ 2,132	12.2%	\$ 6.95	\$ 6.23	11.6%
Net realized gains (losses), net of tax	367	(191)	NM	1.07	(0.56)	NM
Net income	<u>\$ 2,760</u>	<u>\$ 1,941</u>	<u>42.2%</u>	<u>\$ 8.02</u>	<u>\$ 5.67</u>	<u>41.4%</u>

Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited, commented: “ACE had another record quarter driven by exceptionally strong underwriting results and double-digit constant-dollar global P&C premium revenue growth. We produced \$857 million in after-tax operating income and our operating ROE was 13%. Per share book value increased 3.4% and is now up 2.6% for the year.

“We achieved a P&C combined ratio of 86.5%. While we benefited from a relatively benign quarter for catastrophes, more fundamentally, we experienced margin improvement in both North America, as a result of better pricing and mix of business, and internationally, as a result of product and geographic mix. We also continued to benefit from our portfolio management capabilities, which are an essential component of good underwriting management, combined with our broad product offering, physical geographic presence and culture of execution discipline.

“Global P&C net premiums written, which exclude agriculture, grew 9% in the quarter and over 10.5% on a constant-dollar basis. We experienced revenue growth in all of our insurance businesses – commercial P&C, accident and health, personal lines and life – and in all territories – North America, Europe, Asia and Latin America. We are firing on all cylinders and continuing to achieve strong, broad-based growth despite the economic and political headwinds we are confronting in all regions of the world.”

For better investor understanding of company performance and consistent with how management views the business, the results of the company’s agriculture business, given its size and nature, are identified separately from the balance of the company’s P&C business, which will be called “global P&C.” Global P&C includes the company’s Insurance – North American P&C, Insurance – Overseas General and Global Reinsurance segments. Operating highlights for the quarter ended September 30, 2013, were as follows: ⁽¹⁾

- Total company net premiums written and P&C net premiums written both decreased 2.0%, or 0.9% on a constant-dollar basis, primarily as a result of lower agriculture premiums. Global P&C net premiums written increased 8.9%, or 10.6% on a constant-dollar basis.
- P&C underwriting income was \$558 million compared with \$335 million in 2012. Global P&C underwriting income was \$493 million compared with \$473 million in 2012.

- P&C current accident year underwriting income excluding catastrophe losses increased 179.8% to \$426 million. Global P&C current accident year underwriting income excluding catastrophe losses increased 27.8% to \$369 million.
- The P&C combined ratio was 86.5% compared with 92.0% last year. The global P&C combined ratio was 85.0% compared with 84.4% last year.
- The P&C current accident year combined ratio excluding catastrophe losses was 89.8% compared with 96.5% last year. The global P&C current accident year combined ratio excluding catastrophe losses was 88.9% compared with 90.5% last year.
- The P&C expense ratio was 25.8% compared with 23.1% last year primarily due to lower agriculture premiums, which carry a lower expense ratio. The global P&C expense ratio was 31.3% compared with 31.6% last year.
- Total pre-tax and after-tax catastrophe losses including reinstatement premiums were \$78 million (1.8 percentage points of the combined ratio) and \$70 million, respectively, compared with \$53 million and \$41 million, respectively, in 2012.
- Favorable prior period development pre-tax was \$210 million, representing 5.1 percentage points of the combined ratio, compared with \$236 million last year.
- Operating cash flow was \$928 million.
- Net loss reserves increased \$504 million in the quarter.
- Net investment income was \$522 million compared to \$533 million last year due to lower reinvestment rates, lower private equity distributions, and the negative impact of foreign exchange.
- Net realized and unrealized gains pre-tax totaled approximately \$55 million.
- Operating return on equity was 13.0% for the quarter and 12.3% year to date. Return on equity computed using net income was 13.2% for both the quarter and year to date.
- Book value per share increased 3.4% to \$82.98 compared with \$80.26 at June 30, 2013, and increased 2.6% from \$80.90 at December 31, 2012.
- Tangible book value per share increased 3.9% to \$66.91 from \$64.40 at June 30, 2013, and increased 1.0% from \$66.28 at December 31, 2012. Tangible book value was negatively affected by goodwill and intangibles relating to the acquisitions of Fianzas Monterrey and ABA Seguros. Excluding the impact of the acquisitions, tangible book value per share increased 3.6% from December 31, 2012.

Details of financial results by business segment are available in the ACE Limited Financial Supplement. Key segment items for the quarter ended September 30, 2013, include:

- Insurance – North American P&C: Net premiums written increased 9.3%. The combined ratio was 88.3% compared with 85.3%. The combined ratio was negatively impacted by a \$23 million decrease in underwriting income resulting from a \$61 million decrease in favorable prior period development (\$80 million in 2012 to \$19 million in 2013) due to adverse development on legacy environmental claims, offset by lower catastrophe losses of \$16 million and improved current accident year underwriting income excluding catastrophe losses of \$22 million. The current accident year combined ratio excluding catastrophe losses was 88.3% compared with 88.8%.
- Insurance – North American Agriculture: Net premiums written decreased 30.8% or \$359 million due to an increase in proportional reinsurance purchased in 2013 and an adjustment in the cession to the federal government in the prior year due to the 2012 drought. The combined ratio was 92.3% compared with 111.8%. The current quarter combined ratio reflects an increase of approximately two points in the full-year loss ratio as a result of a significant decrease in corn commodity prices when compared to the original base prices used at the time of insurance contract purchase. A combined ratio consistent with the historical average of just below 90% is currently projected for the fourth quarter of 2013. Current quarter results include a net underwriting gain of \$65 million (\$51 million after-tax). The prior year results included a net underwriting loss of \$138 million (\$91 million after-tax) primarily driven by the 2012 drought.

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- Insurance – Overseas General: Net premiums written increased 13.5%, or 17.4% on a constant-dollar basis. The combined ratio was 82.2% compared with 82.7%.
 - Global Reinsurance: Net premiums written decreased 13.6%. Adjusted for a one-time transaction in the prior year, net premiums written decreased 1.6%. The combined ratio was 65.8% compared with 72.7%.
 - Life: Operating income was \$75 million compared with \$87 million. The decrease was split equally between the company's life reinsurance business and a one-time prior year benefit in the company's international life insurance business. Net premiums written and deposits collected, excluding life reinsurance, increased 6.2% on a constant-dollar basis.

The company is updating its July guidance for full-year 2013 to account for the positive prior period reserve development, lower-than-planned catastrophe losses, and better current accident year results excluding catastrophe losses in the third quarter. The range is \$8.65 to \$8.90 per share in after-tax operating income for the year. This includes estimated catastrophe losses of \$95 million after-tax for the fourth quarter of the year. Guidance for the balance of the year is for the current accident year only.

Please refer to the ACE Limited Financial Supplement, dated September 30, 2013, which is posted on the company's website in the Investor Information section, and access Financial Reports for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, investment portfolio and capital structure.

ACE will hold its third quarter earnings conference call on Wednesday, October 23, 2013, beginning at 8:30 a.m. Eastern. The earnings conference call will be available via live webcast at www.acegroup.com or by dialing 800-347-6311 (within the United States) or 719-325-4780 (international), passcode 1886729. Please refer to the ACE Group website in the Investor Information section under Calendar of Events for details. A replay of the call will be available until Wednesday, November 6, 2013, and the archived webcast will be available for approximately one month. To listen to the replay, please dial 888-203-1112 (in the United States) or 719-457-0820 (international), passcode 1886729.

ACE Group is one of the world's largest multiline property and casualty insurers. With operations in 53 countries, ACE provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. ACE Limited, the parent company of ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. Additional information can be found at: www.acegroup.com.

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

Regulation G — Non-GAAP Financial Measures

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

Operating income, P&C underwriting income, operating ROE, P&C combined ratio, and P&C combined ratio excluding catastrophe losses and PPD includes realized gains and losses associated with fair value changes on our crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. As such, we view changes in the fair value of these derivatives as part of the results of our operations and therefore realized gains and losses from these derivatives are reclassified to losses and loss expenses. Pre-tax losses from fair value changes in these derivatives were \$1 million for the three and nine months ended September 30, 2013.

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

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

Underwriting income is calculated by subtracting losses and loss expenses, policy 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). Current accident year underwriting income is underwriting income adjusted to exclude prior period development (PPD). We believe it is useful to exclude PPD as these unexpected loss developments on historical reserves are not indicative of our current underwriting performance. Life underwriting income includes net investment income and gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under generally accepted accounting principles (GAAP). P&C underwriting income and consolidated underwriting income are also non-GAAP financial measures. We believe the use of these measures enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

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

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

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

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

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

Tangible book value per common share excluding 2013 acquisitions is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros in order to control for the distortive effect of acquisitions.

See reconciliation of Non-GAAP Financial Measures on pages 21-22 in the Financial Supplement. These measures should not be viewed as a substitute for net income, return on equity, or effective tax rate determined in accordance with GAAP.

NM — not meaningful comparison

Cautionary Statement Regarding Forward-Looking Statements:

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

(tables to follow)

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

	September 30	December 31
	2013	2012
Assets		
Investments	\$ 60,342	\$ 60,264
Cash	768	615
Insurance and reinsurance balances receivable	5,089	4,147
Reinsurance recoverable on losses and loss expenses	11,477	12,078
Other assets	16,908	15,441
Total assets	<u>\$ 94,584</u>	<u>\$ 92,545</u>
Liabilities		
Unpaid losses and loss expenses	\$ 37,882	\$ 37,946
Unearned premiums	7,794	6,864
Other liabilities	20,690	20,204
Total liabilities	<u>66,366</u>	<u>65,014</u>
Shareholders' equity		
Total shareholders' equity	28,218	27,531
Total liabilities and shareholders' equity	<u>\$ 94,584</u>	<u>\$ 92,545</u>
Book value per common share	<u>\$ 82.98</u>	<u>\$ 80.90</u>

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Gross premiums written	\$ 6,373	\$ 6,007	\$17,366	\$16,447
Net premiums written	4,620	4,716	12,809	12,418
Net premiums earned	4,610	4,665	12,250	11,829
Losses and loss expenses	2,655	3,047	6,831	6,970
Policy benefits	138	130	379	379
Policy acquisition costs	678	609	1,957	1,810
Administrative expenses	563	519	1,641	1,543
Underwriting income	576	360	1,442	1,127
Net investment income	522	533	1,587	1,614
Net realized gains (losses)	40	(60)	350	(194)
Interest expense	72	63	205	187
Other income (expense):				
Gains (losses) from separate account assets	14	14	7	18
Other	(9)	3	(29)	(32)
Income tax expense	155	147	392	405
Net income	<u>\$ 916</u>	<u>\$ 640</u>	<u>\$ 2,760</u>	<u>\$ 1,941</u>
<i>Diluted earnings per share:</i>				
Operating income	\$ 2.49	\$ 2.01	\$ 6.95	\$ 6.23
Net income	\$ 2.66	\$ 1.86	\$ 8.02	\$ 5.67
Weighted average diluted shares outstanding	343.8	342.9	344.1	342.4
Loss and loss expense ratio	60.7%	68.9%	59.0%	62.6%
Policy acquisition cost ratio	14.3%	12.7%	15.7%	15.0%
Administrative expense ratio	11.5%	10.4%	12.8%	12.6%
Combined ratio	<u>86.5%</u>	<u>92.0%</u>	<u>87.5%</u>	<u>90.2%</u>

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2013	2012	2013	2012
Gross Premiums Written				
Insurance - North American P&C	\$ 2,135	\$ 1,921	\$ 6,281	\$ 5,884
Insurance - North American Agriculture	1,446	1,424	2,444	2,329
Insurance - Overseas General	2,018	1,841	6,188	5,777
Global Reinsurance	264	310	903	921
Life	510	511	1,550	1,536
<i>Total</i>	<u>\$ 6,373</u>	<u>\$ 6,007</u>	<u>\$ 17,366</u>	<u>\$ 16,447</u>
Net Premiums Written				
Insurance - North American P&C	\$ 1,500	\$ 1,373	\$ 4,313	\$ 3,915
Insurance - North American Agriculture	805	1,164	1,371	1,775
Insurance - Overseas General	1,571	1,384	4,821	4,387
Global Reinsurance	265	307	836	879
Life	479	488	1,468	1,462
<i>Total</i>	<u>\$ 4,620</u>	<u>\$ 4,716</u>	<u>\$ 12,809</u>	<u>\$ 12,418</u>
Net Premiums Earned				
Insurance - North American P&C	\$ 1,444	\$ 1,306	\$ 4,210	\$ 3,802
Insurance - North American Agriculture	849	1,166	1,252	1,609
Insurance - Overseas General	1,611	1,432	4,633	4,243
Global Reinsurance	239	281	731	748
Life	467	480	1,424	1,427
<i>Total</i>	<u>\$ 4,610</u>	<u>\$ 4,665</u>	<u>\$ 12,250</u>	<u>\$ 11,829</u>
Operating Income (Loss)				
Insurance - North American P&C	\$ 342	\$ 315	\$ 1,044	\$ 929
Insurance - North American Agriculture	50	(92)	83	(37)
Insurance - Overseas General	320	302	815	748
Global Reinsurance	131	139	431	425
Life	75	87	221	250
Corporate	(61)	(63)	(201)	(183)
<i>Total</i>	<u>\$ 857</u>	<u>\$ 688</u>	<u>\$ 2,393</u>	<u>\$ 2,132</u>



Financial Supplement

September 30, 2013

Investor Contact

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

Cautionary Statement Regarding Forward-Looking Statements:

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

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

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

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

	Three months ended September 30		% Change 3Q-13 vs. 3Q-12	Constant \$ 2012 ⁽¹⁾	Constant \$ % Change 3Q-13 vs. 3Q-12 ⁽¹⁾	Nine months ended September 30		% Change YTD-13 vs. YTD-12	Constant \$ 2012 ⁽¹⁾	Constant \$ % Change YTD-13 vs. YTD-12 ⁽¹⁾
	2013	2012				2013	2012			
Gross premiums written	\$ 6,373	\$ 6,007	6.1%	\$ 5,945	7.2%	\$ 17,366	\$ 16,447	5.6%	\$ 16,324	6.4%
Net premiums written	\$ 4,620	\$ 4,716	-2.0%	\$ 4,662	-0.9%	\$ 12,809	\$ 12,418	3.2%	\$ 12,317	4.0%
Global P&C net premiums written ⁽²⁾	\$ 3,336	\$ 3,064	8.9%	\$ 3,016	10.6%	\$ 9,970	\$ 9,181	8.6%	\$ 9,085	9.7%
Net premiums earned	\$ 4,610	\$ 4,665	-1.2%	\$ 4,621	-0.3%	\$ 12,250	\$ 11,829	3.6%	\$ 11,740	4.3%
Net investment income	\$ 522	\$ 533	-2.0%			\$ 1,587	\$ 1,614	-1.7%		
Operating income	\$ 857	\$ 688	24.6%			\$ 2,393	\$ 2,132	12.2%		
Net income	\$ 916	\$ 640	43.1%			\$ 2,760	\$ 1,941	42.2%		
Comprehensive income	\$ 1,030	\$ 1,316	-21.7%			\$ 1,247	\$ 3,044	-59.0%		
Operating cash flow	\$ 928	\$ 1,642				\$ 2,736	\$ 3,025			
P&C combined ratio										
Loss and loss expense ratio	60.7%	68.9%				59.0%	62.6%			
Underwriting and administrative expense ratio	25.8%	23.1%				28.5%	27.6%			
Combined ratio	86.5%	92.0%				87.5%	90.2%			
Operating return on equity (ROE)	13.0%	11.5%				12.3%	12.1%			
ROE	13.2%	9.7%				13.2%	10.1%			
Operating effective tax rate	14.9%	16.7%				12.4%	14.8%			
Effective tax rate	14.4%	18.7%				12.4%	17.3%			
Diluted earnings per share										
Operating income	\$ 2.49	\$ 2.01	23.9%			\$ 6.95	\$ 6.23	11.6%		
Net income	\$ 2.66	\$ 1.86	43.0%			\$ 8.02	\$ 5.67	41.4%		
								% Change 3Q-13 vs. 3Q-12	December 31 2012	% Change 3Q-13 vs. 4Q-12
Book value per common share						\$ 82.98	\$ 79.36	4.6%	\$ 80.90	2.6%
Tangible book value per common share						\$ 66.91	\$ 64.67	3.5%	\$ 66.28	1.0%
Tangible book value per common share excluding 2013 acquisitions ⁽³⁾						\$ 68.69	\$ 64.67	6.2%	\$ 66.28	3.6%
Weighted average basic common shares outstanding	340.9	340.2				340.9	339.5			
Weighted average diluted common shares outstanding	343.8	342.9				344.1	342.4			
Debt plus trust preferred securities/ tangible capital						20.9%	18.8%		18.4%	

(1) Prior periods on a constant dollar basis.

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

(3) For 2013, tangible book value per common share excludes the impact from goodwill and intangibles relating to the acquisitions of ABA Seguros and Fianzas Monterrey of \$408 million and \$200 million, respectively.

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

ACE Limited Consolidated

	3Q-13	2Q-13	1Q-13	4Q-12	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Consolidated Results (Including Corporate and Other) Excluding Life Segment ⁽¹⁾								
Gross premiums written	\$5,863	\$5,518	\$4,435	\$4,602	\$5,496	\$15,816	\$14,911	\$19,513
Net premiums written	4,141	3,904	3,296	3,140	4,228	11,341	10,956	14,096
Net premiums earned	4,143	3,587	3,096	3,359	4,185	10,826	10,402	13,761
Adjusted losses and loss expenses ⁽²⁾	2,515	2,105	1,769	2,535	2,883	6,389	6,507	9,042
Policy acquisition costs	592	570	534	546	529	1,696	1,566	2,112
Administrative expenses	478	478	429	462	438	1,385	1,306	1,768
Underwriting income (loss)	558	434	364	(184)	335	1,356	1,023	839
Net investment income	461	471	468	502	470	1,400	1,428	1,930
Interest expense	68	69	56	60	60	193	178	238
Other income (expense)—operating ⁽³⁾	(29)	(31)	(22)	(10)	(20)	(82)	(63)	(73)
Income tax expense (benefit)	140	91	78	(170)	124	309	328	158
Operating income (including Corporate and Other) excluding Life Segment	782	714	676	418	601	2,172	1,882	2,300
Life Segment operating income	75	76	70	74	87	221	250	324
Consolidated operating income	857	790	746	492	688	2,393	2,132	2,624
Adjusted net realized gains (losses) ⁽²⁾	41	104	206	272	(60)	351	(194)	78
Net realized gains (losses) related to unconsolidated entities	22	12	33	23	20	67	39	62
Income tax expense on net realized gains (losses)	4	15	32	22	8	51	36	58
Consolidated net income	<u>\$ 916</u>	<u>\$ 891</u>	<u>\$ 953</u>	<u>\$ 765</u>	<u>\$ 640</u>	<u>\$ 2,760</u>	<u>\$ 1,941</u>	<u>\$ 2,706</u>
% Change versus prior year period ⁽¹⁾								
Net premiums written as reported	-2.0%	7.1%	6.9%	0.3%	9.6%	3.5%	6.1%	4.7%
Net premiums earned as reported	-1.0%	8.4%	6.4%	-0.1%	4.4%	4.1%	2.3%	1.7%
Net premiums written constant \$	-0.9%					4.4%		
Net premiums earned constant \$	-0.1%					4.9%		
Other ratios								
Net premiums written/gross premiums written ⁽¹⁾	71%	71%	74%	68%	77%	72%	73%	72%
Operating effective tax rate	14.9%	11.2%	10.8%	-46.8%	16.7%	12.4%	14.8%	7.5%
P&C combined ratio ⁽¹⁾								
Loss and loss expense ratio	60.7%	58.7%	57.1%	75.5%	68.9%	59.0%	62.6%	65.7%
Policy acquisition cost ratio	14.3%	15.9%	17.2%	16.2%	12.7%	15.7%	15.0%	15.3%
Administrative expense ratio	11.5%	13.3%	13.9%	13.8%	10.4%	12.8%	12.6%	12.9%
Combined ratio	<u>86.5%</u>	<u>87.9%</u>	<u>88.2%</u>	<u>105.5%</u>	<u>92.0%</u>	<u>87.5%</u>	<u>90.2%</u>	<u>93.9%</u>
Combined ratio excluding catastrophe losses and PPD	89.8%	89.2%	89.4%	91.4%	96.5%	89.5%	93.2%	92.8%
P&C expense ratio	25.8%	29.2%	31.1%	30.0%	23.1%	28.5%	27.6%	28.2%
P&C expense ratio excluding A&H	21.9%	25.7%	27.4%	26.2%	19.3%	24.7%	23.7%	24.3%
Catastrophe reinstatement premiums (expensed) collected - pre-tax	\$ 2	\$ —	\$ —	\$ (7)	\$ 2	\$ 2	\$ 2	\$ (5)
Catastrophe losses - pre-tax	\$ 80	\$ 81	\$ 32	\$ 504	\$ 55	\$ 193	\$ 129	\$ 633
Favorable prior period development (PPD) - pre-tax ⁽⁴⁾	\$ (210)	\$ (128)	\$ (70)	\$ (37)	\$ (236)	\$ (408)	\$ (442)	\$ (479)
Loss and loss expense ratio excluding catastrophe losses and PPD	64.1%	60.0%	58.3%	61.4%	73.4%	61.1%	65.7%	64.6%

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

(2) Losses from fair value changes on crop derivatives are reclassified from Adjusted net realized gains (losses) to Adjusted losses and loss expenses for this presentation. Crop derivative losses for Q3 2013 and YTD 2013 were \$1 million.

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

(4) For Q3 2013 and YTD 2013, favorable prior period development is net of \$23 million of net earned premium adjustments on loss sensitive policies.



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

	September 30	June 30	March 31	December 31
	2013	2013	2013	2012
Assets				
Fixed maturities available for sale, at fair value	\$ 48,529	\$47,016	\$47,947	\$ 47,306
Fixed maturities held to maturity, at amortized cost	6,306	6,576	6,867	7,270
Equity securities, at fair value	831	837	832	744
Short-term investments, at fair value	1,774	2,425	2,893	2,228
Other investments	2,902	2,836	2,820	2,716
Total investments	60,342	59,690	61,359	60,264
Cash	768	679	855	615
Securities lending collateral	1,517	1,662	1,786	1,791
Insurance and reinsurance balances receivable	5,089	5,022	4,154	4,147
Reinsurance recoverable on losses and loss expenses	11,477	11,442	11,530	12,078
Deferred policy acquisition costs	2,224	2,077	1,966	1,873
Value of business acquired	554	560	583	614
Prepaid reinsurance premiums	1,724	1,819	1,653	1,617
Goodwill and other intangible assets	5,465	5,395	4,909	4,975
Deferred tax assets	584	753	505	453
Investments in partially-owned insurance companies	468	452	449	454
Other assets	4,372	4,137	3,712	3,664
Total assets	\$ 94,584	\$93,688	\$93,461	\$ 92,545
Liabilities				
Unpaid losses and loss expenses	\$ 37,882	\$37,343	\$37,082	\$ 37,946
Unearned premiums	7,794	7,851	7,019	6,864
Future policy benefits	4,596	4,502	4,465	4,470
Insurance and reinsurance balances payable	3,627	3,624	3,402	3,472
Securities lending payable	1,520	1,665	1,789	1,795
Accounts payable, accrued expenses, and other liabilities	4,929	5,391	5,744	5,397
Short-term debt	1,902	1,901	1,402	1,401
Long-term debt	3,807	3,807	4,307	3,360
Trust preferred securities	309	309	309	309
Total liabilities	66,366	66,393	65,519	65,014
Shareholders' equity				
Total shareholders' equity, excl. AOCI	26,844	26,035	25,292	24,644
Accumulated other comprehensive income (AOCI)	1,374	1,260	2,650	2,887
Total shareholders' equity	28,218	27,295	27,942	27,531
Total liabilities and shareholders' equity	\$ 94,584	\$93,688	\$93,461	\$ 92,545
Book value per common share				
	\$ 82.98	\$ 80.26	\$ 82.17	\$ 80.90
% change over prior quarter	3.4%	-2.3%	1.6%	1.9%
Tangible book value per common share				
	\$ 66.91	\$ 64.40	\$ 67.74	\$ 66.28
% change over prior quarter	3.9%	-4.9%	2.2%	2.5%



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

ACE Limited Consolidated

	3Q-13	% of Total Consolidated	3Q-12	% of Total Consolidated	% Change 3Q-13 vs. 3Q-12	YTD 2013	% of Total Consolidated	YTD 2012	% of Total Consolidated	% Change YTD-13 vs. YTD-12
Net premiums written										
Property and all other	\$1,135	25%	\$ 962	20%	18.0%	\$ 3,723	29%	\$ 3,301	27%	12.8%
Agriculture	805	17%	1,164	25%	-30.8%	1,371	11%	1,775	14%	-22.8%
Casualty	1,568	34%	1,501	32%	4.5%	4,288	33%	4,001	32%	7.2%
Subtotal	3,508	76%	3,627	77%	-3.3%	9,382	73%	9,077	73%	3.4%
Personal accident (A&H) ⁽¹⁾	879	19%	856	18%	2.8%	2,718	21%	2,621	21%	3.7%
Life	233	5%	233	5%	-0.2%	709	6%	720	6%	-1.5%
Total consolidated	\$4,620	100%	\$4,716	100%	-2.0%	\$12,809	100%	\$12,418	100%	3.2%
Net premiums earned										
Property and all other	\$1,218	27%	\$1,031	22%	18.1%	\$ 3,443	28%	\$ 3,014	25%	14.2%
Agriculture	849	18%	1,166	25%	-27.2%	1,252	10%	1,609	14%	-22.2%
Casualty	1,430	31%	1,366	29%	4.7%	4,237	35%	3,925	33%	7.9%
Subtotal	3,497	76%	3,563	76%	-1.9%	8,932	73%	8,548	72%	4.5%
Personal accident (A&H) ⁽¹⁾	893	19%	882	19%	1.3%	2,647	22%	2,605	22%	1.6%
Life	220	5%	220	5%	0.1%	671	5%	676	6%	-0.8%
Total consolidated	\$4,610	100%	\$4,665	100%	-1.2%	\$12,250	100%	\$11,829	100%	3.6%
Operating income (loss)										
Property, casualty, and all other	\$ 647	75%	\$ 615	89%	5.2%	\$ 1,835	77%	\$ 1,688	79%	8.7%
Agriculture	50	6%	(92)	-13%	NM	83	3%	(37)	-2%	NM
Personal accident (A&H) ⁽¹⁾	121	14%	116	17%	4.1%	368	15%	353	17%	4.2%
Life	39	5%	49	7%	-20.1%	107	5%	128	6%	-16.0%
Total consolidated	\$ 857	100%	\$ 688	100%	24.6%	\$ 2,393	100%	\$ 2,132	100%	12.2%

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



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

ACE Limited Consolidated Constant Dollar

	3Q-13	Constant \$ 3Q-12 ⁽²⁾	Constant \$ % Change 3Q-13 vs. 3Q-12	YTD 2013	Constant \$ YTD 2012 ⁽²⁾	Constant \$ % Change YTD-13 vs. YTD-12 ⁽²⁾
Net premiums written						
Property, casualty, agriculture, and all other	\$3,508	\$ 3,592	-2.3%	\$ 9,382	\$ 9,002	4.2%
Personal accident (A&H) ⁽¹⁾	879	840	4.7%	2,718	2,597	4.7%
Life	233	230	1.1%	709	718	-1.2%
Total consolidated	<u>\$4,620</u>	<u>\$ 4,662</u>	-0.9%	<u>\$12,809</u>	<u>\$ 12,317</u>	4.0%
Net premiums earned						
Property, casualty, agriculture, and all other	\$3,497	\$ 3,537	-1.1%	\$ 8,932	\$ 8,481	5.3%
Personal accident (A&H) ⁽¹⁾	893	867	3.1%	2,647	2,584	2.5%
Life	220	217	1.4%	671	675	-0.6%
Total consolidated	<u>\$4,610</u>	<u>\$ 4,621</u>	-0.3%	<u>\$12,250</u>	<u>\$ 11,740</u>	4.3%
Operating income						
Property, casualty, agriculture, and all other	\$ 697	\$ 519	34.3%	\$ 1,918	\$ 1,644	16.7%
Personal accident (A&H) ⁽¹⁾	121	114	5.4%	368	351	4.7%
Life	39	50	-20.7%	107	128	-16.3%
Total consolidated	<u>\$ 857</u>	<u>\$ 683</u>	25.4%	<u>\$ 2,393</u>	<u>\$ 2,123</u>	12.7%

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

(2) Prior periods on a constant dollar basis.

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ACE Limited
Insurance—North American
(in millions of U.S. dollars, except ratios)
(Unaudited)

Effective Q1 2013, the company's Insurance—North American business is presented in two distinct reporting segments: Insurance—North American P&C (refer to page 7) and Insurance—North American Agriculture (refer to page 8). The below table shows the previous Insurance—North American business presentation and should be used for reference purposes only.

Insurance—North American

	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Gross premiums written	\$3,581	\$3,076	\$2,068	\$2,528	\$3,345	\$8,725	\$8,213	\$10,741
Net premiums written	2,305	1,982	1,397	1,518	2,537	5,684	5,690	7,208
Net premiums earned	2,293	1,779	1,390	1,608	2,472	5,462	5,411	7,019
Losses and loss expenses	1,710	1,243	910	1,504	2,110	3,863	4,122	5,626
Policy acquisition costs	191	162	147	142	160	500	444	586
Administrative expenses	158	162	130	153	148	450	448	601
Underwriting income (loss)	234	212	203	(191)	54	649	397	206
Net investment income	260	257	257	283	263	774	808	1,091
Interest expense	3	3	(2)	3	3	4	9	12
Other income (expense)—operating	(11)	(12)	(7)	(8)	(12)	(30)	(41)	(49)
Income tax expense (benefit)	88	87	87	(89)	79	262	263	174
Operating income	392	367	368	170	223	1,127	892	1,062
Net realized gains (losses)	10	29	26	26	(1)	65	16	42
Net realized gains (losses) related to unconsolidated entities	16	14	14	21	17	44	37	58
Income tax expense on net realized gains (losses)	5	12	9	10	2	26	16	26
Net income	<u>\$ 413</u>	<u>\$ 398</u>	<u>\$ 399</u>	<u>\$ 207</u>	<u>\$ 237</u>	<u>\$1,210</u>	<u>\$ 929</u>	<u>\$ 1,136</u>
Combined ratio								
Loss and loss expense ratio	74.6%	69.9%	65.5%	93.6%	85.3%	70.7%	76.2%	80.2%
Policy acquisition cost ratio	8.4%	9.1%	10.5%	8.8%	6.5%	9.2%	8.2%	8.3%
Administrative expense ratio	6.8%	9.1%	9.4%	9.5%	6.0%	8.2%	8.3%	8.6%
Combined ratio	<u>89.8%</u>	<u>88.1%</u>	<u>85.4%</u>	<u>111.9%</u>	<u>97.8%</u>	<u>88.1%</u>	<u>92.7%</u>	<u>97.1%</u>
Combined ratio excluding catastrophe losses and PPD	90.1%	87.7%	87.6%	90.0%	99.5%	88.7%	94.5%	93.4%
Catastrophe reinstatement premiums expensed - pre-tax	\$ —	\$ (1)	\$ —	\$ (8)	\$ —	\$ (1)	\$ —	\$ (8)
Catastrophe losses - pre-tax	\$ 23	\$ 53	\$ 11	\$ 338	\$ 38	\$ 87	\$ 103	\$ 441
Unfavorable (favorable) prior period development (PPD) - pre-tax	\$ (29)	\$ (47)	\$ (43)	\$ 7	\$ (80)	\$ (119)	\$ (199)	\$ (192)
Loss and loss expense ratio excluding catastrophe losses and PPD	75.0%	69.7%	67.6%	71.8%	87.2%	71.4%	78.1%	76.6%
% Change versus prior year period								
Net premiums written	-9.1%	6.6%	8.0%	-6.5%	14.9%	-0.1%	8.9%	5.2%
Net premiums earned	-7.2%	7.7%	7.9%	-3.2%	7.5%	0.9%	3.1%	1.6%
Other ratios								
Net premiums written/gross premiums written	64%	64%	68%	60%	76%	65%	69%	67%



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

Insurance—North American P&C ⁽¹⁾

	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Gross premiums written	\$2,135	\$2,327	\$1,819	\$2,236	\$1,921	\$6,281	\$5,884	\$ 8,120
Net premiums written	1,500	1,529	1,284	1,434	1,373	4,313	3,915	5,349
Net premiums earned	1,444	1,428	1,338	1,345	1,306	4,210	3,802	5,147
Losses and loss expenses	963	950	878	1,241	819	2,791	2,474	3,715
Policy acquisition costs	159	142	143	139	147	444	419	558
Administrative expenses	153	159	125	157	148	437	451	608
Underwriting income (loss)	169	177	192	(192)	192	538	458	266
Net investment income	254	250	251	277	257	755	789	1,066
Interest expense	3	3	(2)	3	3	4	9	12
Other income (expense)—operating	(3)	(4)	1	—	(4)	(6)	(17)	(17)
Income tax expense (benefit)	75	79	85	(89)	127	239	292	203
Operating income	342	341	361	171	315	1,044	929	1,100
Net realized gains (losses)	9	28	26	26	(2)	63	15	41
Net realized gains (losses) related to unconsolidated entities	16	14	14	21	17	44	37	58
Income tax expense on net realized gains (losses)	4	12	9	10	2	25	16	26
Net income	<u>\$ 363</u>	<u>\$ 371</u>	<u>\$ 392</u>	<u>\$ 208</u>	<u>\$ 328</u>	<u>\$1,126</u>	<u>\$ 965</u>	<u>\$ 1,173</u>
Combined ratio								
Loss and loss expense ratio	66.7%	66.6%	65.6%	92.2%	62.7%	66.3%	65.1%	72.2%
Policy acquisition cost ratio	11.1%	9.9%	10.7%	10.3%	11.3%	10.6%	11.0%	10.8%
Administrative expense ratio	10.5%	11.1%	9.4%	11.8%	11.3%	10.3%	11.9%	11.8%
Combined ratio	<u>88.3%</u>	<u>87.6%</u>	<u>85.7%</u>	<u>114.3%</u>	<u>85.3%</u>	<u>87.2%</u>	<u>88.0%</u>	<u>94.8%</u>
Combined ratio excluding catastrophe losses and PPD	88.3%	87.3%	87.7%	88.4%	88.8%	87.8%	90.4%	89.9%
Catastrophe reinstatement premiums expensed - pre-tax	\$ —	\$ (1)	\$ —	\$ (8)	\$ —	\$ (1)	\$ —	\$ (8)
Catastrophe losses - pre-tax	\$ 21	\$ 50	\$ 11	\$ 334	\$ 37	\$ 82	\$ 96	\$ 430
Unfavorable (favorable) prior period development (PPD) - pre-tax ⁽²⁾	\$ (19)	\$ (47)	\$ (40)	\$ 8	\$ (80)	\$ (106)	\$ (188)	\$ (180)
Loss and loss expense ratio excluding catastrophe losses and PPD	66.9%	66.5%	67.6%	66.4%	66.7%	67.0%	67.7%	67.4%
% Change versus prior year period								
Net premiums written	9.3%	11.8%	9.3%	6.0%	20.3%	10.2%	10.3%	9.2%
Net premiums earned	10.6%	12.7%	8.9%	9.0%	7.1%	10.7%	1.8%	3.6%
Other ratios								
Net premiums written/gross premiums written	70%	66%	71%	64%	71%	69%	67%	66%

(1) Effective Q1 2013, the company's Insurance—North American business is presented in two distinct reporting segments: Insurance—North American P&C and Insurance—North American Agriculture. Prior year amounts have been adjusted to conform to the new segment presentation.

(2) For Q3 2013 and YTD 2013, favorable prior period development is net of \$15 million of net earned premium adjustments on loss sensitive policies.



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

Insurance—North American Agriculture ⁽¹⁾

	3Q-13	2Q-13	1Q-13	4Q-12	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Gross premiums written	\$1,446	\$ 749	\$ 249	\$ 292	\$1,424	\$2,444	\$2,329	\$ 2,621
Net premiums written	805	453	113	84	1,164	1,371	1,775	1,859
Net premiums earned	849	351	52	263	1,166	1,252	1,609	1,872
Losses and loss expenses ⁽²⁾	747	293	32	263	1,291	1,072	1,648	1,911
Policy acquisition costs	32	20	4	3	13	56	25	28
Administrative expenses	5	3	5	(4)	—	13	(3)	(7)
Underwriting income (loss)	65	35	11	1	(138)	111	(61)	(60)
Net investment income	6	7	6	6	6	19	19	25
Interest expense	—	—	—	—	—	—	—	—
Other income (expense)—operating	(8)	(8)	(8)	(8)	(8)	(24)	(24)	(32)
Income tax expense (benefit)	13	8	2	—	(48)	23	(29)	(29)
Operating income (loss)	50	26	7	(1)	(92)	83	(37)	(38)
Net realized gains (losses) ⁽²⁾	1	1	—	—	1	2	1	1
Net realized gains (losses) related to unconsolidated entities	—	—	—	—	—	—	—	—
Income tax expense on net realized gains (losses)	1	—	—	—	—	1	—	—
Net income (loss)	<u>\$ 50</u>	<u>\$ 27</u>	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ (91)</u>	<u>\$ 84</u>	<u>\$ (36)</u>	<u>\$ (37)</u>
Combined ratio								
Loss and loss expense ratio	88.0%	83.4%	61.9%	100.3%	110.7%	85.6%	102.4%	102.1%
Policy acquisition cost ratio	3.8%	5.6%	7.5%	1.2%	1.1%	4.4%	1.6%	1.5%
Administrative expense ratio	0.5%	0.9%	9.9%	-2.0%	0.0%	1.1%	-0.2%	-0.4%
Combined ratio	<u>92.3%</u>	<u>89.9%</u>	<u>79.3%</u>	<u>99.5%</u>	<u>111.8%</u>	<u>91.1%</u>	<u>103.8%</u>	<u>103.2%</u>
Catastrophe reinstatement premiums - pre-tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Catastrophe losses - pre-tax	\$ 2	\$ 3	\$ —	\$ 4	\$ 1	\$ 5	\$ 7	\$ 11
Favorable prior period development (PPD) - pre-tax	\$ (10)	\$ —	\$ (3)	\$ (1)	\$ —	\$ (13)	\$ (11)	\$ (12)
Loss and loss expense ratio excluding catastrophe losses and PPD	88.9%	82.6%	67.9%	99.3%	110.6%	86.3%	102.6%	102.2%
% Change versus prior year period								
Net premiums written	-30.8%	-8.0%	-5.1%	-69.0%	9.2%	-22.8%	5.7%	-4.7%
Net premiums earned	-27.2%	-8.8%	-11.1%	-38.6%	7.9%	-22.2%	6.2%	-3.6%
Other ratios								
Net premiums written/gross premiums written	56%	60%	45%	29%	82%	56%	76%	71%

(1) Effective Q1 2013, the company's Insurance—North American business is presented in two distinct reporting segments: Insurance—North American P&C and Insurance—North American Agriculture. Prior year amounts have been adjusted to conform to the new segment presentation.

(2) Losses from fair value changes on crop derivatives are reclassified from Net realized gains (losses) to Losses and loss expenses for this presentation. Crop derivative losses for Q3 2013 and YTD 2013 were \$1 million.



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

Insurance—Overseas General

	<u>3Q-13</u>	<u>2Q-13</u>	<u>1Q-13</u>	<u>4Q-12</u>	<u>3Q-12</u>	<u>YTD 2013</u>	<u>YTD 2012</u>	<u>Full Year 2012</u>
Gross premiums written	\$2,018	\$2,097	\$2,073	\$1,925	\$1,841	\$6,188	\$5,777	\$ 7,702
Net premiums written	1,571	1,630	1,620	1,476	1,384	4,821	4,387	5,863
Net premiums earned	1,611	1,563	1,459	1,497	1,432	4,633	4,243	5,740
Losses and loss expenses	712	768	747	832	622	2,227	2,030	2,862
Policy acquisition costs	349	360	339	357	329	1,048	996	1,353
Administrative expenses	263	251	236	239	234	750	696	935
Underwriting income	287	184	137	69	247	608	521	590
Net investment income	128	136	132	135	127	396	386	521
Interest expense	1	2	1	1	2	4	4	5
Other income (expense)—operating	(16)	(14)	(5)	(1)	1	(35)	(5)	(6)
Income tax expense (benefit)	78	48	24	(44)	71	150	150	106
Operating income	320	256	239	246	302	815	748	994
Net realized gains (losses)	(8)	8	34	44	13	34	59	103
Net realized gains (losses) related to unconsolidated entities	2	(3)	6	1	2	5	2	3
Income tax expense on net realized gains (losses)	—	2	22	11	6	24	16	27
Net income	<u>\$ 314</u>	<u>\$ 259</u>	<u>\$ 257</u>	<u>\$ 280</u>	<u>\$ 311</u>	<u>\$ 830</u>	<u>\$ 793</u>	<u>\$ 1,073</u>
Combined ratio								
Loss and loss expense ratio	44.2%	49.1%	51.2%	55.5%	43.4%	48.1%	47.8%	49.8%
Policy acquisition cost ratio	21.6%	23.0%	23.2%	23.8%	23.1%	22.6%	23.5%	23.6%
Administrative expense ratio	16.4%	16.1%	16.2%	16.1%	16.2%	16.2%	16.4%	16.3%
Combined ratio	<u>82.2%</u>	<u>88.2%</u>	<u>90.6%</u>	<u>95.4%</u>	<u>82.7%</u>	<u>86.9%</u>	<u>87.7%</u>	<u>89.7%</u>
Catastrophe reinstatement premiums expensed - pre-tax	\$ —	\$ —	\$ —	\$ (8)	\$ —	\$ —	\$ —	\$ (8)
Catastrophe losses - pre-tax	\$ 33	\$ 17	\$ 21	\$ 65	\$ 4	\$ 71	\$ 11	\$ 76
Favorable prior period development (PPD) - pre-tax	\$ (149)	\$ (52)	\$ (22)	\$ (30)	\$ (135)	\$ (223)	\$ (196)	\$ (226)
Loss and loss expense ratio excluding catastrophe losses and PPD	51.4%	51.3%	51.3%	52.9%	52.6%	51.3%	52.2%	52.4%
% Change versus prior year period								
Net premiums written as reported	13.5%	10.5%	6.0%	7.1%	-1.0%	9.9%	3.2%	4.2%
Net premiums earned as reported	12.5%	10.1%	4.9%	3.2%	-2.6%	9.2%	1.9%	2.2%
Net premiums written constant \$	17.4%					12.2%		
Net premiums earned constant \$	15.4%					11.4%		
Other ratios								
Net premiums written/gross premiums written	78%	78%	78%	77%	75%	78%	76%	76%



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

Global Reinsurance

	3Q-13	2Q-13	1Q-13	4Q-12	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Gross premiums written	\$ 264	\$ 345	\$ 294	\$ 149	\$ 310	\$ 903	\$ 921	\$ 1,070
Net premiums written	265	292	279	146	307	836	879	1,025
Net premiums earned	239	245	247	254	281	731	748	1,002
Losses and loss expenses	93	93	106	198	151	292	355	553
Policy acquisition costs	52	48	48	47	40	148	125	172
Administrative expenses	12	12	12	13	13	36	38	51
Underwriting income (loss)	82	92	81	(4)	77	255	230	226
Net investment income	66	71	72	77	72	209	213	290
Interest expense	2	1	1	1	1	4	3	4
Other income (expense)—operating	1	1	—	—	1	2	1	1
Income tax expense (benefit)	16	7	8	(2)	10	31	16	14
Operating income	131	156	144	74	139	431	425	499
Net realized gains (losses)	(5)	31	20	12	(2)	46	(6)	6
Net realized gains (losses) related to unconsolidated entities	6	(3)	8	8	4	11	6	14
Income tax expense on net realized gains (losses)	—	—	—	—	1	—	1	1
Net income	<u>\$ 132</u>	<u>\$ 184</u>	<u>\$ 172</u>	<u>\$ 94</u>	<u>\$ 140</u>	<u>\$ 488</u>	<u>\$ 424</u>	<u>\$ 518</u>
Combined ratio								
Loss and loss expense ratio	38.9%	37.7%	43.0%	78.2%	53.9%	39.9%	47.4%	55.2%
Policy acquisition cost ratio	21.7%	19.9%	19.3%	18.3%	14.1%	20.2%	16.7%	17.1%
Administrative expense ratio	5.2%	4.6%	5.0%	5.2%	4.7%	5.0%	5.1%	5.2%
Combined ratio	<u>65.8%</u>	<u>62.2%</u>	<u>67.3%</u>	<u>101.7%</u>	<u>72.7%</u>	<u>65.1%</u>	<u>69.2%</u>	<u>77.5%</u>
Catastrophe reinstatement premiums collected - pre-tax	\$ 2	\$ 1	\$ —	\$ 9	\$ 2	\$ 3	\$ 2	\$ 11
Catastrophe losses - pre-tax	\$ 24	\$ 11	\$ —	\$ 101	\$ 13	\$ 35	\$ 15	\$ 116
Favorable prior period development (PPD) - pre-tax ⁽¹⁾	\$ (32)	\$ (29)	\$ (5)	\$ (14)	\$ (21)	\$ (66)	\$ (47)	\$ (61)
Loss and loss expense ratio excluding catastrophe losses and PPD	44.6%	45.3%	44.8%	45.6%	57.7%	44.9%	52.0%	50.4%
% Change versus prior year period								
Net premiums written as reported	-13.6%	-5.3%	6.1%	12.0%	22.2%	-4.8%	3.6%	4.7%
Net premiums earned as reported	-15.0%	3.6%	7.3%	2.3%	16.8%	-2.3%	-0.8%	0.0%
Net premiums written constant \$	-13.5%					-4.7%		
Net premiums earned constant \$	-14.9%					-2.1%		
Other ratios								
Net premiums written/gross premiums written	100%	85%	95%	99%	99%	93%	95%	96%

(1) For Q3 2013 and YTD 2013, favorable prior period development is net of \$8 million of net earned premium adjustments on loss sensitive policies.



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

Life

	3Q-13	2Q-13	1Q-13	4Q-12	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Gross premiums written	\$510	\$512	\$528	\$544	\$511	\$1,550	\$1,536	\$ 2,080
Net premiums written	479	487	502	517	488	1,468	1,462	1,979
Net premiums earned	467	480	477	489	480	1,424	1,427	1,916
Losses and loss expenses	141	145	157	148	164	443	463	611
Policy benefits ⁽¹⁾	138	110	131	142	130	379	379	521
(Gains) losses from fair value changes in separate account assets ⁽¹⁾	(14)	11	(4)	(11)	(14)	(7)	(18)	(29)
Policy acquisition costs	86	95	80	90	80	261	244	334
Administrative expenses	85	86	85	91	81	256	237	328
Net investment income	61	63	63	65	63	187	186	251
Life underwriting income ⁽²⁾	92	96	91	94	102	279	308	402
Interest expense	4	4	4	3	3	12	9	12
Other income (expense)—operating ⁽¹⁾	(2)	(7)	(5)	(4)	3	(14)	(8)	(12)
Income tax expense	11	9	12	13	15	32	41	54
Operating income	75	76	70	74	87	221	250	324
Net realized gains (losses):								
Mark-to-market on guaranteed living benefits derivative (net of related hedges)	39	33	78	138	(64)	150	(264)	(126)
Foreign exchange gains (losses) and all other	4	3	49	51	(7)	56	3	54
Net realized gains (losses) related to unconsolidated entities	(2)	4	5	(7)	(3)	7	(6)	(13)
Income tax expense (benefit) on net realized gains (losses)	(1)	1	1	1	(1)	1	3	4
Net income (loss)	<u>\$117</u>	<u>\$115</u>	<u>\$201</u>	<u>\$255</u>	<u>\$ 14</u>	<u>\$ 433</u>	<u>\$ (20)</u>	<u>\$ 235</u>
% Change versus prior year period								
Net premiums written as reported	-1.9%	0.2%	3.0%	3.9%	0.0%	0.4%	3.2%	3.4%
Net premiums earned as reported	-2.7%	0.9%	1.1%	4.2%	0.0%	-0.2%	2.8%	3.1%
Net premiums written constant \$ ⁽³⁾	-1.0%					0.7%		
Net premiums earned constant \$	-1.9%					0.0%		

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

	3Q-13	Constant \$ 3Q-12	Constant \$ % Change 3Q-13 vs. 3Q-12	YTD-13	Constant \$ YTD-12	Constant \$ % Change YTD-13 vs. YTD-12
Life excluding life reinsurance ⁽⁴⁾	\$592	\$ 557	6.2%	\$1,859	\$ 1,634	13.8%
Life reinsurance including variable annuity	70	77	-8.5%	216	238	-9.1%
Total Life	<u>\$662</u>	<u>\$ 634</u>	<u>4.5%</u>	<u>\$2,075</u>	<u>\$ 1,872</u>	<u>10.9%</u>

- (4) Includes deposits collected on universal life and investment contracts of \$183 million for Q3 2013 and \$151 million for Q3 2012 on a constant-dollar basis. For the year, includes deposits of \$607 million for 2013 and \$414 million for 2012 on a constant-dollar basis. Consistent with GAAP, premiums collected on universal life and investment contracts are considered deposits and excluded from revenues.



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

	Unpaid Losses			Net Paid to Incurred Ratio
	Gross	Ceded	Net	
Balance at December 31, 2011	\$37,477	\$11,602	\$25,875	
Losses and loss expenses incurred	2,361	557	1,804	
Losses and loss expenses paid	(2,876)	(931)	(1,945)	108%
Other (incl. foreign exch. revaluation)	285	90	195	
Balance at March 31, 2012	\$37,247	\$11,318	\$25,929	
Losses and loss expenses incurred	2,851	732	2,119	
Losses and loss expenses paid	(2,916)	(893)	(2,023)	95%
Other (incl. foreign exch. revaluation)	(332)	(171)	(161)	
Balance at June 30, 2012	\$36,850	\$10,986	\$25,864	
Losses and loss expenses incurred	4,073	1,026	3,047	
Losses and loss expenses paid	(3,078)	(1,013)	(2,065)	68%
Other (incl. foreign exch. revaluation)	355	163	192	
Balance at September 30, 2012	\$38,200	\$11,162	\$27,038	
Losses and loss expenses incurred	4,642	1,959	2,683	
Losses and loss expenses paid	(4,913)	(1,727)	(3,186)	119%
Other (incl. foreign exch. revaluation)	17	5	12	
Balance at December 31, 2012	\$37,946	\$11,399	\$26,547	
Losses and loss expenses incurred	2,483	557	1,926	
Losses and loss expenses paid	(2,987)	(932)	(2,055)	107%
Other (incl. foreign exch. revaluation)	(360)	(106)	(254)	
Balance at March 31, 2013	\$37,082	\$10,918	\$26,164	
Losses and loss expenses incurred	3,007	757	2,250	
Losses and loss expenses paid	(2,797)	(941)	(1,856)	83%
Other (incl. foreign exch. revaluation)	51	4	47	
Balance at June 30, 2013	\$37,343	\$10,738	\$26,605	
Losses and loss expenses incurred	3,617	962	2,655	
Losses and loss expenses paid	(3,285)	(942)	(2,343)	88%
Other (incl. foreign exch. revaluation)	207	61	146	
Balance at September 30, 2013	\$37,882	\$10,819	\$27,063	
Add net recoverable on paid losses	—	658	(658)	
Balance including net recoverable on paid losses	\$37,882	\$11,477	\$26,405	



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

Net Reinsurance Recoverable by Division

	<u>September 30</u> <u>2013</u>	<u>June 30</u> <u>2013</u>	<u>March 31</u> <u>2013</u>	<u>December 31</u> <u>2012</u>
Reinsurance recoverable on paid losses and loss expenses				
Active operations	\$ 387	\$ 450	\$ 409	\$ 464
Brandywine and Other Run-off	338	326	284	303
Total	<u>\$ 725</u>	<u>\$ 776</u>	<u>\$ 693</u>	<u>\$ 767</u>
Reinsurance recoverable on unpaid losses and loss expenses				
Active operations	\$ 9,843	\$ 9,720	\$ 9,786	\$ 10,199
Brandywine and Other Run-off	1,335	1,374	1,484	1,551
Total	<u>\$ 11,178</u>	<u>\$11,094</u>	<u>\$11,270</u>	<u>\$ 11,750</u>
Gross reinsurance recoverable				
Active operations	\$ 10,230	\$10,170	\$10,195	\$ 10,663
Brandywine and Other Run-off	1,673	1,700	1,768	1,854
Total	<u>\$ 11,903</u>	<u>\$11,870</u>	<u>\$11,963</u>	<u>\$ 12,517</u>
Provision for uncollectible reinsurance ⁽¹⁾				
Active operations	\$ (286)	\$ (274)	\$ (274)	\$ (277)
Brandywine and Other Run-off	(140)	(154)	(159)	(162)
Total	<u>\$ (426)</u>	<u>\$ (428)</u>	<u>\$ (433)</u>	<u>\$ (439)</u>
Net reinsurance recoverable				
Active operations	\$ 9,944	\$ 9,896	\$ 9,921	\$ 10,386
Brandywine and Other Run-off	1,533	1,546	1,609	1,692
Total	<u>\$ 11,477</u>	<u>\$11,442</u>	<u>\$11,530</u>	<u>\$ 12,078</u>

(1) The provision for uncollectible reinsurance is based on a default analysis applied to gross reinsurance recoverables, net of approximately \$2.5 billion of collateral.



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

	September 30 2013		June 30 2013		March 31 2013		December 31 2012	
Market Value								
Fixed maturities available for sale	\$ 48,529		\$ 47,016		\$ 47,947		\$ 47,306	
Fixed maturities held to maturity	6,493		6,762		7,213		7,633	
Short-term investments	1,774		2,425		2,893		2,228	
Total fixed maturities	<u>\$ 56,796</u>		<u>\$ 56,203</u>		<u>\$ 58,053</u>		<u>\$ 57,167</u>	
Asset Allocation by Market Value								
Treasury	\$ 2,367	4%	\$ 2,578	5%	\$ 2,750	5%	\$ 2,794	5%
Agency	1,471	3%	1,586	3%	2,090	4%	2,024	4%
Corporate and asset-backed	19,313	34%	18,972	34%	19,123	33%	18,983	33%
Mortgage-backed	11,862	21%	11,445	20%	12,064	21%	12,589	22%
Municipal	4,496	8%	4,451	8%	4,532	7%	3,872	7%
Non-U.S.	15,513	27%	14,746	26%	14,601	25%	14,677	25%
Short-term investments	1,774	3%	2,425	4%	2,893	5%	2,228	4%
Total fixed maturities	<u>\$ 56,796</u>		<u>\$ 56,203</u>		<u>\$ 58,053</u>		<u>\$ 57,167</u>	
Credit Quality by Market Value								
AAA	\$ 9,089	16%	\$ 9,408	17%	\$ 9,948	17%	\$ 9,285	16%
AA	20,716	36%	20,557	36%	22,036	38%	22,014	39%
A	11,267	20%	11,105	20%	11,150	19%	10,760	19%
BBB	7,147	13%	6,765	12%	6,596	11%	6,591	12%
BB	4,120	7%	3,940	7%	4,010	7%	4,146	7%
B	4,088	7%	4,056	7%	3,956	7%	3,846	6%
Other	369	1%	372	1%	357	1%	525	1%
Total fixed maturities	<u>\$ 56,796</u>		<u>\$ 56,203</u>		<u>\$ 58,053</u>		<u>\$ 57,167</u>	
Cost/Amortized Cost								
Fixed maturities available for sale	\$ 47,481		\$ 45,988		\$ 45,470		\$ 44,666	
Fixed maturities held to maturity	6,306		6,576		6,867		7,270	
Short-term investments	1,774		2,425		2,893		2,228	
Subtotal fixed maturities	55,561		54,989		55,230		54,164	
Equity securities	835		843		781		707	
Other investments	2,616		2,543		2,544		2,465	
Total investment portfolio	<u>\$ 59,012</u>		<u>\$ 58,375</u>		<u>\$ 58,555</u>		<u>\$ 57,336</u>	
Avg. duration of fixed maturities	4.0 years		4.1 years		4.0 years		3.9 years	
Avg. market yield of fixed maturities	2.9%		2.9%		2.3%		2.3%	
Avg. credit quality	A/Aa		A/Aa		A/Aa		A/Aa	
Avg. yield on invested assets	3.6%		3.7%		3.7%		3.8%	



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

Mortgage-backed Fixed Income Portfolio

Mortgage-backed securities

	S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
Market Value at September 30, 2013						
Agency residential mortgage-backed (RMBS)	\$ —	\$9,965	\$—	\$—	\$ —	\$ 9,965
Non-agency RMBS	60	9	28	20	191	308
Commercial mortgage-backed	1,557	15	10	7	—	1,589
Total mortgage-backed securities at market value	<u>\$1,617</u>	<u>\$9,989</u>	<u>\$ 38</u>	<u>\$ 27</u>	<u>\$ 191</u>	<u>\$11,862</u>

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

	S&P Credit Rating					Total
	Investment Grade					
	AAA	AA	A	BBB		
Market Value at September 30, 2013						
Asset-backed		\$540	\$ 58	\$ —	\$ —	\$ 598
Banks		—	—	2,304	323	2,627
Basic Materials		—	—	100	328	428
Communications		—	—	527	806	1,333
Consumer, Cyclical		—	95	306	294	695
Consumer, Non-Cyclical		52	481	931	698	2,162
Diversified Financial Services		—	77	195	114	386
Energy		33	35	200	690	958
Industrial		—	326	320	250	896
Utilities		—	12	575	428	1,015
All Others		46	145	552	561	1,304
Total		<u>\$671</u>	<u>\$1,229</u>	<u>\$6,010</u>	<u>\$4,492</u>	<u>\$12,402</u>

	S&P Credit Rating				Total
	Below Investment Grade				
	BB	B	CCC		
Market Value at September 30, 2013					
Asset-backed	\$ —	\$ 4	\$ 17	\$ 21	
Banks		1	4	—	5
Basic Materials		178	145	11	334
Communications		513	447	26	986
Consumer, Cyclical		487	645	13	1,145
Consumer, Non-Cyclical		536	893	37	1,466
Diversified Financial Services		75	119	—	194
Energy		661	339	29	1,029
Industrial		378	432	31	841
Utilities		283	21	—	304
All Others		209	374	3	586
Total		<u>\$3,321</u>	<u>\$3,423</u>	<u>\$167</u>	<u>\$6,911</u>



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

Non-U.S. Fixed Income Portfolio

September 30, 2013

Non-U.S. Government Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$1,192	\$ —	\$ —	\$ —	\$ —	\$1,192
Republic of Korea	—	588	59	—	—	647
Canada	580	—	—	—	—	580
United Mexican States	—	3	398	88	—	489
Germany	452	—	—	—	—	452
Province of Ontario	—	336	—	—	—	336
Japan	—	302	—	—	—	302
Federative Republic of Brazil	—	—	212	61	—	273
Province of Quebec	—	—	271	—	—	271
Kingdom of Thailand	—	—	190	56	—	246
Other Non-U.S. Government	887	883	233	240	241	2,484
Total	<u>\$3,111</u>	<u>\$2,112</u>	<u>\$1,363</u>	<u>\$ 445</u>	<u>\$ 241</u>	<u>\$7,272</u>

Non-U.S. Corporate Securities

	Market Value by S&P Credit Rating					Total
	AAA	AA	A	BBB	BB and below	
United Kingdom	\$ 114	\$ 70	\$ 777	\$ 300	\$ 193	\$1,454
Canada	159	111	324	345	134	1,073
Australia	116	90	301	104	79	690
United States	40	75	118	196	135	564
France	71	54	201	136	75	537
Netherlands	99	188	84	89	52	512
Germany	163	43	126	91	49	472
Supranational	235	30	—	1	—	266
Switzerland	2	21	54	101	38	216
Sweden	59	110	41	—	4	214
Other Non-U.S. Corporates	117	242	757	756	371	2,243
Total	<u>\$1,175</u>	<u>\$1,034</u>	<u>\$2,783</u>	<u>\$2,119</u>	<u>\$ 1,130</u>	<u>\$8,241</u>

Non-U.S. Corporate Investment Portfolio

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



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

Fixed Maturity Investment Portfolio

Top 10 Global Corporate Exposures

<u>September 30, 2013</u>		<u>Market</u>	
		<u>Value</u>	<u>Rating</u>
1	JP Morgan Chase & Co	\$ 490	A
2	Goldman Sachs Group Inc	432	A-
3	General Electric Co	390	AA+
4	Verizon Communications Inc	287	BBB+
5	Citigroup Inc	279	A-
6	Morgan Stanley	274	A-
7	Bank of America Corp	259	A-
8	Wells Fargo & Co	237	A+
9	HSBC Holdings Plc	222	A+
10	AT&T INC	211	A-



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

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	Net Realized	Net Unrealized	Net Impact	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽¹⁾	Gains (Losses)		Gains (Losses) ⁽¹⁾	Gains (Losses)	
Fixed maturities	\$ 17	\$ (4)	\$ 13	\$ 84	\$ (1,661)	\$ (1,577)
Fixed income derivatives	4	—	4	62	—	62
Total fixed maturities	21	(4)	17	146	(1,661)	(1,515)
Public equity	7	2	9	13	(41)	(28)
Private equity	27	(6)	21	63	34	97
Total equity	34	(4)	30	76	(7)	69
Mark-to-market gains from derivative transactions ⁽²⁾	39	—	39	149	—	149
Foreign exchange gains (losses) ⁽²⁾	(26)	—	(26)	45	—	45
Other	—	—	—	—	1	1
Partially-owned entities ⁽³⁾	(5)	—	(5)	2	—	2
Income tax expense (benefit)	4	(9)	(5)	51	(353)	(302)
Net gains (losses)	<u>\$ 59</u>	<u>\$ 1</u>	<u>\$ 60</u>	<u>\$ 367</u>	<u>\$ (1,314)</u>	<u>\$ (947)</u>

- (1) Other-than-temporary impairments for the quarter includes \$4 million for fixed maturities. Year to date other-than-temporary impairments includes \$11 million of fixed maturities, \$2 million for private equity, and \$1 million for public equity.
- (2) Includes \$39 million of realized gains from variable annuity reinsurance for the quarter which comprises \$134 million in mark-to-market gains from derivative transactions, net of \$95 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the quarter were \$4 million. For the year, the \$150 million of realized gains from variable annuity reinsurance comprises \$563 million in mark-to-market gains from derivative transactions, net of \$413 million losses on applicable hedges. The variable annuity reinsurance foreign exchange gains for the year were \$45 million.
- (3) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	Net Realized	Net Unrealized	Net Impact	Net Realized	Net Unrealized	Net Impact
	Gains (Losses) ⁽⁴⁾	Gains (Losses)		Gains (Losses) ⁽⁴⁾	Gains (Losses)	
Fixed maturities	\$ 47	\$ 642	\$ 689	\$ 149	\$ 1,136	\$ 1,285
Fixed income derivatives	4	—	4	(3)	—	(3)
Total fixed maturities	51	642	693	146	1,136	1,282
Public equity	2	23	25	(2)	52	50
Private equity	26	10	36	43	33	76
Total equity	28	33	61	41	85	126
Mark-to-market losses from derivative transactions ⁽⁵⁾	(64)	—	(64)	(268)	—	(268)
Foreign exchange losses ⁽⁵⁾	(50)	—	(50)	(64)	—	(64)
Other	—	4	4	1	5	6
Partially-owned entities ⁽⁶⁾	(5)	(4)	(9)	(11)	(4)	(15)
Income tax expense	8	138	146	36	234	270
Net gains (losses)	<u>\$ (48)</u>	<u>\$ 537</u>	<u>\$ 489</u>	<u>\$ (191)</u>	<u>\$ 988</u>	<u>\$ 797</u>

- (4) Other-than-temporary impairments for the quarter includes \$10 million for fixed maturities. Year to date other-than-temporary impairments includes \$18 million of fixed maturities, \$7 million for private equity, and \$5 million for public equity.
- (5) Includes \$64 million of realized losses from variable annuity reinsurance for the quarter which comprises \$83 million in mark-to-market gains from derivative transactions, net of \$147 million of losses on applicable hedges. The variable annuity reinsurance foreign exchange losses for the quarter were \$8 million. For the year, the \$264 million of realized losses from variable annuity reinsurance comprises \$44 million in mark-to-market gains from derivative transactions, and \$308 million losses on applicable hedges. The variable annuity reinsurance foreign exchange losses for the year were \$2 million.
- (6) Partially-owned entities are investments where we hold more than an insignificant percentage of the investee's shares. The net income or loss is included in other income (expense).



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

	September 30	June 30	March 31	December 31	December 31
	2013	2013	2013	2012	2011
Total short-term debt ⁽¹⁾	\$ 1,902	\$ 1,901	\$ 1,402	\$ 1,401	\$ 1,251
Total long-term debt	3,807	3,807	4,307	3,360	3,360
Total debt	<u>\$ 5,709</u>	<u>\$ 5,708</u>	<u>\$ 5,709</u>	<u>\$ 4,761</u>	<u>\$ 4,611</u>
Total trust preferred securities	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>	<u>\$ 309</u>
Total shareholders' equity	<u>\$ 28,218</u>	<u>\$27,295</u>	<u>\$27,942</u>	<u>\$ 27,531</u>	<u>\$ 24,332</u>
Total capitalization	\$ 34,236	\$33,312	\$33,960	\$ 32,601	\$ 29,252
Tangible capital ⁽²⁾	\$ 28,771	\$27,917	\$29,051	\$ 27,626	\$ 24,453
Leverage ratios					
Debt/ total capitalization	16.7%	17.1%	16.8%	14.6%	15.8%
Debt plus trust preferred securities/ total capitalization	17.6%	18.1%	17.7%	15.6%	16.8%
Debt/ tangible capital	19.8%	20.4%	19.7%	17.2%	18.9%
Debt plus trust preferred securities/ tangible capital	20.9%	21.6%	20.7%	18.4%	20.1%

Note: As of September 30, 2013, there was \$1.3 billion usage of credit facilities on a total commitment of \$1.9 billion.

- (1) Repurchase agreements in the amount of \$150 million matured during the quarter, and there were new repurchase agreements in the amount of \$151 million.
- (2) Tangible capital is equal to total capitalization less goodwill and other intangible assets.



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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Numerator				
Operating income to common shares	\$ 857	\$ 688	\$ 2,393	\$ 2,132
Net realized gains (losses), net of income tax	59	(48)	367	(191)
Net income	<u>\$ 916</u>	<u>\$ 640</u>	<u>\$ 2,760</u>	<u>\$ 1,941</u>
Rollforward of Common Shares Outstanding				
Shares—beginning of period	340,086,269	339,060,885	340,321,534	336,927,276
Repurchase of shares	(238,544)	—	(2,701,620)	(100,000)
Shares issued, excluding option exercises	2,292	(86,962)	1,067,273	1,037,201
Issued for option exercises	219,955	761,186	1,382,785	1,870,632
Shares—end of period	<u>340,069,972</u>	<u>339,735,109</u>	<u>340,069,972</u>	<u>339,735,109</u>
Denominator				
Weighted average shares outstanding	340,888,648	340,207,037	340,905,322	339,523,388
Effect of other dilutive securities	2,929,089	2,665,676	3,146,728	2,831,798
Adj. wtd. avg. shares outstanding and assumed conversions	<u>343,817,737</u>	<u>342,872,713</u>	<u>344,052,050</u>	<u>342,355,186</u>
Basic earnings per share				
Operating income	\$ 2.51	\$ 2.02	\$ 7.02	\$ 6.28
Net realized gains (losses), net of income tax	0.17	(0.14)	1.07	(0.57)
Net income	<u>\$ 2.68</u>	<u>\$ 1.88</u>	<u>\$ 8.09</u>	<u>\$ 5.71</u>
Diluted earnings per share				
Operating income	\$ 2.49	\$ 2.01	\$ 6.95	\$ 6.23
Net realized gains (losses), net of income tax	0.17	(0.15)	1.07	(0.56)
Net income	<u>\$ 2.66</u>	<u>\$ 1.86</u>	<u>\$ 8.02</u>	<u>\$ 5.67</u>



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 and financial condition. However, they should not be viewed as a substitute for measures determined in accordance with generally accepted accounting principles (GAAP).

Operating income, P&C underwriting income, adjusted losses and loss expenses, adjusted realized gains (losses), operating ROE, P&C combined ratio, and P&C combined ratio excluding catastrophe losses and PPD are non-GAAP financial measures and include realized gains and losses associated with fair value changes on our crop derivatives. These derivatives were purchased to provide economic benefit, in a manner similar to reinsurance protection, in the event that a significant decline in commodity pricing will impact underwriting results. As such, we view changes in the fair value of these derivatives as part of the results of our operations and therefore realized gains and losses from these derivatives are reclassified to losses and loss expenses. Pre-tax losses from fair value changes in these derivatives were \$1 million for Q3 and YTD 2013.

Global P&C net premiums written is a non-GAAP financial measure and is defined as consolidated net premiums written excluding net premiums written of the company's Life and Insurance – North American Agriculture segments. We believe that this measure is useful and meaningful to investors as it is used by management to assess the company's global P&C operations which are the most economically similar. We exclude the Insurance – North American Agriculture and Life segments because the results of these businesses do not always correlate with the results of our global P&C operations.

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

In presenting our segment operating results, we have shown our performance with reference to underwriting results. Underwriting results are calculated by subtracting losses and loss expenses, policy benefits, policy acquisition costs, and administrative expenses from net premiums earned. We use underwriting results and operating ratios to monitor the results of our operations without the impact of certain factors, including investment income, other income and expenses, interest and income tax expense, and net realized gains (losses). Life underwriting income includes net investment income and gains (losses) from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP.

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

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

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

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

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

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

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

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

Tangible book value per common share is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. We believe that goodwill and other intangible assets are not indicative of our underlying insurance results or trends and make book value comparisons to less acquisitive peer companies less meaningful. A reconciliation of tangible book value per share is provided on page 23. Tangible book value per common share excluding 2013 acquisitions is shareholders' equity less goodwill and other intangible assets divided by the shares outstanding. The numerator adds back the goodwill and other intangible assets related to the 2013 acquisitions of Fianzas Monterrey and ABA Seguros in order to control for the distortive effect of acquisitions.



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

Regulation G — Non-GAAP Financial Measures (continued)

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

	3Q-13	2Q-13	1Q-13	4Q-12	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Net income, as reported	\$ 916	\$ 891	\$ 953	\$ 765	\$ 640	\$ 2,760	\$ 1,941	\$ 2,706
Adjusted net realized gains (losses)	41	104	206	272	(60)	351	(194)	78
Net realized gains (losses) related to unconsolidated entities ⁽¹⁾	22	12	33	23	20	67	39	62
Income tax expense on net realized gains (losses)	4	15	32	22	8	51	36	58
Operating income	<u>\$ 857</u>	<u>\$ 790</u>	<u>\$ 746</u>	<u>\$ 492</u>	<u>\$ 688</u>	<u>\$ 2,393</u>	<u>\$ 2,132</u>	<u>\$ 2,624</u>

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

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

	3Q-13	2Q-13	1Q-13	4Q-12	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Tax expense (benefit), as reported	\$ 155	\$ 115	\$ 122	\$ (135)	\$ 147	\$ 392	\$ 405	\$ 270
Tax expense on net realized gains (losses)	4	15	32	22	8	51	36	58
Tax expense (benefit), adjusted	<u>\$ 151</u>	<u>\$ 100</u>	<u>\$ 90</u>	<u>\$ (157)</u>	<u>\$ 139</u>	<u>\$ 341</u>	<u>\$ 369</u>	<u>\$ 212</u>
Income before tax, as reported	\$ 1,071	\$ 1,006	\$ 1,075	\$ 630	\$ 787	\$ 3,152	\$ 2,346	\$ 2,976
Less: realized gains (losses)	41	104	206	272	(60)	351	(194)	78
Less: realized gains (losses) related to unconsolidated entities	22	12	33	23	20	67	39	62
Operating income before tax	<u>\$ 1,008</u>	<u>\$ 890</u>	<u>\$ 836</u>	<u>\$ 335</u>	<u>\$ 827</u>	<u>\$ 2,734</u>	<u>\$ 2,501</u>	<u>\$ 2,836</u>
Effective tax rate	14.4%	11.5%	11.3%	-21.4%	18.7%	12.4%	17.3%	9.1%
Adjustment for tax impact of net realized gains (losses)	0.5%	-0.3%	-0.5%	-25.4%	-2.0%	0.0%	-2.5%	-1.6%
Operating effective tax rate	<u>14.9%</u>	<u>11.2%</u>	<u>10.8%</u>	<u>-46.8%</u>	<u>16.7%</u>	<u>12.4%</u>	<u>14.8%</u>	<u>7.5%</u>

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

	3Q-13	3Q-12	YTD 2013	YTD 2012	Full Year 2012
Net income	\$ 916	\$ 640	\$ 2,760	\$ 1,941	\$ 2,706
Operating income	\$ 857	\$ 688	\$ 2,393	\$ 2,132	\$ 2,624
Equity—beginning of period, as reported	\$27,295	\$25,762	\$27,531	\$24,332	\$24,332
Less: unrealized gains (losses) on investments, net of deferred tax	1,318	2,166	2,633	1,715	1,715
Equity—beginning of period, as adjusted	<u>\$25,977</u>	<u>\$23,596</u>	<u>\$24,898</u>	<u>\$22,617</u>	<u>\$22,617</u>
Equity—end of period, as reported	\$28,218	\$26,963	\$28,218	\$26,963	\$27,531
Less: unrealized gains (losses) on investments, net of deferred tax	1,319	2,703	1,319	2,703	2,633
Equity—end of period, as adjusted	<u>\$26,899</u>	<u>\$24,260</u>	<u>\$26,899</u>	<u>\$24,260</u>	<u>\$24,898</u>
Average equity, as reported	\$27,757	\$26,363	\$27,875	\$25,648	\$25,932
Average equity, as adjusted	<u>\$26,438</u>	<u>\$23,928</u>	<u>\$25,899</u>	<u>\$23,439</u>	<u>\$23,758</u>
Operating ROE	13.0%	11.5%	12.3%	12.1%	11.0%
ROE	13.2%	9.7%	13.2%	10.1%	10.4%



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

Reconciliation of Book Value per Common Share

	September 30 2013	June 30 2013	March 31 2013	December 31 2012	September 30 2012
Shareholders' equity	\$ 28,218	\$ 27,295	\$ 27,942	\$ 27,531	\$ 26,963
Less: goodwill and other intangible assets	5,465	5,395	4,909	4,975	4,990
Numerator for tangible book value per share	<u>\$ 22,753</u>	<u>\$ 21,900</u>	<u>\$ 23,033</u>	<u>\$ 22,556</u>	<u>\$ 21,973</u>
Book value—% change over prior quarter ⁽¹⁾	3.4%	-2.3%	1.5%	2.1%	4.7%
Tangible book value—% change over prior quarter ⁽¹⁾	3.9%	-4.9%	2.1%	2.7%	5.0%
Denominator	<u>340,069,972</u>	<u>340,086,269</u>	<u>340,045,256</u>	<u>340,321,534</u>	<u>339,735,109</u>
Book value per common share	\$ 82.98	\$ 80.26	\$ 82.17	\$ 80.90	\$ 79.36
Tangible book value per common share	\$ 66.91	\$ 64.40	\$ 67.74	\$ 66.28	\$ 64.67

Reconciliation of Book Value

Shareholders' equity, beginning of quarter	\$ 27,295	\$ 27,942	\$ 27,531	\$ 26,963	\$ 25,762
Operating income	857	790	746	492	688
Net realized gains (losses), net of tax	59	101	207	273	(48)
Net unrealized gains (losses), net of tax	1	(1,220)	(95)	(70)	537
Repurchase of shares	(21)	(58)	(154)	—	—
Dividend declared on common shares	(176)	(174)	(168)	(168)	(168)
Cumulative translation, net of tax	114	(168)	(156)	(37)	141
Pension liability	(1)	(2)	14	(20)	(2)
Other ⁽²⁾	90	84	17	98	53
	<u>\$ 28,218</u>	<u>\$ 27,295</u>	<u>\$ 27,942</u>	<u>\$ 27,531</u>	<u>\$ 26,963</u>

(1) At September 30, 2013, book value increased 2.5% and tangible book value increased 0.9% from December 31, 2012.

(2) Other primarily includes proceeds from exercise of stock options and stock compensation.



ACE Limited
Glossary

ACE Limited Consolidated comprises all segments including Corporate and Other.

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

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

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

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

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

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

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

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

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

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

NM: Not meaningful.