

# ACE LTD

## FORM 8-K (Current report filing)

Filed 10/29/03 for the Period Ending 10/28/03

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

# ACE LTD

## FORM 8-K (Unscheduled Material Events)

Filed 10/29/2003 For Period Ending 10/28/2003

Address	ACE BLDG 30 WOODBOURNE AVE HAMILTON HM 08 BERMU, 00000
Telephone	809-295-5200
CIK	0000896159
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**Current Report**

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

**Date of Report (Date of earliest event reported)—October 28, 2003**

**ACE LIMITED**

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

**(c) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release, dated October 28, 2003, reporting third quarter results
99.2	Third quarter Financial Supplement

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

On October 28, 2003, ACE Limited issued a press release reporting its third quarter 2003 results and the availability of its third quarter financial supplement. The press release and the financial supplement are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are hereby incorporated herein by reference.

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

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**SIGNATURES**

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

ACE LIMITED

By: \_\_\_\_\_ /s/ Philip V. Bancroft

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

DATE: October 28, 2003

## EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>	
99.1	Press release, dated October 28, 2003, reporting third quarter results	Furnished herewith	
99.2	Third quarter Financial Supplement	Furnished herewith	Exhibit 99.1
[LOGO]	ACE Limited ACE Global Headquarters 17 Woodbourne Avenue Bermuda Hamilton HM 08 Bermuda	PO Box HM 1015 Hamilton HM DX Bermuda 441 295-5200 <i>main</i> 441 292-8675 <i>fax</i>	<b>News Release</b>
		www.ancelimited.com	

### FOR IMMEDIATE RELEASE

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

Media Contact: Anna Lowry  
(441) 278-6683

### ACE LIMITED REPORTS THIRD QUARTER RESULTS

**HAMILTON, Bermuda, October 28, 2003** —ACE Limited (NYSE:ACE) today reported that fully diluted net income per share totaled \$1.22, which included after-tax net realized gains of \$51 million for the quarter. This compared with a net loss of \$0.24 per share for the quarter a year ago after considering \$205 million in net realized losses. Income excluding net realized gains (losses) for the third quarter of 2003 was up 105% to a record \$304 million, or \$1.04 per share, compared with \$148 million or \$0.53 per share for the same quarter last year.<sup>(1)</sup>

Net premiums written increased 4% to \$2.3 billion for the quarter. Out of total net premiums written, consolidated property and casualty increased by 27%, while Financial Services declined 78% reflecting the erratic nature of production in this segment. Most of this decline was due to the absence of new loss portfolio transfer and equity CDO premium for the quarter.

Brian Duperreault, Chairman and Chief Executive Officer of ACE Limited commented, "This was another excellent quarter for our Company that once again demonstrated the growing strength of our organization, our global presence and diversified product capability. ACE recorded increased income before net realized gains (losses) in every operating segment for the quarter. We remain optimistic about business conditions for the balance of the year and beyond."

Other operating highlights were as follows:

- The P&C combined ratio was 91.6% for the quarter compared with 98.0% a year ago
- Current quarter catastrophe losses totaled \$42 million or 1.9% of P&C earned premiums for the quarter, compared with \$100 million, or 6.7% of P&C earned premiums in the comparable quarter of 2002
- Operating cash flow amounted to \$1.1 billion for the quarter
- Net investment income increased 9% to \$216 million
- Diluted book value per ordinary share increased to \$27.76 from \$24.16 at December 30, 2002, up 15%<sup>(2)</sup>

Shareholders' equity is \$8.3 billion, an increase of 31% from December 31, 2002. Tangible equity amounted to \$5.6 billion, a gain of 53% in the first nine months. Total capital resources were \$10.7 billion as of September 30, 2003. ACE's debt to total capital ratio improved to 17.7%. Income before net realized gains as a percent of average equity, including the application of FAS 115, on an annualized basis totaled 15.2% for the quarter, and 16.8 % excluding FAS 115.

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Financial results improved over the prior year's results for each segment; details are available in the financial supplement. Key items include:

- Insurance-North American: Net premiums written rose 23% in the quarter and the combined ratio was 91.9% reflecting the positive contributions made by the major business units.
- Insurance-Overseas General: Net premiums written were up 26% as reported and 19% excluding the effect of foreign exchange. The foreign exchange impact on earnings was minimal. The segment's combined ratio improved to 92.9%. We are experiencing particularly strong results in our European and Asia Pacific operations.
- Global Reinsurance: Net premiums written were up 66%, a result of our continued strategy to diversify our reinsurance operations into a multi-line reinsurer. This segment had an excellent combined ratio of 75.0% in the quarter. The company is developing its casualty reinsurance market with segment net written premium year-to-date of \$1 billion. We incurred catastrophe losses of \$12 million in the quarter.
- Financial Services: Net premiums written were \$105 million in the third quarter of 2003, principally arising from the Financial Guaranty business. Income excluding net realized gains (losses) was up 19% in the quarter. The segment had a \$26 million pre-tax realized gain on its FAS 133 mark-to-market and reported a combined ratio of 89.5% for the third quarter.

Please refer to the ACE Financial Supplement September 30, 2003, which is posted on the Company's website, for more detailed information on individual segment performance, together with additional disclosure on reinsurance recoverable, loss reserves, financial guaranty portfolio, investment portfolio and capital structure. ACE's website reference (url) is [http://media.corporate-ir.net/media\\_files/nys/ace/reports/fin\\_supp\\_september\\_30\\_2003.xls](http://media.corporate-ir.net/media_files/nys/ace/reports/fin_supp_september_30_2003.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 Limited (NYSE: ACE) will host its third quarter earnings conference call and webcast on Wednesday, October 29, 2003 beginning at 8:00 a.m. EST. The call is available via live and archived webcast at [www.acelimited.com](http://www.acelimited.com) or by dialing 1-973-582-2745. Please refer to our website in the "Investor Information, Calendar of Events" for details. A replay of the call will be available from Wednesday, October 29, 2003 until Wednesday, November 12, 2003 at 5:00 p.m. EST. To listen to the replay, dial: 1-877-519-4471 (in the United States) or 1-973-341-3080 (international); passcode 4224312.

The ACE Group of Companies is a global leader in insurance and reinsurance serving a diverse group of clients. A component of the Standard & Poor's 500 stock index, ACE Group conducts its business on a worldwide basis with operating subsidiaries in nearly 50 countries. Additional information can be found at: <http://www.acelimited.com>.

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<sup>1</sup> Income (loss) excluding net realized gains (losses) on investments and the tax effect of net realized gains (losses) on investments is a common performance measurement. 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) on investments because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, the availability of market opportunities. This measure should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

<sup>2</sup> Diluted book value per ordinary share is ordinary shareholders' equity and net proceeds from assumed conversions of outstanding in-the-money options divided by the sum of shares outstanding and the number of options assumed issued.

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

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

***(tables to follow)***



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

	<b>September 30 2003</b>	<b>December 31 2002</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
Total investments and cash	\$ 22,085	\$ 18,324
Reinsurance recoverable	14,032	13,991
Insurance and reinsurance balances receivable	2,821	2,654
Other assets	8,296	8,482
	<hr/>	<hr/>
Total assets	\$ 47,234	\$ 43,451
	<hr/>	<hr/>
<b>Liabilities</b>		
Unpaid losses and loss expenses	\$ 25,637	\$ 24,315
Unearned premiums	6,243	5,586
Other liabilities	7,008	6,850
	<hr/>	<hr/>
Total liabilities	\$ 38,888	\$ 36,751
	<hr/>	<hr/>
<b>Commitments and contingencies</b>		
<b>Mezzanine equity</b>	\$ —	\$ 311
<b>Shareholders' equity</b>		
Total shareholders' equity	\$ 8,346	\$ 6,389
	<hr/>	<hr/>
Total liabilities, mezzanine equity and shareholders' equity	\$ 47,234	\$ 43,451
	<hr/>	<hr/>
<b>Diluted book value per ordinary share <sup>(2)</sup></b>	\$ 27.76	\$ 24.16

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Gross premiums written	\$ 3,451	\$ 3,528	\$ 10,969	\$ 9,575
Net premiums written	2,306	2,223	7,642	6,084
Net premiums earned	2,397	1,925	6,775	4,861
Losses and loss expenses	1,519	1,328	4,261	3,142
Life and annuity benefits	45	60	137	106
Policy acquisition costs	343	253	973	685
Administrative expenses	293	250	840	678
Underwriting income	197	34	564	250
Net investment income	216	199	633	600
Other income (expense)	(3)	(15)	(8)	(22)
Interest expense	45	48	133	146
Income tax expense	61	22	187	89
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 304	\$ 148	\$ 869	\$ 593
Net realized gains (losses)	57	(235)	124	(401)
Tax effect of net realized gains (losses)	(6)	30	(20)	53
Net income	355	(57)	973	245
Preference shares dividend	(11)	—	(15)	—
FELINE PRIDE dividend	—	(6)	(10)	(19)
Net income available to holders of Ordinary Shares	\$ 344	\$ (63)	\$ 948	\$ 226
<b><i>Diluted earnings per share:</i></b>				
Income excluding net realized gains (losses) <sup>(1)</sup>	\$ 1.04	\$ 0.53	\$ 3.08	\$ 2.13
Net income	\$ 1.22	\$ (0.24)	\$ 3.46	\$ 0.84
Weighted average diluted shares outstanding	281,890,236	268,262,197	274,206,084	270,195,775
Loss and loss expense ratio	64.6%	71.0%	64.2%	66.1%
Policy acquisition cost ratio	14.4%	13.4%	14.5%	14.1%
Administrative expense ratio	12.4%	13.3%	12.6%	14.2%
Combined ratio	91.4%	97.7%	91.3%	94.4%

**Ratios exclude life reinsurance business**

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<b>Gross Premiums Written</b>				
Insurance—North American	\$ 1,819	\$ 1,783	\$ 5,131	\$ 4,476
Insurance—Overseas General	1,200	1,008	3,850	2,911
Global Reinsurance*	325	244	1,231	889
Financial Services	107	493	757	1,299
<i>Total</i>	<u>\$ 3,451</u>	<u>\$ 3,528</u>	<u>\$ 10,969</u>	<u>\$ 9,575</u>
<b>Net Premiums Written</b>				
Insurance—North American	\$ 1,065	\$ 869	\$ 2,967	\$ 2,100
Insurance—Overseas General	872	690	2,769	1,920
Global Reinsurance*	264	188	1,143	795
Financial Services	105	476	763	1,269
<i>Total</i>	<u>\$ 2,306</u>	<u>\$ 2,223</u>	<u>\$ 7,642</u>	<u>\$ 6,084</u>
<b>Net Premiums Earned</b>				
Insurance—North American	\$ 990	\$ 654	\$ 2,663	\$ 1,733
Insurance—Overseas General	882	647	2,556	1,722
Global Reinsurance*	320	251	927	571
Financial Services	205	373	629	835
<i>Total</i>	<u>\$ 2,397</u>	<u>\$ 1,925</u>	<u>\$ 6,775</u>	<u>\$ 4,861</u>
<b>Income (Loss) Excluding Net Realized Gains (Losses) <sup>(1)</sup></b>				
Insurance—North American	\$ 125	\$ 113	\$ 379	\$ 333
Insurance—Overseas General	86	(16)	221	44
Global Reinsurance*	95	66	266	224
Financial Services	57	48	174	152
Corporate	(59)	(63)	(171)	(160)
<i>Total</i>	<u>\$ 304</u>	<u>\$ 148</u>	<u>\$ 869</u>	<u>\$ 593</u>

\* Includes both property and casualty reinsurance and life reinsurance

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**Exhibit 99.2**

[GRAPHIC APPEARS HERE]

**ACE Limited**  
**Financial Supplement**

**September 30, 2003**

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

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

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

Any forward-looking statements made in this financial supplement reflect the Company's current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause actual results to differ materially from those set forth in these statements. For example, the Company's forward-looking statements concerning reserves and recoverables could be affected by the frequency of unpredictable catastrophic events, actual loss experience which differs from the Company's assumptions, uncertainties in the reserving or settlement process, the impact of aggregate policy coverage limits, the impact of bankruptcies of various asbestos producers and related business, new theories of

liability, judicial and legislative developments, litigation tactics, credit developments among reinsurers and other factors identified in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2002, the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003 and in the Company's earnings press release, which are available on the Company's website. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**ACE Limited**  
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**ACE Limited**

**Consolidated Financial Highlights**

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

	Three months ended Sept. 30		% Change 3Q-03 vs. 3Q-02	Nine months ended Sept. 30		% Change YTD- 03 vs. YTD-02
	2003	2002		2003	2002	
Gross premiums written	\$ 3,451	\$ 3,528	-2%	\$10,969	\$ 9,575	15%
Net premiums written	\$ 2,306	\$ 2,223	4%	\$ 7,642	\$ 6,084	26%
Net premiums earned	\$ 2,397	\$ 1,925	25%	\$ 6,775	\$ 4,861	39%
Net investment income	\$ 216	\$ 199	9%	\$ 633	\$ 600	6%
Income excluding net realized gains (losses)	\$ 304	\$ 148	105%	\$ 869	\$ 593	47%
Net income	\$ 355	\$ (57)	NM	\$ 973	\$ 245	297%
Comprehensive income	\$ 210	\$ 104	101%	\$ 1,201	\$ 428	180%
Operating cash flow	\$ 1,060	\$ 1,020	4%	\$ 2,638	\$ 1,591	66%
<b>Combined ratio</b>						
Loss and loss expense ratio	64.6%	71.0%		64.2%	66.1%	
Underwriting and administrative expense ratio	26.8%	26.7%		27.1%	28.3%	
Combined ratio	91.4%	97.7%		91.3%	94.4%	
Annualized ROE	15.2%	8.9%		15.9%	12.2%	
Annualized ROE, excluding FAS 115	16.8%	9.2%		17.3%	12.7%	
<b>Diluted earnings per share</b>						
Income excluding net realized gains (losses)	\$ 1.04	\$ 0.53	96%	\$ 3.08	\$ 2.13	45%
Net income	\$ 1.22	\$ (0.24)	NM	\$ 3.46	\$ 0.84	312%
Diluted book value per ordinary share	\$ 27.76	\$ 24.37	14%	\$ 27.76	\$ 24.37	14%
Diluted tangible book value per ordinary share	\$ 18.43	\$ 14.78	25%	\$ 18.43	\$ 14.78	25%
Weighted average diluted ordinary shares outstanding	281.9	268.2	5%	274.2	270.2	1%
Debt/ total capitalization	17.7%	21.4%		17.7%	21.4%	

[GRAPHIC APPEARS HERE]

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

**ACE Limited Consolidated**

	<u>3Q-03</u>	<u>2Q-03</u>	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02</u>	<u>YTD 2003</u>	<u>YTD 2002</u>	<u>Full Year 2002</u>
<b>Consolidated Property and Casualty Excluding Financial Services (1)</b>								
Gross premiums written	\$ 3,295	\$ 3,241	\$ 3,532	\$ 2,956	\$2,977	\$10,068	\$ 8,161	\$11,117
Net premiums written	2,154	2,230	2,357	1,709	1,690	6,741	4,703	6,412
Net premiums earned	2,146	2,049	1,815	1,631	1,495	6,010	3,914	5,545
Losses and loss expenses	1,375	1,298	1,122	1,507	1,000	3,795	2,452	3,959
Policy acquisition costs	321	315	281	260	232	917	612	872
Administrative expenses	271	266	241	250	233	778	631	881
P& C Underwriting income (loss)	\$ 179	\$ 170	\$ 171	\$ (386)	\$ 30	\$ 520	\$ 219	\$ (167)
Financial Services underwriting income	22	17	19	6	12	58	45	51
Life underwriting income (loss) excluding investment income	(4)	(5)	(5)	(8)	(8)	(14)	(14)	(22)
Net investment income	216	211	206	202	199	633	600	802
Other income (expense) (2)	(3)	1	(6)	1	(15)	(8)	(22)	(21)
Interest expense	45	43	45	47	48	133	146	193
Income tax expense (benefit)	61	65	61	(133)	22	187	89	(44)
<b>Income (loss) excluding net realized gains (losses)</b>	<b>\$ 304</b>	<b>\$ 286</b>	<b>\$ 279</b>	<b>\$ (99)</b>	<b>\$ 148</b>	<b>\$ 869</b>	<b>\$ 593</b>	<b>\$ 494</b>
Net realized gains (losses)	57	107	(40)	(88)	(235)	124	(401)	(489)
Tax effect of net realized gains (losses)	(6)	(22)	8	19	30	(20)	53	72
<b>Net income (loss)</b>	<b>\$ 355</b>	<b>\$ 371</b>	<b>\$ 247</b>	<b>\$ (168)</b>	<b>\$ (57)</b>	<b>\$ 973</b>	<b>\$ 245</b>	<b>\$ 77</b>
<b>% Change Versus Prior Year Period (1)</b>								
Gross premiums written	11%	25%	36%	44%	43%	23%	31%	34%
Net premiums written	27%	46%	59%	54%	67%	43%	39%	43%
Net premiums earned	44%	55%	65%	54%	50%	54%	29%	36%
<b>Other Ratios (1)</b>								
Net premiums written/gross premiums written	65%	69%	67%	58%	57%	67%	58%	58%
Effective tax rate	17%	19%	18%	57%	13%	18%	13%	-10%
<b>ROE</b>								
Annualized ROE	15.2%	15.6%	16.7%	-6.6%	8.9%	15.9%	12.2%	7.5%
Annualized ROE, excluding FAS 115	16.8%	17.2%	18.1%	-7.1%	9.2%	17.3%	12.7%	7.9%

(1) Consolidated property and casualty excluding financial services is presented to allow for comparison and analysis with earnings guidance.

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

[GRAPHIC APPEARS HERE]

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

**ACE Limited Consolidated**

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
<b>Combined ratio</b>								
Loss and loss expense ratio	64.6%	64.5%	63.4%	91.8%	71.0%	64.2%	66.1%	73.5%
Policy acquisition cost ratio	14.4%	14.6%	14.4%	14.3%	13.4%	14.5%	14.1%	14.2%
Administrative expense ratio	12.4%	12.6%	12.8%	13.7%	13.3%	12.6%	14.2%	14.0%
<b>Combined ratio</b>	<b>91.4%</b>	<b>91.7%</b>	<b>90.6%</b>	<b>119.8%</b>	<b>97.7%</b>	<b>91.3%</b>	<b>94.4%</b>	<b>101.7%</b>

**Consolidated Property and Casualty Excluding Financial Services (1)**

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
<b>Combined ratio</b>								
Loss and loss expense ratio	64.0%	63.4%	61.8%	92.4%	66.8%	63.1%	62.6%	71.4%
Policy acquisition cost ratio	15.0%	15.3%	15.5%	15.9%	15.6%	15.3%	15.6%	15.7%
Administrative expense ratio	12.6%	13.0%	13.3%	15.4%	15.6%	12.9%	16.1%	15.9%
<b>Combined ratio</b>	<b>91.6%</b>	<b>91.7%</b>	<b>90.6%</b>	<b>123.7%</b>	<b>98.0%</b>	<b>91.3%</b>	<b>94.3%</b>	<b>103.0%</b>

**Large losses and other items**

Catastrophe losses	\$ 42	\$ 30	\$ —	\$ —	\$ 100(3)	\$ 72	\$ 100(3)	\$ 100(3)
Other losses	—	—	—	516(2)	—	—	—	516(2)
Prior period development (4)	62	21	24	71	52	107	93	164

- (1) Consolidated property and casualty excluding financial services is presented to allow for comparison and analysis with earnings guidance.
- (2) Reported in press release on January 27, 2003.
- (3) Reported in press release on September 18, 2002. Total after tax of \$90 million includes Overseas General and Global Reinsurance.
- (4) Prior period development for the Financial Services segment was favorable \$2 million in 3Q-03, favorable \$9 million in 2Q-03, adverse \$10 million 1Q-03 and adverse \$3 million for both 4Q and 3Q 2002. Year to date 2003 is favorable \$1 million compared with adverse of \$27 million in 2002. Full year 2002 was adverse \$30 million.



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**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 Sept. 30		Nine months ended Sept. 30	
	2003	2002	2003	2002
<b><u>Numerator</u></b>				
Income excluding net realized gains (losses)	\$ 304	\$ 148	\$ 869	\$ 593
Perpetual preferred dividend	(11)	—	(15)	—
Mezzanine equity dividend	—	(6)	(10)	(19)
Income to ordinary shares, excl. net realized gains (losses)	293	142	844	574
Net realized gains (losses), net of income tax	51	(205)	104	(348)
Net income available to the holders of ordinary shares	\$ 344	\$ (63)	\$ 948	\$ 226
<b><u>Rollforward of ordinary shares</u></b>				
Ordinary shares—beginning of period	277,755,290	262,247,758	262,679,356	259,861,205
Mezzanine equity conversion	—	—	11,814,274	—
Issued under employee stock purchase plan	152,251	138,834	288,400	252,619
Stock (cancelled) granted	12,631	(58,995)	1,066,771	423,864
Issued for option exercises	560,738	167,613	2,632,109	1,957,522
Ordinary shares—end of period	278,480,910	262,495,210	278,480,910	262,495,210
<b><u>Denominator</u></b>				
Weighted average shares outstanding	275,404,544	260,264,791	268,474,758	259,810,039
Dilutive effect of mezzanine equity	—	1,614,340	—	3,137,944
Effect of other dilutive securities	6,485,692	6,383,066	5,731,326	7,247,792
Adj. wtd. avg. shares outstanding and assumed conversions	281,890,236	268,262,197	274,206,084	270,195,775
<b><u>Basic earnings (loss) per share</u></b>				
Income excluding net realized gains (losses)	\$ 1.06	\$ 0.55	\$ 3.14	\$ 2.21
% Change	93%		42%	
Net realized gains (losses)	0.19	(0.79)	0.39	(1.34)
Net income	\$ 1.25	\$ (0.24)	\$ 3.53	\$ 0.87
<b><u>Diluted earnings (loss) per share</u></b>				
Income excluding net realized gains (losses)	\$ 1.04	\$ 0.53	\$ 3.08	\$ 2.13
% Change	96%		45%	
Net realized gains (losses)	0.18	(0.77)	0.38	(1.29)
Net income	\$ 1.22	\$ (0.24)	\$ 3.46	\$ 0.84

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

	September 30 2003	June 30 2003	March 31 2003	December 31 2002	December 31 2001
<b>Assets</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Fixed maturities available for sale, at fair value	\$ 17,413	\$ 16,884	\$ 15,044	\$ 14,420	\$ 13,000
Equity securities, at fair value	460	471	410	411	468
Securities on loan, at fair value	596	546	521	293	—
Short-term investments	2,520	2,048	2,081	1,885	1,206
Other investments, at fair value	665	661	685	652	591
Cash	431	576	477	663	671
<b>Total investments and cash</b>	<b>\$ 22,085</b>	<b>21,186</b>	<b>\$ 19,218</b>	<b>\$ 18,324</b>	<b>\$ 15,936</b>
Insurance and reinsurance balances receivable	2,821	3,186	3,228	2,654	2,522
Reinsurance recoverable	14,032	13,891	14,132	13,991	11,398
Deferred policy acquisition costs	998	984	915	832	679
Prepaid reinsurance premiums	1,370	1,452	1,790	1,721	1,223
Goodwill	2,711	2,711	2,711	2,717	2,772
Deferred tax assets	1,103	1,075	1,227	1,288	1,251
Other assets	2,114	2,141	2,235	1,924	1,406
<b>Total assets</b>	<b>\$ 47,234</b>	<b>46,626</b>	<b>\$ 45,456</b>	<b>\$ 43,451</b>	<b>\$ 37,187</b>
<b>Liabilities</b>					
Unpaid losses and loss expenses	\$ 25,637	\$ 24,940	\$ 24,636	\$ 24,315	\$ 20,728
Unearned premiums	6,243	6,394	6,573	5,586	3,853
Future policy benefits for life and annuity contracts	479	470	459	442	383
Insurance and reinsurance balances payable	1,874	1,989	1,963	1,870	1,418
Contract holder deposit funds	76	74	89	90	101
Securities lending collateral	608	561	533	301	—
Accounts payable, accrued expenses and other liabilities	1,601	1,650	1,820	1,777	1,567
Short-term debt	146	146	146	146	495
Long-term debt	1,749	1,749	1,749	1,749	1,349
Trust preferred securities	475	475	475	475	875
<b>Total liabilities</b>	<b>\$ 38,888</b>	<b>\$ 38,448</b>	<b>\$ 38,443</b>	<b>\$ 36,751</b>	<b>\$ 30,769</b>
<b>Mezzanine equity</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 311</b>	<b>\$ 311</b>	<b>\$ 311</b>
<b>Shareholders' equity</b>					
Total shareholders' equity, excl. AOCI	\$ 7,678	\$ 7,365	\$ 6,164	\$ 5,949	\$ 6,005
Accumulated other comprehensive income (AOCI)	668	813	538	440	102
<b>Total shareholders' equity</b>	<b>\$ 8,346</b>	<b>\$ 8,178</b>	<b>\$ 6,702</b>	<b>\$ 6,389</b>	<b>\$ 6,107</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>\$ 47,234</b>	<b>\$ 46,626</b>	<b>\$ 45,456</b>	<b>\$ 43,451</b>	<b>\$ 37,187</b>
<b>Diluted book value per ordinary share</b>	<b>\$ 27.76</b>	<b>\$ 27.24</b>	<b>\$ 25.14</b>	<b>\$ 24.16</b>	<b>\$ 23.59</b>
<b>Diluted tangible book value per ordinary share</b>	<b>\$ 18.43</b>	<b>\$ 17.91</b>	<b>\$ 15.72</b>	<b>\$ 14.56</b>	<b>\$ 13.99</b>

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

**ACE Limited Consolidated**

	<u>YTD 2003</u>	<u>% of Total Consolidated</u>	<u>YTD 2002</u>	<u>% of Total Consolidated</u>	<u>% Change YTD-03 vs. YTD-02</u>	<u>Full Year 2002</u>
<b><u>Net Premiums Written</u></b>						
Property and all other	\$2,625	34%	\$2,035	33%	29%	\$ 2,518
Casualty	3,398	45%	2,149	35%	58%	3,188
Personal accident	718	9%	519	9%	38%	706
Total P&C	<u>\$6,741</u>	<u>88%</u>	<u>\$4,703</u>	<u>77%</u>	<u>43%</u>	<u>\$ 6,412</u>
Global Re—life	138	2%	112	2%	23%	159
Financial guaranty	350	5%	291	5%	20%	387
Financial solutions	413	5%	978	16%	-58%	1,110
Total Consolidated	<u>\$7,642</u>	<u>100%</u>	<u>\$6,084</u>	<u>100%</u>	<u>26%</u>	<u>\$ 8,068</u>
<b><u>Net Premiums Earned</u></b>						
Property and all other	\$2,367	35%	\$1,657	34%	43%	\$ 2,255
Casualty	2,971	44%	1,748	36%	70%	2,589
Personal accident	672	10%	509	11%	32%	701
Total P&C	<u>\$6,010</u>	<u>89%</u>	<u>\$3,914</u>	<u>81%</u>	<u>54%</u>	<u>\$ 5,545</u>
Global Re—life	136	2%	112	2%	21%	158
Financial guaranty	240	3%	201	4%	19%	282
Financial solutions	389	6%	634	13%	-39%	845
Total Consolidated	<u>\$6,775</u>	<u>100%</u>	<u>\$4,861</u>	<u>100%</u>	<u>39%</u>	<u>\$ 6,830</u>

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**ACE Limited**  
**Consolidating Statement of Operations**  
**Three months ended September 30, 2003 and 2002**  
(in millions of U.S. dollars)  
(Unaudited)

	Insurance— North American	Insurance— Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Financial Services	ACE Consolidated
<b>September 30, 2003</b>							
Gross premiums written	\$ 1,819	\$ 1,200	\$ 276	\$ —	\$ 3,295	\$ 107	\$ 3,402
Net premiums written	1,065	872	217	—	2,154	105	2,259
Net premiums earned	990	882	274	—	2,146	205	2,351
Losses and loss expenses	712	529	134	—	1,375	144	1,519
Policy acquisition costs	95	170	56	—	321	17	338
Administrative expenses	103	121	16	31	271	22	293
Underwriting income (loss)	\$ 80	\$ 62	\$ 68	\$ (31)	\$ 179	\$ 22	\$ 201
Life underwriting income	—	—	6	—	6	—	6
Net investment income—property and casualty	100	40	23	(6)	157	49	206
Other income (expense)	—	(3)	1	—	(2)	(1)	(3)
Interest expense	7	1	—	35	43	2	45
Income tax expense (benefit)	48	12	3	(13)	50	11	61
Income (loss) excluding net realized gains (losses)	\$ 125	\$ 86	\$ 95	\$ (59)	\$ 247	\$ 57	\$ 304
Net realized gains (losses)	8	4	10	5	28	29	57
Tax effect of net realized gains (losses)	—	—	—	—	—	(6)	(6)
Net income (loss)	\$ 133	\$ 90	\$ 105	\$ (54)	\$ 275	\$ 80	\$ 355
<b>September 30, 2002</b>							
Gross premiums written	\$ 1,783	\$ 1,008	\$ 186	\$ —	\$ 2,977	\$ 493	\$ 3,470
Net premiums written	869	690	131	—	1,690	476	2,166
Net premiums earned	654	647	194	—	1,495	373	1,868
Losses and loss expenses	453	446	101	—	1,000	328	1,328
Policy acquisition costs	55	140	37	—	232	18	250
Administrative expenses	86	107	11	29	233	15	248
Underwriting income (loss)	\$ 60	\$ (46)	\$ 45	\$ (29)	\$ 30	\$ 12	\$ 42
Life underwriting income (loss)	—	—	(1)	—	(1)	—	(1)
Net investment income—property							

and casualty	101	28	20	(3)	146	46	192
Other income							
(expense)	—	(1)	1	(15)	(15)	—	(15)
Interest expense	7	1	—	37	45	3	48
Income tax expense							
(benefit)	41	(4)	(1)	(21)	15	7	22
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income (loss)							
excluding net							
realized gains							
(losses)	\$ 113	\$ (16)	\$ 66	\$ (63)	\$ 100	\$ 48	\$ 148
Net realized gains							
(losses)	(55)	(21)	(27)	(55)	(158)	(77)	(235)
Tax effect of net							
realized gains							
(losses)	4	7	—	—	11	19	30
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss)	\$ 62	\$ (30)	\$ 39	\$ (118)	\$ (47)	\$ (10)	\$ (57)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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**ACE Limited**  
**Consolidating Statement of Operations**  
**Nine months ended September 30, 2003 and 2002**  
(in millions of U.S. dollars)  
(Unaudited)

	Insurance— North American	Insurance— Overseas General	Global Reinsurance	Corporate & Other	Consolidated P&C	Financial Services	ACE Consolidated
<b>September 30, 2003</b>							
Gross premiums written	\$ 5,131	\$ 3,850	\$ 1,087	\$ —	\$ 10,068	\$ 757	\$ 10,825
Net premiums written	2,967	2,769	1,005	—	6,741	763	7,504
Net premiums earned	2,663	2,556	791	—	6,010	629	6,639
Losses and loss expenses	1,861	1,541	393	—	3,795	466	4,261
Policy acquisition costs	279	485	153	—	917	45	962
Administrative expenses	293	356	45	84	778	60	838
Underwriting income (loss)	\$ 230	\$ 174	\$ 200	\$ (84)	\$ 520	\$ 58	\$ 578
Life underwriting income	—	—	11	—	11	—	11
Net investment income— property and casualty	306	113	63	(23)	459	149	608
Other income (expense)	(6)	(4)	2	—	(8)	—	(8)
Interest expense	22	2	—	104	128	5	133
Income tax expense (benefit)	129	60	10	(40)	159	28	187
Income (loss) excluding net realized gains (losses)	\$ 379	\$ 221	\$ 266	\$ (171)	\$ 695	\$ 174	\$ 869
Net realized gains (losses)	15	(7)	26	(8)	26	98	124
Tax effect of net realized gains (losses)	—	5	1	—	6	(26)	(20)
Net income (loss)	\$ 394	\$ 219	\$ 293	\$ (179)	\$ 727	\$ 246	\$ 973
<b>September 30, 2002</b>							
Gross premiums written	\$ 4,476	\$ 2,911	\$ 774	\$ —	\$ 8,161	\$ 1,299	\$ 9,460
Net premiums written	2,100	1,920	683	—	4,703	1,269	5,972
Net premiums earned	1,733	1,722	459	—	3,914	835	4,749
Losses and loss expenses	1,176	1,083	193	—	2,452	690	3,142
Policy acquisition costs	147	382	83	—	612	58	670
Administrative expenses	244	282	26	79	631	42	673
Underwriting income (loss)	\$ 166	\$ (25)	\$ 157	\$ (79)	\$ 219	\$ 45	\$ 264
Life underwriting income	—	—	5	—	5	—	5
Net investment income— property and casualty	306	77	63	(6)	440	141	581
Other income (expense)	—	3	1	(26)	(22)	—	(22)
Interest expense	24	2	1	109	136	10	146
Income tax expense (benefit)	115	9	1	(60)	65	24	89
Income (loss) excluding net realized gains (losses)	\$ 333	\$ 44	\$ 224	\$ (160)	\$ 441	\$ 152	\$ 593
Net realized gains (losses)	(107)	(32)	(57)	(78)	(274)	(127)	(401)
Tax effect of net realized gains (losses)	16	10	—	—	26	27	53
Net income (loss)	\$ 242	\$ 22	\$ 167	\$ (238)	\$ 193	\$ 52	\$ 245

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

**Insurance-North American**

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
Gross premiums written	\$ 1,819	\$ 1,648	\$ 1,664	\$ 1,640	\$ 1,783	\$ 5,131	\$ 4,476	\$ 6,116
Net premiums written	1,065	969	933	819	869	2,967	2,100	2,919
Net premiums earned	990	920	753	742	654	2,663	1,733	2,475
Losses and loss expenses	712	637	512	1,024	453	1,861	1,176	2,200
Policy acquisition costs	95	101	83	69	55	279	147	216
Administrative expenses	103	102	88	97	86	293	244	341
Underwriting income (loss)	\$ 80	\$ 80	\$ 70	\$ (448)	\$ 60	\$ 230	\$ 166	\$ (282)
Net investment income— property and casualty	100	103	103	100	101	306	306	406
Other income (expense)	—	—	(6)	1	—	(6)	—	1
Interest expense	7	7	8	8	7	22	24	32
Income tax expense (benefit)	48	42	39	(119)	41	129	115	(4)
<b>Income (loss) excluding net realized gains (losses)</b>	<b>\$ 125</b>	<b>\$ 134</b>	<b>\$ 120</b>	<b>\$ (236)</b>	<b>\$ 113</b>	<b>\$ 379</b>	<b>\$ 333</b>	<b>\$ 97</b>
Net realized gains (losses)	8	25	(18)	(92)	(55)	15	(107)	(199)
Tax effect of net realized gains (losses)	—	(3)	3	27	4	—	16	43
Net income (loss)	\$ 133	\$ 156	\$ 105	\$ (301)	\$ 62	\$ 394	\$ 242	\$ (59)
<b>Combined ratio</b>								
Loss and loss expense ratio	71.9%	69.2%	68.0%	137.9%	69.2%	69.9%	67.9%	88.9%
Policy acquisition cost ratio	9.6%	10.9%	11.0%	9.4%	8.3%	10.4%	8.5%	8.7%
Administrative expense ratio	10.4%	11.1%	11.6%	13.0%	13.2%	11.0%	14.0%	13.8%
<b>Combined ratio</b>	<b>91.9%</b>	<b>91.2%</b>	<b>90.6%</b>	<b>160.3%</b>	<b>90.7%</b>	<b>91.3%</b>	<b>90.4%</b>	<b>111.4%</b>
<b>Large losses and other items</b>								
Large losses (before tax)	\$ 20	\$ —	\$ —	\$ 516(1)	\$ —	\$ 20	\$ —	\$ 516(1)
<b>% Change Versus Prior Year Period</b>								
Gross premiums written	2%	15%	32%	49%	35%	15%	31%	35%
Net premiums written	23%	35%	82%	75%	58%	41%	38%	47%
Net premiums earned	51%	52%	59%	63%	37%	54%	27%	36%
<b>Other Ratios</b>								
Net premiums written/gross premiums written	59%	59%	56%	50%	49%	58%	47%	48%

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

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

**Insurance - Overseas General**

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
Gross premiums written	\$ 1,200	\$ 1,244	\$ 1,406	\$ 1,203	\$ 1,008	\$ 3,850	\$ 2,911	\$ 4,114
Net premiums written	872	916	981	796	690	2,769	1,920	2,716
Net premiums earned	882	860	814	671	647	2,556	1,722	2,393
Losses and loss expenses	529	518	494	372	446	1,541	1,083	1,455
Policy acquisition costs	170	163	152	151	140	485	382	533
Administrative expenses	121	121	114	108	107	356	282	390
Underwriting income (loss)	\$ 62	\$ 58	\$ 54	\$ 40	\$ (46)	\$ 174	\$ (25)	\$ 15
Net investment income—								
property and casualty	40	38	35	31	28	113	77	108
Other income (expense)	(3)	—	(1)	(1)	(1)	(4)	3	2
Interest expense	1	1	—	1	1	2	2	3
Income tax expense (benefit)	12	25	23	(3)	(4)	60	9	6
<b>Income (loss) excluding net realized gains (losses)</b>	<b>\$ 86</b>	<b>\$ 70</b>	<b>\$ 65</b>	<b>\$ 72</b>	<b>\$ (16)</b>	<b>\$ 221</b>	<b>\$ 44</b>	<b>\$ 116</b>
Net realized gains (losses)	4	2	(13)	(5)	(21)	(7)	(32)	(37)
Tax effect of net realized gains (losses)	—	—	5	2	7	5	10	12
Net income (loss)	\$ 90	\$ 72	\$ 57	\$ 69	\$ (30)	\$ 219	\$ 22	\$ 91
<b>Combined ratio</b>								
Loss and loss expense ratio	59.9%	60.3%	60.7%	55.5%	68.9%	60.3%	62.9%	60.8%
Policy acquisition cost ratio	19.3%	18.9%	18.7%	22.4%	21.8%	19.0%	22.2%	22.3%
Administrative expense ratio	13.7%	14.0%	14.0%	16.2%	16.5%	13.9%	16.3%	16.3%
<b>Combined ratio</b>	<b>92.9%</b>	<b>93.2%</b>	<b>93.4%</b>	<b>94.1%</b>	<b>107.2%</b>	<b>93.2%</b>	<b>101.4%</b>	<b>99.4%</b>
<b>Large losses and other items</b>								
Large losses (before tax)	\$ 10	\$ —	\$ —	\$ —	\$ 68(1)	\$ 10	\$ 68	\$ 68(1)
<b>% Change Versus Prior Year Period</b>								
Gross premiums written	19%	32%	46%	30%	50%	32%	23%	25%
Net premiums written	26%	49%	60%	28%	63%	44%	25%	26%
Net premiums earned	36%	52%	60%	31%	45%	48%	20%	23%
<b>Other Ratios</b>								
Net premiums written/gross premiums written	73%	74%	70%	66%	68%	72%	66%	66%

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



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

**Insurance—Overseas General**

	<u>3Q-03</u>	<u>2Q-03</u>	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02</u>	<u>YTD 2003</u>	<u>YTD 2002</u>	<u>Full Year 2002</u>
<b><u>Gross premiums written</u></b>								
ACE Global Markets	\$ 351	\$ 422	\$ 346	\$ 511	\$ 325	\$ 1,119	\$ 940	\$ 1,451
ACE International	849	822	1,060	692	683	2,731	1,971	2,663
Total	<u>\$ 1,200</u>	<u>\$ 1,244</u>	<u>\$ 1,406</u>	<u>\$ 1,203</u>	<u>\$ 1,008</u>	<u>\$ 3,850</u>	<u>\$ 2,911</u>	<u>\$ 4,114</u>
<b><u>Net premiums written</u></b>								
ACE Global Markets	\$ 253	\$ 295	\$ 256	\$ 282	\$ 196	\$ 804	\$ 505	\$ 787
ACE International	619	621	725	514	494	1,965	1,415	1,929
Total	<u>\$ 872</u>	<u>\$ 916</u>	<u>\$ 981</u>	<u>\$ 796</u>	<u>\$ 690</u>	<u>\$ 2,769</u>	<u>\$ 1,920</u>	<u>\$ 2,716</u>
<b><u>Net premiums earned</u></b>								
ACE Global Markets	\$ 244	\$ 256	\$ 248	\$ 177	\$ 181	\$ 748	\$ 485	\$ 662
ACE International	638	604	566	494	466	1,808	1,237	1,731
Total	<u>\$ 882</u>	<u>\$ 860</u>	<u>\$ 814</u>	<u>\$ 671</u>	<u>\$ 647</u>	<u>\$ 2,556</u>	<u>\$ 1,722</u>	<u>\$ 2,393</u>
<b><u>Net premiums written/gross premiums written</u></b>								
ACE Global Markets	72.1%	69.9%	74.0%	55.2%	60.3%	71.8%	53.7%	54.2%
ACE International	72.9%	75.5%	68.4%	74.3%	72.3%	72.0%	71.8%	72.4%
Total NPW/GPW	<u>72.7%</u>	<u>73.6%</u>	<u>69.8%</u>	<u>66.2%</u>	<u>68.5%</u>	<u>71.9%</u>	<u>66.0%</u>	<u>66.0%</u>
<b><u>Loss ratio</u></b>								
ACE Global Markets	61.2%	61.4%	61.2%	51.3%	69.7%	61.3%	62.8%	59.7%
ACE International	59.4%	59.8%	60.4%	56.9%	68.6%	59.9%	62.9%	61.2%
Total loss ratio	<u>59.9%</u>	<u>60.3%</u>	<u>60.7%</u>	<u>55.5%</u>	<u>68.9%</u>	<u>60.3%</u>	<u>62.9%</u>	<u>60.8%</u>
<b><u>Expense ratio</u></b>								
ACE Global Markets	35.7%	35.7%	36.7%	52.1%	46.8%	36.1%	48.8%	49.6%
ACE International	32.0%	31.7%	30.9%	33.9%	35.0%	31.6%	34.6%	34.4%
Total expense ratio	<u>33.0%</u>	<u>32.9%</u>	<u>32.7%</u>	<u>38.6%</u>	<u>38.3%</u>	<u>32.9%</u>	<u>38.5%</u>	<u>38.6%</u>
<b><u>Combined ratio</u></b>								
ACE Global Markets	96.9%	97.1%	97.9%	103.4%	116.5%	97.4%	111.6%	109.3%
ACE International	91.4%	91.5%	91.3%	90.8%	103.6%	91.5%	97.5%	95.6%
Total combined ratio	<u>92.9%</u>	<u>93.2%</u>	<u>93.4%</u>	<u>94.1%</u>	<u>107.2%</u>	<u>93.2%</u>	<u>101.4%</u>	<u>99.4%</u>

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

**Global Reinsurance**

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
<b>Property and casualty</b>								
Gross premiums written	\$ 276	\$ 349	\$ 462	\$ 113	\$ 186	\$ 1,087	\$ 774	\$ 887
Net premiums written	217	345	443	94	131	1,005	683	777
Net premiums earned	274	269	248	218	194	791	459	677
Losses and loss expenses	134	143	116	111	101	393	193	304
Policy acquisition costs	56	51	46	40	37	153	83	123
Administrative expenses	16	14	15	14	11	45	26	40
P&C underwriting income (loss)	\$ 68	\$ 61	\$ 71	\$ 53	\$ 45	\$ 200	\$ 157	\$ 210
<b>Life</b>								
Gross premiums written	\$ 49	\$ 46	\$ 49	\$ 50	\$ 58	\$ 144	\$ 115	\$ 165
Net premiums written	47	44	47	47	57	138	112	159
Net premiums earned	46	42	48	46	57	136	112	158
Losses and loss expenses	45	44	48	52	60	137	106	158
Policy acquisition costs	5	2	4	1	3	11	15	16
Administrative expenses	—	1	1	1	2	2	5	6
Net investment income	10	8	7	8	7	25	19	27
Life underwriting income (loss)	\$ 6	\$ 3	\$ 2	\$ —	\$ (1)	\$ 11	\$ 5	\$ 5
Total underwriting income	\$ 74	\$ 64	\$ 73	\$ 53	\$ 44	\$ 211	\$ 162	\$ 215
Net investment income—property and casualty	23	21	19	19	20	63	63	82
Other income (expense)	1	—	1	—	1	2	1	1
Interest expense	—	—	—	—	—	—	1	1
Income tax expense (benefit)	3	3	4	—	(1)	10	1	1
<b>Income (loss) excluding net realized gains (losses)</b>	<b>\$ 95</b>	<b>\$ 82</b>	<b>\$ 89</b>	<b>\$ 72</b>	<b>\$ 66</b>	<b>\$ 266</b>	<b>\$ 224</b>	<b>\$ 296</b>
Net realized gains (losses)	10	13	3	—	(27)	26	(57)	(57)
Tax effect of net realized gains (losses)	—	1	—	—	—	1	—	—
Net income (loss)	\$ 105	\$ 96	\$ 92	\$ 72	\$ 39	\$ 293	\$ 167	\$ 239
<b>P&amp;C combined ratio</b>								
Loss and loss expense ratio	48.9%	53.1%	46.7%	51.1%	52.0%	49.6%	42.0%	44.9%
Policy acquisition cost ratio	20.4%	18.8%	18.6%	18.2%	19.2%	19.3%	18.1%	18.1%
Administrative expense ratio	5.7%	5.3%	6.0%	6.5%	5.2%	5.7%	5.6%	5.9%
<b>P&amp;C combined ratio</b>	<b>75.0%</b>	<b>77.2%</b>	<b>71.3%</b>	<b>75.8%</b>	<b>76.4%</b>	<b>74.6%</b>	<b>65.7%</b>	<b>68.9%</b>
<b>Large losses and other items</b>								
Large losses (before tax)	\$ 12	\$ 30	\$ —	\$ —	\$ 32(1)	\$ 42	\$ 32	\$ 32(1)

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

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

**Global Reinsurance—Property & Casualty**

	<u>3Q-03</u>	<u>2Q-03</u>	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02</u>	<u>YTD 2003</u>	<u>YTD 2002</u>	<u>Full Year 2002</u>
<b>% Change Versus Prior Year</b>								
<b>Period</b>								
Gross premiums written	48%	63%	24%	242%	98%	40%	81%	93%
Net premiums written	66%	75%	25%	422%	264%	47%	103%	120%
Net premiums earned	41%	79%	116%	140%	177%	72%	97%	109%
<b>Other Ratios</b>								
Net premiums written/gross premiums written	79%	99%	96%	83%	70%	92%	88%	88%

**Global Reinsurance—By Division**

**Gross premiums written**

Tempest Europe	\$ 60	\$ 97	\$ 123	\$ 34	\$ 36	\$ 280	\$ 196	\$ 230
Tempest USA	147	133	100	86	69	380	148	234
Tempest Bermuda	69	119	239	(7)	81	427	430	423
	<u>\$ 276</u>	<u>\$ 349</u>	<u>\$ 462</u>	<u>\$ 113</u>	<u>\$ 186</u>	<u>\$ 1,087</u>	<u>\$ 774</u>	<u>\$ 887</u>

**Net premiums written**

Tempest Europe	\$ 52	\$ 94	\$ 115	\$ 18	\$ 27	\$ 261	\$ 164	\$ 182
Tempest USA	144	132	99	86	69	375	148	234
Tempest Bermuda	21	119	229	(10)	35	369	371	361
	<u>\$ 217</u>	<u>\$ 345</u>	<u>\$ 443</u>	<u>\$ 94</u>	<u>\$ 131</u>	<u>\$ 1,005</u>	<u>\$ 683</u>	<u>\$ 777</u>

**Net premiums earned**

Tempest Europe	\$ 55	\$ 63	\$ 69	\$ 45	\$ 38	\$ 187	\$ 97	\$ 142
Tempest USA	127	112	86	69	53	325	113	182
Tempest Bermuda	92	94	93	104	103	279	249	353
	<u>\$ 274</u>	<u>\$ 269</u>	<u>\$ 248</u>	<u>\$ 218</u>	<u>\$ 194</u>	<u>\$ 791</u>	<u>\$ 459</u>	<u>\$ 677</u>

**Net premiums written/gross  
premiums written**

Tempest Europe	86.7%	96.9%	93.5%	52.9%	75.0%	93.2%	83.7%	79.1%
Tempest USA	98.0%	99.2%	99.0%	100.0%	100.0%	98.7%	100.0%	100.0%
Tempest Bermuda	30.4%	100.0%	95.8%	142.9%	43.2%	86.4%	86.3%	85.3%
	<u>78.6%</u>	<u>98.9%</u>	<u>95.9%</u>	<u>83.2%</u>	<u>70.4%</u>	<u>92.5%</u>	<u>88.2%</u>	<u>87.6%</u>

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

**Financial Services**

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
Gross premiums written	\$ 107	\$ 118	\$ 532	\$ 238	\$ 493	\$ 757	\$ 1,299	\$ 1,537
Net premiums written	105	132	526	228	476	763	1,269	1,497
Net premiums earned	205	215	209	292	373	629	835	1,127
Losses and loss expenses	144	161	161	257	328	466	690	947
Policy acquisition costs	17	17	11	14	18	45	58	72
Administrative expenses	22	20	18	15	15	60	42	57
Underwriting income (loss)	\$ 22	\$ 17	\$ 19	\$ 6	\$ 12	\$ 58	\$ 45	\$ 51
Net investment income	49	49	51	51	46	149	141	192
Other income	(1)	1	—	1	—	—	—	1
Interest expense	2	1	2	2	3	5	10	12
Income tax expense	11	8	9	6	7	28	24	30
<b>Income (loss) excluding net realized gains (losses)</b>	<b>\$ 57</b>	<b>\$ 58</b>	<b>\$ 59</b>	<b>\$ 50</b>	<b>\$ 48</b>	<b>\$ 174</b>	<b>\$ 152</b>	<b>\$ 202</b>
Net realized gains (losses)	29	72	(3)	—	(77)	98	(127)	(126)
Tax effect of net realized gains (losses)	(6)	(20)	—	—	19	(26)	27	26
Net income (loss)	\$ 80	\$ 110	\$ 56	\$ 50	\$ (10)	\$ 246	\$ 52	\$ 102
Combined ratio								
Loss and loss expense ratio	70.2%	74.9%	77.0%	88.2%	88.0%	74.0%	82.6%	84.0%
Policy acquisition cost ratio	8.7%	7.8%	5.2%	5.0%	4.6%	7.2%	6.9%	6.4%
Administrative expense ratio	10.6%	9.5%	8.6%	4.6%	4.2%	9.6%	5.1%	5.0%
<b>Combined ratio</b>	<b>89.5%</b>	<b>92.2%</b>	<b>90.8%</b>	<b>97.8%</b>	<b>96.8%</b>	<b>90.8%</b>	<b>94.6%</b>	<b>95.4%</b>
<b>Large losses and other items</b>								
Loss portfolio transfers(1)	\$ 4	\$ —	\$ —	\$ 99	\$ 187	\$ 4	\$ 212	\$ 311
<b>% Change Versus Prior Year Period</b>								
Gross premiums written	-78%	-63%	9%	-18%	28%	-42%	9%	4%
Net premiums written	-78%	-58%	11%	-43%	81%	-40%	20%	2%
Net premiums earned	-45%	-6%	-11%	-19%	0%	-25%	-22%	-21%
<b>Other Ratios</b>								
Net premiums written/gross premiums written	98%	112%	99%	96%	97%	101%	98%	97%

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

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

**Financial Services**

	<u>3Q-03</u>	<u>2Q-03</u>	<u>1Q-03</u>	<u>4Q-02</u>	<u>3Q-02</u>	<u>YTD 2003</u>	<u>YTD 2002</u>	<u>Full Year 2002</u>
<b>Gross premiums written</b>								
Financial guaranty	\$ 112	\$ 119	\$ 121	\$ 97	\$ 147	\$ 352	\$ 294	\$ 391
Financial solutions	(5)	(1)	411	141	346	405	1,005	1,146
Total GPW	<u>\$ 107</u>	<u>\$ 118</u>	<u>\$ 532</u>	<u>\$ 238</u>	<u>\$ 493</u>	<u>\$ 757</u>	<u>\$ 1,299</u>	<u>\$ 1,537</u>
<b>Net premiums written</b>								
Financial guaranty	\$ 111	\$ 119	\$ 120	\$ 96	\$ 146	\$ 350	\$ 291	\$ 387
Financial solutions	(6)	13	406	132	330	413	978	1,110
Total NPW	<u>\$ 105</u>	<u>\$ 132</u>	<u>\$ 526</u>	<u>\$ 228</u>	<u>\$ 476</u>	<u>\$ 763</u>	<u>\$ 1,269</u>	<u>\$ 1,497</u>
<b>Net premiums earned</b>								
Financial guaranty	\$ 80	\$ 82	\$ 78	\$ 81	\$ 46	\$ 240	\$ 201	\$ 282
Financial solutions	125	133	131	211	327	389	634	845
Total NPE	<u>\$ 205</u>	<u>\$ 215</u>	<u>\$ 209</u>	<u>\$ 292</u>	<u>\$ 373</u>	<u>\$ 629</u>	<u>\$ 835</u>	<u>\$ 1,127</u>
<b>Loss ratio</b>								
Financial guaranty	46.4%	49.7%	50.1%	73.0%	31.2%	48.7%	52.5%	58.4%
Financial solutions	85.4%	90.5%	92.9%	94.1%	96.0%	89.7%	92.1%	92.6%
Total loss ratio	<u>70.2%</u>	<u>74.9%</u>	<u>77.0%</u>	<u>88.2%</u>	<u>88.0%</u>	<u>74.1%</u>	<u>82.6%</u>	<u>84.0%</u>
<b>Expense ratio</b>								
Financial guaranty	33.7%	35.3%	27.6%	17.8%	38.1%	32.3%	27.4%	24.6%
Financial solutions	10.1%	6.1%	5.7%	6.4%	4.7%	7.3%	7.2%	7.0%
Total expense ratio	<u>19.3%</u>	<u>17.3%</u>	<u>13.8%</u>	<u>9.6%</u>	<u>8.8%</u>	<u>16.8%</u>	<u>12.0%</u>	<u>11.4%</u>
<b>Combined ratio</b>								
Financial guaranty	80.1%	85.0%	77.7%	90.8%	69.3%	81.0%	79.9%	83.0%
Financial solutions	95.5%	96.6%	98.6%	100.5%	100.7%	97.0%	99.3%	99.6%
Total combined ratio	<u>89.5%</u>	<u>92.2%</u>	<u>90.8%</u>	<u>97.8%</u>	<u>96.8%</u>	<u>90.9%</u>	<u>94.6%</u>	<u>95.4%</u>

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**ACE Limited**  
**Financial Guaranty Profile**  
(in millions of U.S. dollars)  
(Unaudited)

Sector	Gross Par Written (7)				Net Par Outstanding/Average Ratings					
	Three months ended		Nine months ended		September 30, 2003			December 31, 2002		
	September 30, 2003		September 30, 2003		September 30, 2003			December 31, 2002		
	Par Outstanding	% of total	Par Outstanding	% of total	Par Outstanding	% of total	Average Rating	Par Outstanding	% of total	Average Rating
<b>Municipal Exposure</b>										
Tax Backed	\$ 579	9%	\$ 1,611	12%	\$ 20,067	23%	A+	\$ 19,637	24%	A+
Municipal Utilities	863	14%	1,233	10%	10,691	13%	A+	10,390	13%	A+
Special Revenue	747	12%	1,077	8%	8,876	10%	A	8,596	10%	A
Healthcare	159	3%	428	3%	5,604	7%	A+	5,798	7%	A
Structured Municipal (1)	—	0%	—	0%	3,378	4%	AAA	3,523	4%	AAA
Other Municipal (2)	273	4%	475	4%	2,523	3%	A-	2,151	3%	A-
<b>Total Municipal</b>	<b>\$ 2,621</b>	<b>42%</b>	<b>\$ 4,824</b>	<b>37%</b>	<b>\$ 51,139</b>	<b>60%</b>	<b>A+</b>	<b>\$ 50,095</b>	<b>61%</b>	<b>A</b>
<b>Non-Municipal Exposure</b>										
Senior Layer CDO's (3)	\$ 2,267	36%	\$ 3,772	29%	\$ 16,494	19%	AA+	\$ 12,727	16%	AA+
Consumer Receivables (4)	584	9%	2,220	17%	8,185	9%	A	8,388	10%	A
Single Name Corporate CDS	20	0%	150	1%	2,854	3%	A+	4,454	5%	A+
Commercial Receivables (5)	719	11%	1,489	12%	5,079	6%	A+	3,464	4%	A+
Other Structured Finance (6)	92	2%	454	4%	1,570	2%	A+	2,051	3%	A
Funded Equity CDO's (3)	—	0%	8	0%	511	1%	NM	586	1%	NM
<b>Total Non-Municipal</b>	<b>\$ 3,682</b>	<b>58%</b>	<b>\$ 8,093</b>	<b>63%</b>	<b>\$ 34,693</b>	<b>40%</b>	<b>AA-</b>	<b>\$ 31,670</b>	<b>39%</b>	<b>AA-</b>
<b>Total Exposure</b>	<b>\$ 6,303</b>	<b>100%</b>	<b>\$ 12,917</b>	<b>100%</b>	<b>\$ 85,832</b>	<b>100%</b>		<b>\$ 81,765</b>	<b>100%</b>	

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

Note—Ratings are internally determined based on rating agency guidelines

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**ACE Limited**  
**Financial Guaranty Profile—2**  
(in millions of U.S. dollars)  
(Unaudited)

**Distribution by Ratings of Financial Guaranty Portfolio**

	At September 30, 2003	
	Net Par Outstanding	% of total
AAA	\$ 24,932	29%
AA	17,422	20%
A	29,353	34%
BBB	12,161	14%
Below investment grade	1,453	2%
Funded equity	511	1%
<b>Total</b>	<b>\$ 85,832</b>	<b>100%</b>

**Geographic Distribution of Financial Guaranty Portfolio as of September 30, 2003**

	Net Par Outstanding	% of total
<b>Domestic</b>		
California	\$ 6,890	8.0%
New York	5,472	6.4%
Texas	3,188	3.7%
Illinois	2,759	3.2%
Florida	2,735	3.2%
Pennsylvania	2,093	2.4%
New Jersey	1,909	2.2%
Massachusetts	1,699	2.0%
Puerto Rico	1,513	1.8%
Washington	1,203	1.4%
Other—Muni	17,302	20.2%
Other—Non Muni	32,887	38.3%
<b>Total Domestic</b>	<b>\$ 79,650</b>	<b>92.8%</b>
<b>Overall Net Par Outstanding</b>		
<b>International</b>		
United Kingdom	\$ 2,448	2.9%
Australia	374	0.4%
Italy	351	0.4%
France	313	0.4%
Brazil	286	0.3%
Other	2,411	2.8%
<b>Total International</b>	<b>\$ 6,182</b>	<b>7.2%</b>
<b>Net Par Outstanding</b>	<b>\$ 85,832</b>	<b>100%</b>

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**ACE Limited**  
**Financial Services Portfolio**  
**25 Largest Municipal Exposures**  
(in millions of U.S. dollars)  
(Unaudited)

Obligor Name	Net Par In Force (1)	Rating
California State General Obligation & Leases	\$ 913	BBB
Long Island Power Authority	731	A-
New Jersey State General Obligation & Leases	725	AA
New York City General Obligation	696	A
Denver Colorado Airport System	637	A
Chicago Illinois General Obligation	595	A+
Puerto Rico Electric Power Authority	555	A-
Massachusetts State GO & Bay Transportation & Leases	541	AA-
New York State Metro Trans Auth—Trans Revenue	539	A
New York City Municipal Water Finance Authority	510	AA
San Francisco California Airport	505	A
New York State General Obligation & Leases	493	AA
Jefferson County Alabama Sewer	491	A
Energy Northwest (FKA WPPSS)	468	AA-
Puerto Rico General Obligation & Leases	430	A-
Houston Texas Water & Sewer System	408	A+
Dade County Florida Water & Sewer System	373	A
Los Angeles County Metro Trans—Sales Tax—1st	365	AA
Mental Health Services Facilities—New York	323	AA-
Intermountain Power Agency	320	A+
Illinois State General Obligation & Leases	317	AA
Chicago Illinois Public Building—Board of Education	316	A+
Municipal Electric Authority of Georgia—Senior	307	A+
New Jersey State Turnpike	298	A-
District of Columbia General Obligation	285	A-

(1) Excludes Net Par In Force for transactions insured by an AAA monoline financial guaranty company



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**ACE Limited**  
**Financial Services Portfolio**  
(in millions of U.S. dollars)  
(Unaudited)  
**25 Largest Asset-Backed Exposures (Non—Municipal)**

<u>Obligor Name</u>	<u>Net Par In Force</u>	<u>Rating</u>
Absolute CDO OF ABS	\$ 594	AAA
Triplas CDO OF ABS	571	AAA
Sears Credit Card Master Trust 2002-3 Class A—Credit Cards	550	AAA
SALS 2002-6 (Super Senior)—Synthetic CDO	540	AAA
Taurus 2001-06—Synthetic CDO	506	A+
Bistro 2001-09—AAA Tranche—Synthetic CDO	450	AAA
Dresdner 2001—1—Synthetic CDO	500	AAA
Houston CDO Portfolio 2000-1	470	AA
Stars 2001-3—Synthetic CDO	440	AAA
Merrill Lynch Dots 4—Synthetic CDO	430	AAA
Providian Gateway Master Trust—Credit Cards	422	BB+
CDO ^2—CDO of CDOs	421	AAA
Merrill Lynch Synthetic CDO Taurus 8	417	AAA
Magrathea V—Synthetic CDO	360	AAA
Lehman Sprint 2001-1 Super Senior—Synthetic CDO	352	AAA
Taurus 2001-01—Synthetic CDO	347	AAA
Lehman Synthetic CDO Portfolio 2000-1	320	AAA
ING Equity Trust (Pilgrim Principal Protection)	308	AAA
Bistro 2000-07 Class A-1—Synthetic CDO	300	AAA
Halcyon Synthetic CDO	278	AAA
Europa II Limited Class A1—Synthetic CDO	266	AAA
EMMOCA IV Portfolio—Synthetic CDO	250	AA+
Metris Master Credit Card Trust—Credit Cards	244	BB
Lusitano Global Synthetic CDO Class A-2	218	AAA
TIAA Commercial Real Estate CDO 2002-1 Limited	201	AAA

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**ACE Limited**  
**Financial Services Portfolio**  
(in millions of U.S. dollars)  
(Unaudited)

**Largest Single Name Corporate CDS**

Obligor Name	Net Par In Force (1)	Rating
General Electric Company	\$ 110	AAA
General Motors Corporation	60	BBB
ABN AMRO Bank NV	53	AA-
Japan Republic Sovereign Obligation	50	AA-
American International Group, Inc. (AIG)	50	AAA
Fortis NV	48	A+
Allianz AG	47	AA-
FNMA—Fannie Mae	45	AAA
France Telecom	40	BBB
Merrill Lynch & Company	40	A+
Deutsche Telekom AG	40	BBB+

Rating	Gross Par Written (2)		Net Par Outstanding
	Three months ended	Nine months ended	
	September 30, 2003		
AAA	\$ —	\$ 30	\$ 558
AA	—	40	602
A	20	60	1,240
BBB	—	20	391
Below investment grade	—	—	63
<b>Total</b>	<b>\$ 20</b>	<b>\$ 150</b>	<b>\$ 2,854</b>

(1) Excludes Net Par In Force for transactions insured by an AAA monoline financial guaranty company

(2) Gross par approximates net par as the company is a net line writer

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**ACE Limited**  
**Financial Services Portfolio**  
(in millions of U.S. dollars)  
(Unaudited)  
**Maturity Profile of Select Par Insured Categories**

	(Outstanding Net Par)				
	2003 (1)	2004	2005	2006	2007
<b>Senior Layer CDO's</b>					
Beginning outstanding par	\$16,494	\$16,494	\$16,153	\$13,806	\$11,214
Scheduled runoff amount	—	341	2,347	2,592	3,061
<b>Ending outstanding par</b>	<b>\$16,494</b>	<b>\$16,153</b>	<b>\$13,806</b>	<b>\$11,214</b>	<b>\$ 8,153</b>
<b>Single Name Corporate CDS</b>					
Beginning outstanding par	\$ 2,854	\$ 2,650	\$ 2,063	\$ 1,081	\$ 889
Scheduled runoff amount	204	587	982	192	260
<b>Ending outstanding par</b>	<b>\$ 2,650</b>	<b>\$ 2,063</b>	<b>\$ 1,081</b>	<b>\$ 889</b>	<b>\$ 629</b>
<b>Funded Equity CDO's</b>					
Beginning outstanding par	\$ 511	\$ 511	\$ 511	\$ 511	\$ 341
Scheduled runoff amount	—	—	—	170	291
<b>Ending outstanding par</b>	<b>\$ 511</b>	<b>\$ 511</b>	<b>\$ 511</b>	<b>\$ 341</b>	<b>\$ 50</b>

(1) Beginning balance as of September 30, 2003

CDO's	Gross Par Written (2)		Net Par Outstanding
	Three months	Nine months	
	ended	ended	
Rating	Sept. 30, 2003		
AAA	\$ 2,267	\$ 3,750	\$ 12,619
AA	—	6	1,939
A	—	11	982
BBB	—	5	831
Below investment grade	—	—	123
Funded Equity	—	8	511
<b>Total</b>	<b>\$ 2,267</b>	<b>\$ 3,780</b>	<b>\$ 17,005</b>

(2) Gross par approximates net par as the company is a net line writer

**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
<b>Balance at December 31, 2001</b>	<b>\$20,728</b>	<b>\$10,629</b>	<b>\$10,099</b>	<b>\$13,001</b>	<b>\$ 5,381</b>	<b>\$ 7,620</b>	<b>\$7,236</b>	<b>\$4,757</b>	<b>\$2,479</b>
Losses and loss expenses incurred	1,599	746	853	1,465	623	842	134	123	11
Losses and loss expenses paid	(1,792)	(816)	(976)	(1,501)	(686)	(815)	(291)	(130)	(161)
Other (incl. foreign exch. revaluation)	(20)	26	(46)	(20)	26	(46)	—	—	—
<b>Balance at March 31, 2002</b>	<b>\$20,515</b>	<b>\$10,585</b>	<b>\$ 9,930</b>	<b>\$12,945</b>	<b>\$ 5,344</b>	<b>\$ 7,601</b>	<b>\$7,079</b>	<b>\$4,750</b>	<b>\$2,329</b>
Losses and loss expenses incurred	1,806	845	961	1,668	717	951	138	128	10
Losses and loss expenses paid	(1,739)	(699)	(1,040)	(1,434)	(574)	(860)	(305)	(125)	(180)
Other (incl. foreign exch. revaluation)	79	26	53	79	26	53	—	—	—
<b>Balance at June 30, 2002</b>	<b>\$20,661</b>	<b>\$10,757</b>	<b>\$ 9,904</b>	<b>\$13,258</b>	<b>\$ 5,513</b>	<b>\$ 7,745</b>	<b>\$6,912</b>	<b>\$4,753</b>	<b>\$2,159</b>
Losses and loss expenses incurred	2,177	849	1,328	2,166	843	1,323	11	6	5
Losses and loss expenses paid	(1,348)	(586)	(762)	(1,173)	(558)	(615)	(175)	(28)	(147)
Other (incl. foreign exch. revaluation)	151	11	140	151	11	140	—	—	—
<b>Balance at September 30, 2002</b>	<b>\$21,641</b>	<b>\$11,031</b>	<b>\$10,610</b>	<b>\$14,402</b>	<b>\$ 5,809</b>	<b>\$ 8,593</b>	<b>\$6,748</b>	<b>\$4,731</b>	<b>\$2,017</b>
Losses and loss expenses incurred	4,530	2,766	1,764	2,400	1,115	1,285	2,130	1,651	479
Losses and loss expenses paid	(2,023)	(851)	(1,172)	(1,628)	(668)	(960)	(395)	(183)	(212)
Other (incl. foreign exch. revaluation)	167	51	116	167	51	116	—	—	—
<b>Balance at December 31, 2002</b>	<b>\$24,315</b>	<b>\$12,997</b>	<b>\$11,318</b>	<b>\$15,341</b>	<b>\$ 6,307</b>	<b>\$ 9,034</b>	<b>\$8,483</b>	<b>\$6,199</b>	<b>\$2,284</b>
Losses and loss expenses incurred	2,390	1,107	1,283	2,365	1,104	1,261	25	3	22
Losses and loss expenses paid	(2,155)	(984)	(1,171)	(1,910)	(893)	(1,017)	(245)	(91)	(154)
Other (incl. foreign exch. revaluation)	86	16	70	79	16	63	7	—	7
<b>Balance at March 31, 2003</b>	<b>\$24,636</b>	<b>\$13,136</b>	<b>\$11,500</b>	<b>\$15,875</b>	<b>\$ 6,534</b>	<b>\$ 9,341</b>	<b>\$8,270</b>	<b>\$6,111</b>	<b>\$2,159</b>
Losses and loss expenses incurred	2,511	1,052	1,459	2,463	1,020	1,443	48	32	16
Losses and loss expenses paid	(2,415)	(1,357)	(1,058)	(1,964)	(1,134)	(830)	(451)	(223)	(228)
Other (incl. foreign exch. revaluation)	208	123	85	208	123	85	—	—	—
<b>Balance at June 30, 2003</b>	<b>\$24,940</b>	<b>\$12,954</b>	<b>\$11,986</b>	<b>\$16,582</b>	<b>\$ 6,543</b>	<b>\$10,039</b>	<b>\$7,867</b>	<b>\$5,920</b>	<b>\$1,947</b>
Losses and loss expenses incurred	2,552	1,033	1,519	2,472	977	1,495	80	56	24
Losses and loss expenses paid	(1,833)	(863)	(970)	(1,557)	(663)	(894)	(276)	(200)	(76)
Other (incl. foreign exch. revaluation)	(22)	(19)	(3)	(12)	(19)	7	(10)	—	(10)
<b>Balance at September 30, 2003</b>	<b>\$25,637</b>	<b>\$13,105</b>	<b>\$12,532</b>	<b>\$17,485</b>	<b>\$ 6,838</b>	<b>\$10,647</b>	<b>\$7,661</b>	<b>\$5,776</b>	<b>\$1,885</b>

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



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

**Net Reinsurance Recoverable by Division**

	September 30 2003	June 30 2003	March 31 2003	December 31 2002
<b>Reinsurance recoverable on paid losses &amp; loss expenses</b>				
Active operations	\$ 863	\$ 869	\$ 950	\$ 951
Brandywine (1)	410	417	397	385
Westchester (2)	24	17	25	27
Total	\$ 1,297	\$ 1,303	\$ 1,372	\$ 1,363
<b>Reinsurance recoverable on unpaid losses &amp; loss expenses</b>				
Active operations	\$ 8,299	\$ 7,965	\$ 7,997	\$ 7,839
Brandywine (1)	4,873	5,044	5,218	5,237
Westchester (2)	498	505	496	491
Total	\$ 13,670	\$13,514	\$13,711	\$ 13,567
<b>Gross reinsurance recoverable</b>				
Active operations	\$ 9,162	\$ 8,834	\$ 8,947	\$ 8,790
Brandywine (1)	5,283	5,461	5,615	5,622
Westchester (2)	522	522	521	518
Total	\$ 14,967	\$14,817	\$15,083	\$ 14,930
<b>Bad debt reserve</b>				
Active operations	\$ (443)	\$ (434)	\$ (449)	\$ (431)
Brandywine (1)	(463)	(463)	(473)	(478)
Westchester (2)	(29)	(29)	(29)	(30)
Total	\$ (935)	\$ (926)	\$ (951)	\$ (939)
<b>Net reinsurance recoverable</b>				
Active operations	\$ 8,719	\$ 8,400	\$ 8,498	\$ 8,359
Brandywine (1)	4,820	4,998	5,142	5,144
Westchester (2)	493	493	492	488
Total	\$ 14,032	\$13,891	\$14,132	\$ 13,991

- (1) The Company's obligations with respect to further funding of the Brandywine run-off are limited pursuant to the Brandywine Restructuring Order under an \$800 million aggregate excess of loss reinsurance agreement. (Refer to the "Asbestos and Environmental Claims" section of the "Management's Discussion and Analysis of Financial Conditions and Results of Operations" incorporated into our filed Form 10-K for the year ended December 31, 2002 for additional information about the order and other Company obligations.) At September 30, 2003, approximately \$492 million in losses and recoverable bad debt reserves were ceded to the aggregate excess of loss reinsurance agreement leaving a remaining limit of approximately \$308 million.
- (2) As part of the Westchester acquisition, National Indemnity provided reinsurance protection for all losses occurring prior to 1997. At September 30, 2003, the remaining limit in the reinsurance cover was approximately \$600 million.

Note: Active operations include the run-off operations of CIS.

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

**Reinsurance Recoverable for Active Operations**

	June 30, 2003		
Categories	Recoverable	Bad Debt	% of Gross
Top 10 reinsurers	\$ 4,054	\$ 68	1.7%
Other reinsurers balances >\$20 million	2,020	136	6.7%
Other reinsurers balances <\$20 million	780	52	6.7%
Mandatory pools and government agencies	745	4	0.5%
Structured settlements	274	1	0.4%
Captives	695	3	0.4%
Other	266	170	63.9%
<b>Total</b>	<b>\$ 8,834</b>	<b>\$434</b>	<b>4.9%</b>

At June 30, 2003, \$5.6 billion of the active operations' recoverables were from rated reinsurers, of which 87% were rated A- or better by Standard & Poor's. The Company held collateral of \$2.1 billion, of which \$1.4 billion was matched and usable against existing recoverables.

Top 10 Reinsurers (net of collateral)	Other Reinsurers Balances Greater Than \$20 million (net of collateral)	
American International Group	ABB Group	FM Global Group
AXA	AIOI Insurance	Groupama
Berkshire Hathaway Insurance Group	Allianz Group	Independence Blue Cross (Amerihealth)
GE Global Insurance Group (Employers Re)	Arch Capital	ING - Internationale Nederlanden Group
Hannover	AVIVA	Liberty Mutual Insurance Companies
Lloyd's of London	Chubb Insurance Group	Nisshin Fire and Marine
Munich Re	CIGNA	Overseas Partners Ltd.
St. Paul Companies	CNA Insurance Companies	PMA Capital Insurance Company
Swiss Re Group	Converium Group	QBE Insurance
XL Capital Group	DaimlerChrysler Group	RenaissanceRe Holdings Ltd
	Dorinco Reinsurance Co.	Royal & Sun Alliance Insurance Group plc
	Electric Insurance Company	SCOR Group
	EQUITAS	Toa Reinsurance Company
	Everest Re Group	Trenwick Group
	Fairfax Financial	WR Berkley Corp
		Zurich Financial Services Group

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

**Consolidated Reinsurance Recoverable**

	June 30, 2003		
Categories	Recoverable	Bad Debt	% of Gross
Top 10 reinsurers	\$ 7,728	\$ 93	1.2%
Other reinsurers balances >\$20 million	3,139	233	7.4%
Other reinsurers balances <\$20 million	985	70	7.1%
Mandatory pools and government agencies	777	4	0.5%
Structured settlements	651	3	0.5%
Captives	720	5	0.7%
Other	817	518	63.4%
<b>Total</b>	<b>\$ 14,817</b>	<b>\$926</b>	<b>6.2%</b>

At June 30, 2003, \$10.0 billion of consolidated recoverables were from rated reinsurers, of which 91% were rated A- or better by Standard & Poor's.

**Top 10 Reinsurers (net of collateral)**

American International Group  
AXA  
Berkshire Hathaway Insurance Group  
EQUITAS  
GE Global Insurance Group  
Hannover  
Lloyd's of London  
Munich Re  
St. Paul Companies  
Swiss Re Group

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

ABB Group  
AIOI Insurance  
Allianz Group  
Arch Capital  
AVIVA  
Chubb Insurance Group  
CIGNA  
CNA Insurance Companies  
Converium Group  
DaimlerChrysler Group  
Dominion Ins. Co. Ltd.  
Dorinco Reinsurance Co.  
Electric Insurance Company  
Everest Re Group  
Fairfax Financial  
FM Global Group  
Gerling Group  
Great American P&C  
Insurance Companies  
Groupama  
Hartford Insurance Group  
Independence Blue Cross (Amerihealth)  
ING—Internationale Nederlanden Group  
IRB—Brasil Resseguros S.A.  
Liberty Mutual Insurance Companies  
Markel Corporation Group  
Nisshin Fire and Marine  
Overseas Partners Ltd.  
PMA Capital Insurance Company  
QBE Insurance  
RenaissanceRe Holdings Ltd  
Royal & Sun Alliance Insurance Group plc  
SCOR Group  
Sompo Japan  
Toa Reinsurance Company  
Travelers Property Casualty Group  
Trenwick Group  
White Mountains Insurance Group  
  
WR Berkley Corp  
XL Capital Group  
Zurich Financial Services Group



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

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

	<b>General Collections (1)</b>	<b>Other (2)</b>	<b>Total</b>
<b>Gross balance at December 31, 2002</b>	\$ 848	\$ 515	\$ 1,363
Bad debt reserve at 12/31/02	43	335	378
% of gross	5.1%	65.0%	27.7%
<b>Net balance at December 31, 2002</b>	805	180	985
<b>Gross balance at March 31, 2003</b>	\$ 848	\$ 524	\$ 1,372
Bad debt reserve at 3/31/03	54	333	387
% of gross	6.4%	63.5%	28.2%
<b>Net balance at March 31, 2003</b>	794	191	985
<b>Gross balance at June 30, 2003</b>	\$ 795	\$ 508	\$ 1,303
Bad debt reserve at 6/30/03	51	327	378
% of gross	6.4%	64.4%	29.0%
<b>Net balance at June 30, 2003</b>	744	181	925
<b>Gross balance at September 30, 2003</b>	\$ 765	\$ 532	\$ 1,297
Bad debt reserve at 9/30/03	46	339	385
% of gross	6.0%	63.7%	29.7%
<b>Net balance at September 30, 2003</b>	\$ 719	\$ 193	\$ 912

- (1) General collections balances represent amounts in process of collection in the normal course of business, for which we have no indication of dispute or credit issues. We provide bad debt reserves based primarily on the application of historical loss.
- (2) Other includes amounts recoverable that are in dispute, or are from companies who are in supervision, rehabilitation or liquidation. Our estimation of this reserve considers the credit quality of the reinsurer, and whether we have received collateral or other credit protections such as parental guarantees.

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**ACE Limited**  
**Investment Portfolio—1**  
(in millions of U.S. dollars)  
(Unaudited)

	September 30 2003	June 30 2003	March 31 2003	December 31 2002
<b>Market Value</b>				
Fixed maturities	\$ 17,413	\$ 16,884	\$ 15,044	\$ 14,420
Securities on loan	596	546	521	293
Short-term investments	2,520	2,048	2,081	1,885
Cash	431	576	477	663
<b>Total</b>	<b>\$ 20,960</b>	<b>\$ 20,054</b>	<b>\$ 18,123</b>	<b>\$ 17,261</b>
<b>Asset Allocation by Market Value</b>				
Treasury	\$ 1,010	\$ 886	\$ 859	\$ 842
Agency	1,170	1,383	1,074	973
Corporate	7,718	7,796	7,117	6,459
Mortgage-backed securities	4,235	3,825	3,415	3,302
Asset-backed securities	519	439	338	352
Municipal	1,329	1,346	1,220	1,201
Non-US	2,028	1,755	1,542	1,584
Cash & cash equivalent	2,951	2,624	2,558	2,548
<b>Total</b>	<b>\$ 20,960</b>	<b>\$ 20,054</b>	<b>\$ 18,123</b>	<b>\$ 17,261</b>
<b>Credit Quality by Market Value</b>				
AAA	\$ 10,376	\$ 9,841	\$ 8,808	\$ 8,566
AA	3,661	3,623	3,265	2,880
A	3,366	3,162	3,027	2,920
BBB	1,742	1,592	1,464	1,314
BB	764	782	697	662
B	973	939	791	843
Other	78	115	71	76
<b>Total</b>	<b>\$ 20,960</b>	<b>\$ 20,054</b>	<b>\$ 18,123</b>	<b>\$ 17,261</b>
<b>Cost/Amortized Cost</b>				
Fixed maturities	\$ 16,713	\$ 15,974	\$ 14,370	\$ 13,791
Securities on loan	549	498	494	286
Short term investments	2,520	2,048	2,081	1,885
Cash	431	576	477	663
<b>Subtotal</b>	<b>20,213</b>	<b>19,096</b>	<b>17,422</b>	<b>16,625</b>
Equity securities	371	400	414	442
Other investments	625	626	657	622
<b>Total</b>	<b>\$ 21,209</b>	<b>\$ 20,122</b>	<b>\$ 18,493</b>	<b>\$ 17,689</b>
Avg. duration of fixed maturities, adj. for int. rate swaps	3.4 years	3.2 years	3.1 years	3.1 years
Avg. market yield of fixed maturities	4.0%	3.8%	4.2%	4.4%
Avg. credit quality	AA	AA	AA	AA

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

**Investment portfolio**

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

September 30, 2003

General Electric	\$ 293
General Motors	192
Citigroup Inc	189
Verizon Communications	123
AIG	117
HSBC Holdings Plc	110
Ford Motor Co	104
Goldman Sachs Group	97
Morgan Stanley	95
Merrill Lynch	86

**June 30, 2003**

General Electric	\$ 289
General Motors	199
Citigroup Inc	173
Verizon Communications	141
HSBC Holdings Plc	119
AIG	118
Merrill Lynch	116
Goldman Sachs Group	103
Morgan Stanley	102
Ford Motor Co	101

**March 31, 2003**

General Electric	\$ 287
General Motors	170
Citigroup Inc	168
Verizon Communications	143
AIG	118
Ford Motor Co	113
Merrill Lynch	110
Morgan Stanley	108
Goldman Sachs Group	101
HSBC Holdings Plc	100

**December 31, 2002**

General Electric	\$ 258
General Motors	171
Citigroup Inc	154
Verizon Communications	127
AIG	123
Ford Motor Co	123
Bank of America	119
Wachovia Corp	106
Wells Fargo	105
JP Morgan Chase	105

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

	Three months ended September 30, 2003			Nine months ended September 30, 2003		
	Net Realized Gains (Losses) (1)	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) (1)	Net Unrealized Gains (Losses)	Net Impact
<b>Investment Portfolio Gains (Losses)</b>						
Fixed maturities	\$ 16	\$ (220)	\$(204)	\$ 77	\$ 90	\$ 167
Interest rate swaps	5	—	5	(9)	—	(9)
Equity securities	1	27	28	(53)	140	87
Equity and fixed income derivatives	8	—	8	28	—	28
Foreign exchange gains (losses)	3	—	3	18	—	18
Other	(2)	4	2	(13)	9	(4)
<b>Total inv. portfolio gains (losses)</b>	<b>\$ 31</b>	<b>\$ (189)</b>	<b>\$(158)</b>	<b>\$ 48</b>	<b>\$ 239</b>	<b>\$ 287</b>
Credit default swaps (FAS 133 adjustment)	26	—	26	76	—	76
<b>Total gains (losses)</b>	<b>\$ 57</b>	<b>\$ (189)</b>	<b>\$(132)</b>	<b>\$ 124</b>	<b>\$ 239</b>	<b>\$ 363</b>
Income tax (expense) benefit	(6)	48	42	(20)	(28)	(48)
<b>Net gains (losses)</b>	<b>\$ 51</b>	<b>\$ (141)</b>	<b>\$ (90)</b>	<b>\$ 104</b>	<b>\$ 211</b>	<b>\$ 315</b>

(1) The quarter includes impairments of \$6M for fixed maturities and \$7M for equities and \$4M for other. Year to date includes impairments of \$25M for fixed maturities and \$61M for equities and \$20M for other.

	Three months ended September 30, 2002			Nine months ended September 30, 2002		
	Net Realized Gains (Losses) (2)	Net Unrealized Gains (Losses)	Net Impact	Net Realized Gains (Losses) (2)	Net Unrealized Gains (Losses)	Net Impact
<b>Investment Portfolio Gains (Losses)</b>						
Fixed maturities	\$ (16)	\$ 282	\$ 266	\$ (54)	\$ 606	\$ 552
Interest rate swaps	(56)	—	(56)	(79)	—	(79)
Equity securities	(55)	(55)	(110)	(55)	(119)	(174)
Equity and fixed income derivatives	(57)	—	(57)	(118)	—	(118)
Foreign exchange gains (losses)	(2)	—	(2)	(1)	—	(1)
Other	2	(1)	1	3	(8)	(5)
<b>Total inv. portfolio gains (losses)</b>	<b>\$ (184)</b>	<b>\$ 226</b>	<b>\$ 42</b>	<b>\$ (304)</b>	<b>\$ 479</b>	<b>\$ 175</b>
Credit default swaps (FAS 133 adjustment)	(51)	—	(51)	(97)	—	(97)
<b>Total gains (losses)</b>	<b>\$ (235)</b>	<b>\$ 226</b>	<b>\$ (9)</b>	<b>\$ (401)</b>	<b>\$ 479</b>	<b>\$ 78</b>
Income tax (expense) benefit	30	(66)	(36)	53	(128)	(75)
<b>Net gains (losses)</b>	<b>\$ (205)</b>	<b>\$ 160</b>	<b>\$ (45)</b>	<b>\$ (348)</b>	<b>\$ 351</b>	<b>\$ 3</b>

(2) The quarter includes impairments of \$33M for fixed maturities and \$53M for equities. Year to date includes impairments of \$76M for fixed maturities and \$54M for equities.



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

	September 30	June 30	March 31	December 31	December 31
	2003	2003	2003	2002	2001
Total short-term debt	\$ 146	\$ 146	\$ 146	\$ 146	\$ 495
Total long-term debt (1)	1,749	1,749	1,749	1,749	1,349
<b>Total debt</b>	<b>\$ 1,895</b>	<b>\$ 1,895</b>	<b>\$ 1,895</b>	<b>\$ 1,895</b>	<b>\$ 1,844</b>
Total trust preferreds (2)	\$ 475	\$ 475	\$ 475	\$ 475	\$ 875
Mezzanine equity (3)	\$ —	\$ —	\$ 311	\$ 311	\$ 311
Perpetual preferred (4)	\$ 557	\$ 557	\$ —	\$ —	\$ —
Ordinary shareholders' equity	7,789	7,621	6,702	6,389	6,107
<b>Total shareholders' equity</b>	<b>\$ 8,346</b>	<b>\$ 8,178</b>	<b>\$ 6,702</b>	<b>\$ 6,389</b>	<b>\$ 6,107</b>
Total capitalization	\$ 10,716	\$10,548	\$ 9,383	\$ 9,070	\$ 9,137
Tangible shareholders' equity (5)	\$ 5,635	\$ 5,467	\$ 3,991	\$ 3,672	\$ 3,335
<b>Leverage ratios</b>					
Debt/ total capitalization	17.7%	18.0%	20.2%	20.9%	20.2%
Debt plus trust preferreds/ total capitalization	22.1%	22.5%	25.3%	26.1%	29.8%
Debt/ tangible equity	33.6%	34.7%	47.5%	51.6%	55.3%
Debt plus trust preferreds and mezzanine equity/ tangible equity	42.1%	43.4%	67.2%	73.0%	90.9%
Debt plus total preferred stock/ total capitalization	27.3%	27.7%	25.3%	26.1%	29.8%

- (1) \$50 million of ACE INA subordinated notes due 2009 was repaid in both the second and third quarters of 2002. An additional \$500 million of Senior Debt was issued by ACE Limited in March 2002.
- (2) \$400 million of ACE INA Rhino Preferred Securities due 2002 was repaid in the second and third quarters of 2002.
- (3) The FELINE PRIDES converted in the second quarter of 2003.
- (4) Preferred shares \$575 million, net of issuance costs \$18 million.
- (5) Tangible equity is equal to shareholders' equity less goodwill.

**ACE Limited**  
**Non-GAAP Financial Measures and Comprehensive Income**  
(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 to diluted book value per ordinary share is provided on page 33. The following non-GAAP measure is a common performance measurement and is defined as net income (loss) excluding net realized gains (losses) on investments and the tax effect of net realized gains (losses) on investments. We believe this presentation enhances the understanding of our results of operations by highlighting the underlying profitability of our insurance business.

We exclude net realized gains (losses) on investments because the amount of these gains (losses) is heavily influenced by, and fluctuates in part, according to the availability of market opportunities. 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) should not be viewed as a substitute for net income determined in accordance with generally accepted accounting principles (GAAP).

	3Q-03	2Q-03	1Q-03	4Q-02	3Q-02	YTD 2003	YTD 2002	Full Year 2002
<b>Net income (loss), as reported</b>	<b>\$ 355</b>	<b>\$371</b>	<b>\$247</b>	<b>\$(168)</b>	<b>\$ (57)</b>	<b>\$ 973</b>	<b>\$ 245</b>	<b>\$ 77</b>
Net realized gains (losses)	57	107	(40)	(88)	(235)	124	(401)	(489)
Tax effect of net realized gains (losses)	(6)	(22)	8	19	30	(20)	53	72
<b>Income (loss) excluding net realized gains (losses) and the cumulative effect of adopting a new accounting standard</b>	<b>\$ 304</b>	<b>\$286</b>	<b>\$279</b>	<b>\$ (99)</b>	<b>\$ 148</b>	<b>\$ 869</b>	<b>\$ 593</b>	<b>\$ 494</b>
<b>Consolidated Statement of Comprehensive Income</b>								
<b>Net income (loss)</b>	<b>\$ 355</b>	<b>\$371</b>	<b>\$247</b>	<b>\$(168)</b>	<b>\$ (57)</b>	<b>\$ 973</b>	<b>\$ 245</b>	<b>\$ 77</b>
Net unrealized appreciation (depreciation) on investments								
Unrealized appreciation (depreciation) on investments	(165)	354	112	131	198	301	227	358
Reclassification adjustment for net realized gains (losses) included in net income	(24)	(14)	(24)	55	28	(62)	43	98
Cumulative translation adjustment	(1)	57	26	(4)	4	82	4	—
Minimum pension liability adjustment	(3)	(59)	—	—	—	(62)	—	—
Income tax (expense) benefit related to other comprehensive income items	48	(63)	(16)	(27)	(69)	(31)	(91)	(118)
Other comprehensive income (loss)	(145)	275	98	155	161	228	183	338
<b>Comprehensive income (loss)</b>	<b>\$ 210</b>	<b>\$646</b>	<b>\$345</b>	<b>\$ (13)</b>	<b>\$ 104</b>	<b>\$1,201</b>	<b>\$ 428</b>	<b>\$ 415</b>

[GRAPHIC APPEARS HERE]

**ACE Limited**

**Diluted 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 to Diluted Book Value per Ordinary Share**

	<u>September 30 2003</u>	<u>June 30 2003</u>	<u>March 30 2003</u>	<u>December 31 2002</u>
Shareholders' equity	\$ 8,346	\$ 8,178	\$ 6,702	\$ 6,389
Net proceeds from assumed conversions of options	277	291	226	138
Proceeds from issuance of preferred shares	(557)	(557)	—	—
Conversion of mezzanine equity	—	—	311	311
	<u>8,066</u>	<u>7,912</u>	<u>7,239</u>	<u>6,838</u>
Numerator for diluted book value per share calculation	8,066	7,912	7,239	6,838
Less: goodwill	2,711	2,711	2,711	2,717
	<u>5,355</u>	<u>5,201</u>	<u>4,528</u>	<u>4,121</u>
Numerator for diluted tangible book value per share	\$ 5,355	\$ 5,201	\$ 4,528	\$ 4,121
	<u>278,480,910</u>	<u>277,755,290</u>	<u>264,491,819</u>	<u>262,679,356</u>
Ordinary shares outstanding—end of period	278,480,910	277,755,290	264,491,819	262,679,356
Shares issued from assumed conversions of options	12,028,816	12,669,243	11,697,607	8,560,131
Shares issued on conversion of mezzanine equity	—	—	11,814,373	11,814,373
	<u>290,509,726</u>	<u>290,424,533</u>	<u>288,003,799</u>	<u>283,053,860</u>
Denominator for diluted and diluted tangible book value	290,509,726	290,424,533	288,003,799	283,053,860
	<u>27.97</u>	<u>27.44</u>	<u>25.34</u>	<u>24.32</u>
Book value per ordinary share	\$ 27.97	\$ 27.44	\$ 25.34	\$ 24.32
	<u>27.76</u>	<u>27.24</u>	<u>25.14</u>	<u>24.16</u>
Diluted book value per ordinary share	\$ 27.76	\$ 27.24	\$ 25.14	\$ 24.16
	<u>18.43</u>	<u>17.91</u>	<u>15.72</u>	<u>14.56</u>
Diluted tangible book value per ordinary share	\$ 18.43	\$ 17.91	\$ 15.72	\$ 14.56



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**ACE Limited**  
**Statutory Accounting Principals to GAAP Reconciliation**  
(in millions of U.S. dollars)  
(Unaudited)

**Reconciliation of Reinsurance Recoverable**

A significant amount of detail on a large portion of our reinsurance recoverables are disclosed in our US statutory annual reports. The following is a reconciliation of the amount reported in these reports to our total recoverable as of December 31, 2002 reported for GAAP purposes:

Total amounts reported for statutory purposes	\$ 8,611
Less: the portion of the total balance that is intercompany and therefore eliminated for GAAP purposes	(2,732)
Plus: amounts ceded to NICO which are not reported as reinsurance recoverables for statutory purposes	2,767
Plus: the amount of reserve and recoverable discounting included for statutory purposes which is added back for GAAP purposes	1,701
	<hr/>
Total GAAP recoverables disclosed in US statutory reports	10,347
Structured settlements	730
Other legal entities (1)	3,853
	<hr/>
Total amounts reported for GAAP purposes (2)	\$14,930
Percentage disclosed in detail in US statutory annual reports	69%

(1) Not subject to US statutory reporting requirements

(2) The variance between the Statutory and GAAP balance relates to differences in accounting rules. Statutory rules allow the inclusion of affiliated balances, and the discounting of certain reserves and related recoverables. The statutory balance also excludes retroactive reinsurance contracts (NICO).

**ACE Limited  
Glossary**

<b>Annualized ROE:</b>	Annualized return on ordinary shareholders' equity income (loss) excluding net realized gains (losses) less perpetual preferred and mezzanine equity dividend divided by average ordinary shareholders' equity for the period. To annualize a quarterly rate multiply by four.
<b>Combined ratio:</b>	The sum of the loss and loss expense ratio, acquisition cost ratio and the administrative expense ratio for the property and casualty and financial services operations.
<b>Diluted book value per ordinary share:</b>	Ordinary shareholders' equity and net proceeds from assumed conversions of outstanding in-the-money options divided by the sum of shares outstanding and the number of options assumed issued.
<b>Diluted tangible book value per ordinary share:</b>	Ordinary shareholders' equity and net proceeds from assumed conversions of outstanding in-the-money options less goodwill divided by the sum of shares outstanding and the number of options assumed issued.
<b>Effective tax rate:</b>	Income tax expense divided by the sum of income tax expense and income (loss) excluding net realized gains (losses).
<b>FAS 115:</b>	Unrealized gains (losses) on investments and the deferred tax component included in shareholders' equity.
<b>Life underwriting income:</b>	Net premium earned and net investment income less future policy benefits, acquisition costs and administrative expenses.
<b>NM:</b>	Not meaningful.
<b>Return on ordinary shareholders' equity (ROE):</b>	Income (loss) excluding net realized gains (losses) less perpetual preferred securities and mezzanine equity dividends divided by average ordinary shareholders' equity.
<b>Ordinary shareholders' equity:</b>	Shareholders' equity less perpetual preferred shares.
<b>Property and casualty combined ratios:</b>	Loss and loss expense ratios, policy acquisition cost ratios and administrative expense ratios exclude life reinsurance business and financial services segment.
<b>Tangible equity:</b>	Shareholders' equity less goodwill.
<b>Total capitalization:</b>	Short-term debt, long-term debt, trust preferreds, mezzanine equity, perpetual preferred shares and shareholders' equity.